

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
6	03/24/14	Open	Action	03/12/14

Subject: FY 2014 Mid-Year Review and Amending the FY 2013 Operating and Capital Budgets

ISSUE

Whether or not to amend the FY 2014 Operating Budget and the FY 2014 Capital Budget.

RECOMMENDED ACTION

Adopt Resolution No. 14-03-____, Approving Amendments to the FY 2014 Operating Budget and the FY 2014 Capital Budget.

FISCAL IMPACT

Although many adjustments are included in the proposed amendments, the combined *net effect* of all changes to the FY 2014 Operating and Capital Budgets will be a net decrease in operating revenues of \$212,455; an increase in operating expenditures of \$166,728; and proposed amendments to increase the Capital funding budget by \$39,835,022.

DISCUSSION

The purpose of this Issue Paper is to recommend specific amendments to RT's FY 2014 Operating and Capital Budget.

Background:

On June 24, 2013, the Board adopted the FY 2014 Operating Budget of \$142.7 million in revenues and \$142.3 million in expenditures, which included a projected year-end operating reserve of approximately \$400,000. The adopted budget incorporated all known revenues and estimates of expenditures at that time and included the projected increase in costs associated with providing a full year of TransitRenewal Phase 1, which restored approximately 8.3% of the 20.1% of service that was cut in June 2010. TransitRenewal Phase 1 was implemented in September 2012 and 10 months of associated costs were experienced in FY 2013 year. The FY 2014 Operating Budget includes a full year of TransitRenewal Phase 1 costs.

The FY 2014 Operating Budget also includes six months of an additional 1% of service increases in the form of changes characterized as "tweaks" to the TransitRenewal Phase 1 service levels.

On February 24, 2014, the Board was presented with the FY 2014 Mid-Year Financial Update as of December 31, 2013, (six months) indicating a surplus of about \$152,000 due to revenues being below budget by \$156,000 and expenses being under budget by \$308,000. As part of the mid-year budget discussion, staff informed the Board that a number of adjustments to budget classifications to realign the budget to actual results will be presented to the Board on March 24, 2014. There was and still is uncertainty surrounding some of the revenue elements such as sales

Approved:

Presented:

Final 03/19/14

General Manager/CEO

Director of Office, Management & Budget

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tax revenue and Compressed Natural Gas (CNG) tax rebate program revenue. While there is still uncertainty surrounding some revenue elements, based on current data, the proposed changes in revenue and expense categories for FY 2014 Operating Budget are as follows:

PROPOSED FY 2014 OPERATING BUDGET AMENDMENTS

Table 1 below summarizes the proposed FY 2014 budget amendments:

**Table 1
Sacramento Regional Transit District
Schedule of Proposed Budget Changes**

Categories	FY 2014 Current Budget	FY 2014 Revised Budget	FY 2014 \$ Changes	FY 2014 % Changes
<u>Operating Revenue</u>				
Fare Revenue	\$ 30,085,846	\$ 29,385,846	\$ (700,000)	-2.3%
Contracted Services	5,416,127	5,416,127	-	0.0%
Other	2,920,292	2,920,292	-	0.0%
State & Local	76,118,440	75,271,412	(847,028)	-1.1%
Federal	28,142,128	29,476,701	1,334,573	4.7%
Total Operating Revenue	\$ 142,682,833	\$ 142,470,378	\$ (212,455)	-0.1%
<u>Operating Expenses</u>				
Salaries & Benefits	\$ 90,983,542	\$ 91,537,633	554,091	0.6%
Professional Services	25,439,421	25,212,421	(227,000)	-0.9%
Materials & Supplies	9,357,650	9,530,650	173,000	1.8%
Utilities	5,810,000	5,773,500	(36,500)	-0.6%
Casualty & Liability	8,528,942	8,160,942	(368,000)	-4.3%
Other	2,184,095	2,255,232	71,137	3.3%
Total Operating Expenses	\$ 142,303,650	\$ 142,470,378	\$ 166,728	0.1%
Potential Reserve	\$ 379,183	\$ -	\$ (379,183)	

Amendments to Revenues

The proposed change in revenue reflects the net result of numerous increases and decreases in various projected revenues based on seven months of experience in this fiscal year and reclassification of revenue as capital revenue. The most significant impacts on RT's revenue streams are noted below.

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Fare Revenue:

Staff proposes to reduce Fare Revenue by \$700,000. For the first seven months of FY 2014, Fare Revenue is below budget by 3.5%. With the addition of evening service, the average fare in FY 2014 is three cents below the FY 2013 average fare at mid-year causing total Fare Revenue to drop below last year by 2.7% and below budget by 3.5%.

