

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
20	12/12/11	Open	Action	12/6/11

Subject: Financial Status Update for FY 2012

ISSUE:

FY 2012 Financial Status Update.

RECOMMENDED ACTION

Information Only

FISCAL IMPACT

None

DISCUSSION

The purpose of this issue paper is to provide the Board with an update on the District's operating budget for the first four months of FY 2012.

Background:

On June 27, 2011, the Board adopted the FY 2012 Operating budget of \$130.9 million in revenues and \$124.6 million in expenditures, which included a projected year-end operating reserve of \$4.4 million after an LTF revenue recognition difference of \$1.9 million. The adopted budget incorporated all known revenues and estimates of expenditures at that time. The budget also included assumptions in the Salary & Benefits expenditure category that incorporated expected labor concessions from two union groups, ATU and IBEW, during FY 2012.

STATUS OF REVENUES

While there is still uncertainty surrounding key revenue elements, the outlook for RT has improved in some key areas since the FY 2012 Budget was adopted. Table 1 provides a summary of Revenues for the first four months of operating results July to October 2011 for FY 2012 in budget-to-actual format.

Table 1

Approved:

Presented:

Final 12/7/11

General Manager/CEO

Chief Financial Officer

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Revenues Year-to-date
Budget to Actual
July 1, 2011 to October 31, 2011
 (in thousands)

Categories	FY 2012 YTD		Variance	
	Actual	Budget	\$	%
<u>Income</u>				
Fare Revenue	\$ 9,686	\$ 10,006	\$ (320)	-3.2%
Contracted Services	1,544	1,593	(49)	-3.1%
Other Income	1,035	1,115	(80)	-7.2%
Local Subsidy	22,788	22,788	-	0.0%
Federal Subsidy	8,139	8,138	1	0.0%
Carryover	14	14	-	0.0%
Total	\$ 43,206	\$ 43,654	\$ (448)	-1.0%

Total operating revenues are \$0.4 million under budget. The following summarizes trends for each key revenue category:

Fares - Fare Revenue is trending slightly under budget by 3.2%.

- Cash fares are trending slightly above both budget and the same time last fiscal year.
- Media Sales are about \$0.3 million under budget year-to-date and \$0.36 million below last year sales for the same period. The most significant drop was noticed in the monthly pass sales. Monthly pass sales dropped by \$0.24 million. The following outlets sold less monthly passes: BelAir Markets \$62K less, CA Environmental Protection Agency \$63K less, EDD \$30K less, Department of Food & Agriculture \$29K less, FTB \$18K less, SMUD \$19K less.
- Special Fares are \$0.1 million under budget due to adjustments made to CSUS revenue as a result of CSUS ridership estimates changes.

Contract Services – Currently running \$0.05 million below budget.

Other Income – Other income is trending slightly under budget by 7.2%.

- Vehicle advertising revenue is trending \$28K below budget
- Parking lot fees revenue is trending \$38K below budget

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State & Local Subsidy - LTF and Measure A, RT's sales tax based revenues, are posted each month at the budgeted level. For the first four months of FY 2012, actual taxable sales and sales tax receipts are trending at a growth rate of 4.4% over prior year, which is 3.4% above RT's current budget assumption of a 1% growth rate for FY 2012 over FY 2011. This percentage, if it holds, will provide \$1.97 million in additional revenue. Staff closely monitors sales tax receipts through the State Board of Equalization (BOE) website. The reports posted by the BOE run two months behind actual sales, therefore, the data provided thus far are for sales made in the May – September 2011 time frame. Every third month the BOE reconciles actual receipts with quarterly advances through a “true up” process so the reconciling report that will provide December sales receipts, which is usually the strongest sales tax revenue generation period, will not be posted until February FY 2012. At that point, RT will have six months of data on which to make a more certain projection than can be made now.

State Transit Assistance (STA) receipts are now expected to be significantly less than projected when the budget was prepared. Revenue projections were based upon the Legislative Analyst Office (LAO) estimates at that time. Since the budget was adopted, RT learned that the reduction in fare revenue resulting from the service cuts in FY 2010 reduced the percentage of state-wide STA that the agency would receive. The lower percentage combined with revenues coming in lower than the LAO estimates, are now expected to result in a \$2.8 million reduction in expected revenue.

Federal Subsidy - Uncertainty surrounding the level of Federal funding available to RT beyond the current year remains a primary concern. RT's FY 2012 Federal funds were budgeted conservatively at FY 2011 levels and thus far receipts have come in at this level. Funding is authorized through March 2012 and an additional six month extension to September 30, 2012 is expected. However, since there has been no long-term funding decision at the Federal level, staff is unable to effectively plan long-term for service restoration or enhancement in terms of ability to sustain increases in the operating budget. Federal revenues are a significant segment of RT's financial make up and currently provide 19.5% of total operating revenues

Carryover - The Board approved the FY 2012 Budget with an expected carryover of \$41,338 as of June 30, 2011. Following RT's annual financial audit and all year-end adjustments, the final carryover was a loss of (\$378,567). This variance will be adjusted within the FY 2012 Budget at mid-year.

