

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
14	02/28/11	Open	Information	02/07/11

Subject: FY 2012 Budget Planning and Priority Setting

ISSUE

Discussion of FY 2012 Budget Planning and priority setting for budget development purposes.

RECOMMENDED ACTION

Information item only

FISCAL IMPACT

None resulting from this presentation.

DISCUSSION

On February 14, 2011, the Board adopted a revised budget for FY 2011 that increased the operating budget to \$118.6 million. At first look, a “steady-state” operating budget for FY 2012, without any significant changes, is expected to be approximately \$122 million. The exact amount will reflect the effect of deferred labor concessions in Salaries & Benefits, which will be experienced in FY 2012 and future years, partially offsetting rises in labor costs such as retirement fund increases, and little else.

With revenues expected to rise, staff has developed a list of areas to which revenues exceeding steady-state operating expenditures can be applied through the budget process and seeks input from the Board on its priorities and preferences for budget development purposes.

A first look at revenue projections for FY 2012 is provided as Attachment 1 with all economic indicators pointing toward a gradual rise in revenues. The most recent reports received from SACOG and STA indicate that Local Transportation Funding (LTF) and Measure A revenues are expected to continue to rise over the next fiscal year. RT projections assume state transportation funding remains secure through the FY 2012 state budget process and that no adverse action is taken against future transit funding at the state or federal level.

Preliminary estimates indicate that as much as \$3.2 million in revenues may remain at the end of FY 2011 over the revised operating budget, with a conservative estimate of an additional \$3.7 million at the end of FY 2012, for a total of \$6.9 million in revenues over expenditures if the operating budgets are contained and remain steady.

Priority Setting

A brief summary of potential priority areas identified by staff is provided below in the staff’s first take on a priority order. The list is not considered to be all inclusive and the Board may wish to add priority areas to the list during the discussion.

Approved:

Presented:

Revised Final 2/24/11

General Manager/CEO

Chief Financial Officer

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1. *Grow Reserves to FTA Required Levels*

On ~~June 28, 2010~~ **September 27, 2010**, the Board adopted a comprehensive reserve policy that provided a framework through which excess revenues over expenditures could be accumulated to fund three types of reserves: Operating, Self-Insurance, and Capital.

The ranges of the adopted reserve funds varies by type with the levels set as follows:

- Operating Reserve : 1.5 - 2 Months of Operating Expenditures
- Self-Insurance Reserve: Minimum of 75%; Maximum of 100% of Actuarial Liability
- Capital Reserve: 10% of Blue Line to Cosumnes River College (BLRCC) Project Total Cost

The Federal Transit Administration (FTA) has advised RT that the identification of funds for an operating reserve of 1.5 months of expenditures will be an important element of a successful Financial Capacity Assessment (FCA) for the Blue Line to Cosumnes River College (formerly South Line Phase 2) New Starts project. RT has resubmitted information for the FCA with a request to enter Final Design on the project. No official word has yet been received on the latest request.

Since annual expenditures are expected to rise over time, the level of recommended reserves can, with Board designation, also rise to meet the minimum 1.5 months equivalent. The Financial Forecasting Model (FFM) indicates that 2012 is the first year funds will be available to apply toward funding reserves. Using \$122 million as the annual operating budget, 1.5 months equivalent operating expenses would be approximately \$15.2 million. If revenues continue to rise and the operating budget remains steady, applying *all* available funds to building reserves is estimated to result in reaching the minimum level by the end of 2013.

As a secondary reserve element of the FCA, the FTA further advised that a capital reserve equivalent to 10% of the total project cost must also be identified. While the exact amount of that reserve is yet to be determined since some of the project costs have already been experienced, the total of that reserve may require as much as \$27 million by the end of the project in 2015.

2. *Restoration of Service*

On June 20, 2011, RT implemented service reductions amounting to 20 percent of all bus service and 16 percent of all light rail service as emergency cost cutting measures to meet the fiscal crisis as declared by the Board in March 2010. The uncertainty of state funding, the precipitous decline in all sales tax based revenues, as well as the expiration of the CNG rebate all contributed to the need to contract the agency and the difficult decisions to cut service and layoff staff.

The Financial Forecasting Model anticipates the restoration of service beginning in FY 2013. RT has undertaken the Comprehensive Operational Analysis (COA) to help determine how best to restore service throughout the RT system. The COA is expected to be completed in the fall of 2011, however preliminary recommendations for some elements of service restoration may be available before the end of FY 2011.

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3. *Investment in Personnel*

Economic conditions since 2006 have required RT to cutback and, in some areas, eliminate what could be called RT’s investment in personnel. This potential priority is intended to highlight areas of extreme cutbacks in recent years that could be addressed for funding such as training; changes to compensation programs that would keep benefits and pay ranges competitive; the addition of staff to work on economic development (ED) opportunities (RT cutbacks included the elimination of the Real Estate Department, which included ED); and shoring up staffing levels throughout the District where the cuts have been too deep, leaving staffing levels too thin in some functional areas.

4. *Improving Service Quality:*

This potential priority would direct additional funding toward improving the quality of service provided that has been cut back in recent years to cut costs. For example, maintenance budgets have been reduced over time to meet critical needs and very little more. Station cleaning and landscape maintenance budgets were cut 30 – 40%, from 5 days a week to 2 or 3 days in some areas. As a result, weed abatement, graffiti and litter removal have taken a back seat to more critical services. Maintenance of RT owned right of way, such as the larger parcels along I-5 adjacent to roads and levees, has also been deferred. Removal of bushes, blackberries, trees, dumped appliances and furniture has been cut back from monthly to an “on complaint” basis.