State & Local Subsidy Revenue:

Staff proposes to reduce the State & Local revenue by \$847,028, which includes:

State Transit Assistance (STA) – Staff proposes to transfer \$137, 945 of STA funds to capital to pay for a Citrus Heights “Transit Services Management Study” currently in process, and half of the local match requirement for Federal Funds for the Horn Road Light Rail Station planning study. The City of Rancho Cordova will pay the remaining half of the match requirement for the study.

Local Transportation Fund (LTF) and Measure A – Staff proposes to reduce Measure A sales tax revenue by \$709,083, to adjust to the Sacramento Transportation Authority’s sales tax projections for FY 2014. This adjustment will align RT closer to the current sales tax trends for FY 2014.

RT’s sales tax based revenues which are Local Transportation Funds (LTF) and Measure A Funds, are posted each month at the budgeted levels. For the first six months of FY 2014, actual taxable sales and sales tax receipts were trending at a growth rate of 2.6% over prior year. RT staff received on March 18th the most recent data from the Board of Equalization, which includes the third quarter of FY 2014 actual sales tax receipts numbers. The third quarter activity was positive and the cumulative sales tax growth rate in FY 2014 over prior year is 5%. This is on plan with our current budget of 5.0% growth rate for FY 2014 over FY 2013.

LTF distributions are received according to the Sacramento Area Council of Governments (SACOG) annually adopted Finding of Apportionment and subsequent revisions. SACOG staff is currently considering revising the FY 2014 Finding of Apportionment for LTF funding in the near future, but RT staff does not propose any changes in LTF budgeted revenue at this time.

RT receives Measure A from the Sacramento Transportation Authority as it comes in and it is not subject to a delayed apportionment process. As previously reported, 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 tax transactions; therefore, the data provided for the first nine months of the fiscal year are for sales made in the May 2013 – February 2014 time frame. Every third month, the BOE reconciles actual receipts with quarterly advances through a “true up”. Staff will continue to monitor sales tax closely in the coming months.

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Federal Revenue:

Staff proposes an increase to the budget for Federal Revenues of \$1,334,573. Funding for Section 5307 Urbanized Area Formula and Section 5337 State of Good Repair (for Fixed Guideway) have both recently been fully allocated in the Federal budget for FY 2014. The funding level for FY 2014 Section 5307 funds represents an increase in funding for preventative maintenance of approximately \$0.1 million over the original budget. The final FY 2014 Section 5337 funding level is \$1.1 million over the original budget. Staff also proposes to increase Job Access Reverse Commute Federal revenue by just under \$100,000 due to changes to the prior year allocation.

Amendments to Expenditures

Salaries & Benefits:

After conducting extensive analysis of all labor costs for the first seven months and projecting those costs to fiscal year-end, staff proposes the following adjustments to Salaries & Benefits that in total result in a cost increase of \$554,091 to the FY 2014 Operating Budget.

Position Changes: The proposed revisions reflect all position changes approved by the Board since the beginning of the fiscal year which include the elimination of one and the addition of three new positions. These positions are as follows: Director, Planning - eliminated on August 13, 2013; Senior Information Technology Business Systems Analyst - added on October 28, 2013; Principal Systems Engineer and Principal Civil Engineer - added on November 11, 2013 with an effective hire date in May 2014; and Administrative Assistant II added on January 10, 2014 with an effective hiring date of March 2014.

Full justification for these positions are included in the issue papers titled “*Approving Modified and New Job Descriptions and the Districts Authorized Classifications, Positions and Salary Grades*” authorized by the Board at the respective meetings.

Capital Recovery is a budget classification that credits the Operating Budget for labor charged directly to capital projects. Each Division estimates the amount of time that will be charged to capital projects during the budget process. Over the course of the year, staff monitors how much actual labor is charged to capital projects. At mid-year, capital recovery is \$0.35 million below the budgeted level. Many departments have charged less labor to capital projects than expected due to project delays or deferrals. Staff anticipates higher capital recovery in the second half of the fiscal year and proposes to amend the direct and indirect capital labor recovery down by \$0.34 million, which increases Salary & Benefit costs by the same amount.

Professional Services:

Staff proposes to decrease Professional Services by \$227,000. Security costs are proposed to decrease by \$200,000 due to vacancies in contracted security services. In addition, Legal

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services cost will decrease by \$75,000 due to the California Transportation Authority reimbursement of a share of the Section 13(c) litigation costs incurred by RT. Other accounts will increase by \$48,000 to cover overages in various departments such as Human Resources, Outside Services and Facilities Building and Grounds accounts.

Materials & Supplies:

Staff proposes to increase Materials & Supplies by \$173,000. Based on the trend for seven months of FY 2014, the Bus parts budget will increase by \$100,000; CNG cost will increase by \$50,000. The budget changes in other areas make up the remaining difference.