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STATUS OF EXPENDITURES

RT overall, year-to-date, is on plan for the FY 2012 expenditures, but there are some areas that staff is closely monitoring. At this point in the fiscal year, total operating expenses are under budget by \$0.56 million. Table 2 provides a summary of expenditures for the first four months of operating results July to October 2011 for FY 2012 showing financial results in a budget-to-actual format.

Table 2
Expenditures – Year-to-date
Budget to Actual
July 1, 2011 to October 31, 2011
 (In thousands)

Categories	FY 2012 YTD		Variance	
	Actual	Budget	\$	%
<u>Expenses</u>				
Labor/Fringes	\$ 26,877	\$ 26,934	\$ 57	0.2%
Services	5,947	6,782	835	12.3%
Supplies	2,640	2,557	(83)	-3.2%
Utilities	2,341	1,995	(346)	-17.3%
Insurance/Liability	2,661	2,630	(31)	-1.2%
Other Expenses	509	639	130	20.3%
Total	\$ 40,975	\$ 41,537	\$ 562	1.4%

The following is summary information for each key expense category:

Labor/Fringes - Labor/Fringes are \$0.06 million under budget. District-wide straight time is \$0.27 million under budget, overtime is \$0.06 million over budget, fringes are \$0.4 million below budget, capital labor recovery is \$0.56 million below budget and temporary help is \$0.04 million over budget. Variances in other Labor accounts make up the remaining difference. Staff will continue to monitor and evaluate labor/fringes to determine if any adjustments are needed at the mid-year budget revision.

Services - Professional Services are \$0.8 million below budget. This is a net result of Purchased Transportation being below budget by \$0.3 million since RT bills Paratransit at the old rate while negotiating a new contract; in addition, Marketing is below budget by \$0.1 million, Maintenance is below budget by \$0.07 million, Facilities and Risk are below budget by \$0.05 million each; Light Rail is below budget by \$0.04 million, and Police Services is below budget by \$0.03 million. Minor variances in other Services accounts make up the remaining \$0.16 million difference.

Supplies - Supplies are \$0.08 million over budget. Light Rail is over budget by \$0.18 million in

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LRV and FVM parts. Variances in other Supplies accounts make up the remaining difference.

Utilities - Utilities are over budget by \$0.3 million due to Traction power seasonal rates.

Insurance/Liability - Insurance/Liability is \$0.03 million over budget.

Other Expenses - Other expenses are \$0.13 million under budget.

New Year-End Projections:

With just four months of data in the current year, it is not possible to provide with any degree of certainty a realistic view of how RT will end FY 2012. Table 3 provides Staff's estimates given what we know now and what may potentially turn out to be the year end results.

**Table 3
Year-End Projections Based
Forecast to Budget**

In thousands Categories	FY 2012 Forecast		
	Forecast	Budget	Variance
Income			
Fare Revenue	\$ 29,418	\$ 30,018	\$ (600)
Contracted Services	4,945	4,778	167
Other Income	3,245	3,345	(100)
Local Subsidy	67,471	68,364	(893)
Federal Subsidy	24,415	24,415	-
Carryover	(379)	41	(420)
Total	129,115	130,961	(1,846)
Expenses			
Labor/Fringes	81,175	80,775	(400)
Services	20,318	20,318	-
Supplies	7,669	7,669	-
Utilities	5,986	5,986	-
Insurance/Liability	7,891	7,891	-
Other Expenses	1,970	1,970	-
Total	\$ 125,010	\$ 124,610	\$ (400)
Net Operating Surplus (Deficit)	4,105	6,351	(2,246)
Advance of funds for Capital projects	(1,950)		
Projected Year-End Reserve	\$ 2,155		

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The table was created using the following conservative assumptions:

Revenues.

Fare Revenue – \$600K below budget.

Contracted Service – A \$167K increase due to adjustments to the Citrus Heights contract (-\$25K) and an increase in the Folsom contract (\$192K).

Other income – \$100K below budget if parking revenue continues present trend.

Local Subsidy – \$816K below budget due to STA being below budget by \$2.79 million and Measure A/LTF continuing above budget by \$1.97 million combined with a \$77K reduction due to a transfer to capital to provide match for a New Freedom Grant.

Carryover– is adjusted to an audited amount.

Expenditures.

All categories except labor are assumed to come in on budget. Labor is expected to increase by \$0.4 million due to various positions added at the November 14, 2011 Board Meeting and Capital Recovery (time charged to projects) is expected to trend below budget due to project delays.

Advance of Funds – The table shows that RT has dedicated the use of \$700K in funds to cover the cost of the buses needed to provide service under the North Natomas service contract, and \$1.25 million to provide matching funds for the recently awarded State of Good Repair (SOGR) grant. While these costs will ultimately be returned through the revenue bond financing RT will undertake next year, it is necessary to dedicate these funds now to purchase the vehicles and qualify for the grant. Budget amendments will be forthcoming in February to formalize this action.

NEXT STEPS:

RT staff will continue to monitor revenues and expenses closely, and report the FY 2012 mid-year budget-to-actual results based on six months of data to the Board in February 2012 and bring proposed budget amendments to adjust revenues and expenditures and formalize the temporary use of funds for the SOGR matching funds.