5. *Capital Investment:*

This potential priority will direct a level of funding toward smaller capital and ongoing maintenance projects separate from the larger capital reserve described above. This funding would be made available for unfunded and under-funded capital projects in project areas such as ongoing maintenance, system repair and equipment purchases. Meeting local match requirements even for small grants has been problematic in recent years. From time to time, funding opportunities in the form of grants become available for which RT’s projects would successfully compete, except for the requirement to provide anywhere from 11% to 20% in matching local funds. RT currently reclassifies and redirects small amounts of STA revenues to cover local match as awards are received. The most recent Board approval for this purpose was on February 14th, when STA funds were reclassified for capital purposes on 3 small projects.

Input received from the Board on priority setting will be incorporated into the planning and development process for the preliminary FY 2012 Operating and Capital Budgets. These budgets will first be presented to the Board in April and issued for a sixty day review period. At least one public hearing will follow before final presentation and adoption in June 2011. RT is statutorily required to adopt a budget by July 1 for the next fiscal year.

AGENDA ITEM REVIEW

**AGENDA ITEMS NOT RECEIVING APPROPRIATE SIGN-OFF OR
NOT RECEIVED BY DEADLINE WILL NOT BE INCLUDED IN AGENDA PACKET**

ISSUE PAPER TITLE: FY 2012 Budget Planning and Priority Setting
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MANAGER/DIRECTOR of ORIGINATING DEPT

Initials _____ Date _____

RESPONSIBLE EMT PERSON*

Initials _____ Date _____

PARALEGAL – Documents Received _____ Yes

Initials _____ Date _____

CLERK TO THE BOARD

Initials _____ Date _____

CHIEF LEGAL COUNSEL

Initials _____ Date _____

CHIEF ADMIN. OFFICER

Initials _____ Date _____

GENERAL MANAGER

Initials _____ Date _____

CHIEF FINANCIAL OFFICER

Initials _____ Date _____

Comments:

ATTACHMENT 1
Preliminary Estimates

**Sacramento Regional Transit District
FY 2011 - FY 2012 Operating Revenue Worksheet**

Funding Source	(1)	(2)	(3)	(4)
	2011 Adopted Budget	2011 Amended Budget	2011 Year-End Projections	2012 Preliminary Budget
Fare Revenues				
Cash Fares	9,636,410	9,572,150	9,572,150	9,734,248
Prepaid Sales	20,711,000	20,162,098	20,162,098	21,000,000
Special Fares (Los Rios, CSUS, etc.)	1,828,230	1,828,230	1,828,230	1,828,230
Transfer Agreements	(1,350,000)	(1,150,000)	(1,150,000)	(1,150,000)
Folsom Contract change	-	(586,838)	(586,838)	(586,838)
Commissions	(25,000)	(25,000)	(25,000)	(25,000)
SubTotal - Fare Revenues	30,800,640	29,800,640	29,800,640	30,800,640
Other RT Revenues				
Advertising	1,150,000	1,000,000	1,000,000	1,000,000
Investments	300,000	300,000	300,000	300,000
Real Estate				
Commercial	375,000	375,000	375,000	375,000
Park N Ride Parking	700,000	350,000	350,000	400,000
Miscellaneous Income	1,770,292	2,170,292	2,170,292	870,292
SubTotal - Other RT Revenues	4,295,292	4,195,292	4,195,292	2,945,292
Local / Measure A				
Measure A - RT General	26,367,143	28,536,107	29,106,829	29,980,034
SubTotal - Local/Measure A	26,367,143	28,536,107	29,106,829	29,980,034
Transportation Development Act (TDA)				
Local Transportation Fund	22,169,692	25,736,981	28,862,303	29,586,001
State Transit Assistance (section 99313)	11,080,000	2,862,300	2,862,300	4,623,620
State Transit Assistance (section 99314)		2,442,591	2,442,591	3,945,642
Less COP Pmt and Transfers to Capital	(2,197,282)	(2,220,630)	(2,220,630)	(2,724,986)
SubTotal - TDA	31,052,410	28,821,242	31,946,564	34,209,621
Contracted Services				
Folsom - Light Rail	1,471,400	1,328,918	1,328,918	1,342,207
Citrus Heights	1,680,698	2,439,232	2,710,883	2,698,768
Rancho Cordova	-	250,000	250,000	250,000
Elk Grove	596,633	448,334	448,334	215,000
SubTotal - Contracted Service Areas	3,748,731	4,466,484	4,738,135	4,505,975
Federal				
Jobs Access/Reverse Commute	483,148	200,000	200,000	200,000
Section 5307 Urbanized Area Formula	16,280,540	16,280,540	16,280,540	16,280,540
Section 5309 Fixed Guideway	4,755,809	4,755,809	4,755,809	4,755,809
SubTotal - Federal	21,519,497	21,236,349	21,236,349	21,236,349
Total Revenues	\$ 117,783,713	\$ 117,056,114	\$ 121,023,809	\$ 123,677,911
			(3-2)	(4-3)
			\$ 3,240,096	\$ 2,654,102

* Includes 1 of 2 \$647,207 payments to City of Sacramento

** Reduction over prior year reflects reduction in STA Rev for CH

Combined Total Representing Estimate Increase over Revised Revenue Budget \$ 5,894,198