Utilities:

Staff proposes to decrease the Utilities budget by \$36,500. Traction power cost is trending under budget, and the budget will be reduced by \$50,000. Water cost is trending over budget, and the Water budget will be increased by \$13,500.

Casualty & Liability:

Staff proposes to decrease Casualty & Liability costs by \$368,000 based on the FY 2014 mid-year actuarial reports completed in February. The actuarial report for Workers Compensation and Property and Liability insurance resulted in a net claim reserve liability decrease of \$368,000 for FY 2014. The Workers Compensation increased by \$1,000,000 due to a change in methodology, which resulted in a more conservative estimate, and Property and Liability decreased by \$1,368,000 due to claim payouts in the recent time period. The net impact is a projected \$368,000 decrease in costs for FY 2014.

Other Expenses:

Staff proposes to increase Other Expenses by \$71,137. This change is due to an increase in the General Manager’s Contingency account of \$55,637 and an increase of \$28,000 in the Assistant General Manager of Marketing’s Dues & Subscriptions line item. The budget changes in other areas make up the remaining difference.

Amendments to Reserve:

The FY 2014 Adopted Budget included a potential reserve at year-end of \$0.379 million. Staff proposes to reduce the earlier projection for a potential reserve in the FY 2014 revised budget from \$0.379 million to \$0 to balance the budget. The final year-end audited financial results for FY 2013 reflected a cumulative reserve of \$7.9 million which remains unaffected by this change.

FY 2014 Capital Budget Amendments

Since the Capital Budget was adopted on June 24, 2013, changes in expected project funding have occurred. These changes include moving a net \$137,945 in State Transit Assistance (STA) revenue from the FY 2014 Operating Budget to the FY 2014 Capital Budget. STA funds need to

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be transferred to cover project costs for the following capital projects: \$115,308 for Citrus Heights Transit Services Management Study, and match funding for the Horn Road Light Rail Station planning study in the amount of \$50,000. There were other funding reductions on various projects as well, that offset these increases.

The remainder of the proposed revisions to the FY 2014 Capital Budget is based on updated information on projects with new grant funding and reductions in project funding for grants that were not awarded. The revised Capital Funding Budget for FY 2014 is increased by \$39,835,022 and the proposed Capital Funding total is \$58,387,019. A summary of all project amendments is provided as Exhibit A.

Risk Areas

Staff continues to closely monitor sales tax receipts and the most recent data point was provided by the Board of Equalization on March 18th, and this included the actual sales tax receipts through the third quarter of FY 2014. The third quarter sales tax data, was very encouraging for the Sacramento Region, the cumulative sales tax growth for FY 2014 through March 2014 (3/4 of the FY) is 5%.

Staff will also continue to monitor the Federal CNG rebate legislation, and continue to contain costs for the remainder of this FY 2014.

Staff anticipates coming back to the Board sometime before June 2014 to provide a FY 2014 budget update, and/or revised budget, which may include a request for the use of reserves to some extent depending on the CNG rebate legislation and other potential revenue/expense adjustments.

Board Action:

Staff recommends adoption of the proposed amendments to the FY 2014 Operating and Capital Budgets.

RESOLUTION NO. 14-03-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

March 24, 2014

**APPROVING AMENDMENTS TO THE FY 2014 OPERATING BUDGET AND THE FY
2014 CAPITAL BUDGET**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the FY 2014 Operating Budget is hereby amended by making the following
changes to it:

- Net decrease of \$212,455 to Revenues - decrease of \$700,000 to Fare Revenue; decrease of \$847,028 to State and Local revenue; and increase of \$1,334,573 of Federal revenue.
- Net increase of \$166,728 to expenses – increase of \$554,091 in Salary & Benefits; decrease of \$227,000 in Professional Services; increase of \$173,000 in Materials & Supplies; decrease of \$36,500 in Utilities; decrease of \$368,000 in Casualty & Liability and increase of \$71,137 in Other Expenses.

THAT, the FY 2014 Capital Budget is hereby amended by increasing the total capital funding by \$39,835,022 as described more specifically in Exhibit A.

PHILLIP R. SERNA, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

Sacramento Regional Transit District Schedule of Proposed Capital Budget Changes

Exhibit A

Program	Project Name	Tier	FY 2014 Capital Budget Funding	FY 2014 Capital Funding Budget Revised	Changes to FY 2014 Capital Funding	Description of Change
System Expansion Programs						
410	Blue Line to Cosumnes River College	0	\$ 2,506,303	\$ 45,660,000	\$ 43,153,697	Add: Federal 5309 New Starts \$30,141,224 Add: State STIP-PTA \$13,012,473
R321	Green Line Draft & Final EIS/R for SITF Segment	0	1,752,000	-	-	No Change
R322	Green Line Draft Environmental Clearance and Project Development	0	400,000	-	(400,000)	Reduce: Local North Natomas Dev Fees \$-400,000
S010	Sacramento-West Sacramento Streetcar Starter Line	I	-	1,634,780	1,634,780	Add: State PTMISEA \$1,570,000 Add: Local Measure A \$64,780
R135	Light Rail Station at Horn	II	-	100,000	100,000	Add: State STA \$50,000 Add: Local City of Rancho Cordova \$50,000
	System Expansion Total		4,658,303	49,146,780	44,488,477	
Fleet Programs						
B139	40' CNG Bus Procurement	I	7,500,000	700,000	(6,800,000)	Reduce: Federal STP \$-7,500,000 Add: Federal 5339 Bus Facility \$700,000
R320	Light Rail Bucket & Platform Trucks	0	-	5,154	5,154	Add: Local 2012 Revenue Bond \$5,154 Add: Federal 5309 Bus Discretionary \$10,388 Add: State PTMISEA \$309,143 Add: State PTMISEA \$143,695
B142	Neighborhood Ride Vehicle Replacement (CNG) - 14 Vehicles	0	-	2,534,000	2,534,000	Add: Local 2012 Revenue Bond \$2,070,774
	Fleet Program Total		7,500,000	3,239,154	(4,260,846)	
Infrastructure Programs						
R330	Rail Profiling	0	300,000	300,000	-	No Change
M002	University/65th Street Transit Center Relocation	I	1,061,531	-	(1,061,531)	Reduce: Local Sac City SHRA \$-1,061,531
	Infrastructure Program Total		1,361,531	300,000	(1,061,531)	
Facilities Programs						
4007	ADA Transition Plan Improvements	I	356,643	-	(356,643)	Reduce: Federal New Freedom \$-285,313 Reduce: State PTMISEA \$-71,330
715	Bus Maintenance Facility #2 (Phase 1&2)	I	-	447,492	447,492	Add: Federal HPP \$247,500 Add: Local Dev Fees \$199,992
F015	Facilities New Freedom Tasks-Add Mini-Hi's to Light Rail Stations	I	-	57,500	57,500	Add: State STA \$57,500
F018	Rancho Cordova Landscaping	I	-	20,838	20,838	Add: State STA \$10,137 Add: Local Measure A \$10,701
Q030	Citrus Heights Transit Enhancements	II	-	115,308	115,308	Add: State STA \$115,308
T016	CLOSED - Facilities New Freedom Tasks-Audiable Feature Signal	0	257,799	-	(257,799)	Reduce: Federal New Freedom \$-206,239 Reduce: State STA \$-51,560
	Facilities Program Total		614,442	641,138	26,696	
Equipment Program						
B143	Fare Box Replacements	0	-	179,226	179,226	Add: Local 2012 Revenue Bond \$179,226
	Equipment Program Total		-	179,226	179,226	

Sacramento Regional Transit District Schedule of Proposed Capital Budget Changes

Exhibit A

Program	Project Name	Tier	FY 2014 Capital Budget Funding	FY 2014 Capital Funding Budget Revised	Changes to FY 2014 Capital Funding	Description of Change
Transit Technologies Programs						
T017	Audio Light Rail Passenger Information Signs		116,000	160,000	Add: Federal New Freedom \$160,000	
T022	Handheld Smart Card Reader		-	-	No Change	
T014	Connect Card Data & Communications Systems		95,000	95,000	Add: State Prop 1B Transit Security \$95,000	
T023	Connect Card-Technical Support		80,000	80,000	Add: State Prop 1B Transit Security \$80,000	
	Transit Technologies Program Total		116,000	451,000	335,000	
Transit Security & Safety						
T018	Building Access System Upgrade	0	111,507	111,507	No Change	
H021	Enhancement of Emergency Power Generation	0	-	128,000	Add: State Prop 1B Transit Security - Transfer from Proj B133 \$128,000	
T020	Operations Computer Systems Upgrades	0	205,000	205,000	No Change	
T019	Video Surveillance System Enhancement	0	145,000	145,000	No Change	
	Transit Security & Safety Total		461,507	589,507	128,000	
Other Programs						
G075	ERP System Disaster Response	0	245,000	245,000	No Change	
M004	Revenue Bond, Series 2012 Payment	1	3,595,214	3,595,214	No Change	
	Other Programs Total		3,840,214	3,840,214	-	
Total			\$ 18,551,997	\$ 58,387,019	\$ 39,835,022	