

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
18	06/08/15	Open	Information	06/03/15

Subject: FY 2016 Budget Update

ISSUE

Discussion of updates to the FY 2016 Operating Budget since the May 11th Board Meeting.

RECOMMENDED ACTION

Information only.

FISCAL IMPACT

None as a result of this item.

DISCUSSION

The Proposed Fiscal Year 2016 Operating and Capital Budgets were released for public review on April 13, 2015. The public hearing notice was published in the Sacramento Bee. Through this process, the public is offered an opportunity to express opinions regarding the proposed FY 2016 Budget.

As of this date, staff has received one email asking questions or providing comment on the budget; no calls or letters have been received. On June 22, 2015, staff will report any public comment or inquiries received and will recommend that the Board close the public hearing and adopt the FY 2016 Operating and Capital budgets.

Staff continues to monitor revenues and refine expenditure projections for the current year, as well as for the FY 2016 Proposed Budget. There have been some changes to the FY 2016 Preliminary Operating Budget since it was presented to the Board on May 11th, which are explained in Table 1 of this issue paper. With these proposed revisions, the FY 2016 Operating Budget is balanced, with Revenues and Expenses totaling \$155.5 million.

As in previous years, the budget documents will be continuously updated as conditions change until the last Board meeting in this fiscal year on June 22nd, when the final result of all updates to both budgets will be reported to the Board and the documents will be presented to the Board for adoption.

RT Major Goals and Objectives in FY 2016

- **Quality of Service** - Staff is currently negotiating contracts with various Public Improvement Districts and local public agencies to partner for stop and station cleaning and maintenance. Some contracts have already been executed and more should be signed and in place by early 2016. In addition, RT has received two bus shelter bids for

Approved:

Presented:

Final 06/03/15

General Manager/CEO

Chief Financial Officer, Acting

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upgraded intensive cleaning (new and rehabbed shelter in year one). The award date of the contract is projected to be in July 2015.

- Mobile Applications** - RT is obtaining a technical specification this week from a vendor, which will allow RT to have a customized system for riders to report information about conditions at stations and stops to RT staff. This is projected to go live by September 1, 2015. In addition, RT has received an offer for a free mobile ticketing pilot application for smart phones. RT's Procurement and Legal departments are working on this contract. Once the agreement is completed, the projected go live date would be in a 60 day time frame.
- Digital Message Signs** - RT has completed the install of digital messaging signs. This will provide real-time train information in the near future; the pilot is currently underway, and a full install is planned for the end of calendar year 2015.
- Connect Card** - The vendor has said that the system will be complete for pilot program by July 2015. RT expects to have this rolled out completely for both RT and other transit agencies in the region during FY 2016.
- South Line Phase 2 Project** – The project is on schedule to be completed and operational on September 6, 2015. The projected start date is the same date as in the Federal Funding Grant Agreement for the project.
- UTDC Light Rail Vehicle Retrofit and Mid Life Refurbishment** - This project is well under way, and staff is projecting that Siemens will have 16 trains fully completed and tested by June 30, 2016. The projected date for the completion of the project is June 2017.
- Horn Road and Dos Rios Light Rail Stations** – RT plans to submit an application for the next round of Community Design Grants this month. This application will be to request funding to advance the design work of the facilities. Discussions are being held with the Cities of Sacramento and Rancho Cordova and SACOG to determine the most appropriate next step, and the level and source of local match funds. Staff's goal is to present the Horn Road station design concept to the Rancho Cordova City Council in June 2015 for direction on a preferred design concept and station positioning east of Horn Road.
- Streetcar Project** – The Streetcar project was presented to the registered voters in Sacramento's project area to determine whether funding for the project will be approved through an assessment of those properties. The final results of the vote are expected to be released on June 8th. It is anticipated that the results will be less than the 67% margin that is needed to pass. In addition, the environmental document will be presented to the SACOG Board or delegated committee of the Board for adoption of the California Environmental Quality Act (CEQA) action in June/July time frame. It is unknown at this time when the design Request Proposal is expected to be released for final design. The design process is expected to take about one year.

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- **Sacramento Rail Yards** – The Green Line project will serve the rail yards in two ways: first, the existing east-west Sac Valley Station will need to be relocated to a north-south alignment west of 5th Street; second, a Railyards Boulevard station is being planned to serve the future development between North B Street and the relocated mainline UP/Amtrak tracks. As part of the Green Line effort, these projects are being environmentally cleared for CEQA, with the intent being to utilize Proposition 1A (High Speed Rail Connectivity) funds to partially fund the construction.
- **Siemens Light Vehicle Train Wraps** – RT staff has a vendor in place and estimates that 8 of the 26 Siemens vehicles that are currently scheduled for exterior work will be completed during FY 2016.
- **40' CNG Bus Replacement Project** – RT is under contract with Gillig to purchase 96 CNG Buses. RT has received 30 buses to date; the second order of 30 buses is projected for delivery in the Spring of 2016. The final 36 buses are scheduled for completion and delivery by October 2016, and are expected to be in service by January 2017.

Operating Budget Revisions

Staff proposes the following summary of changes in Revenue and Expenses for the upcoming fiscal year:

Table 1
Sacramento Regional Transit District
FY 2015 and FY 2016 Operating Budget Comparison

Categories	FY 2015 Amended Budget	FY 2016 Revised 05-11-15 Budget	FY 2016 Revised 06-08-15 Budget	FY 2016 \$ Changes	FY 2016 % Changes	FY 2015 to FY 2016 % Changes
<u>Operating Revenue</u>						
Fare Revenue	\$ 28,834,224	\$ 29,865,097	\$ 29,953,414	\$ 88,317	0.3%	3.9%
Contracted Services	5,664,819	6,330,374	6,443,738	113,364	1.8%	13.8%
Other	4,701,369	3,800,292	4,060,292	260,000	6.8%	-13.6%
State & Local	77,560,824	82,580,586	82,968,584	387,998	0.5%	7.0%
Federal	30,173,615	32,031,966	32,031,966	-	0.0%	6.2%
Total Operating Revenue	\$ 146,934,851	\$ 154,608,315	\$ 155,457,994	\$ 849,679	0.5%	5.8%
<u>Operating Expenses</u>						
Salaries & Benefits	\$ 95,045,703	\$ 99,010,908	\$ 99,178,175	167,267	0.2%	4.3%
Professional Services	25,979,283	27,908,475	27,968,449	59,974	0.2%	7.7%
Materials & Supplies	9,494,600	10,275,250	10,104,973	(170,277)	-1.7%	6.4%
Utilities	5,757,900	6,434,400	6,434,400	-	0.0%	11.7%
Casualty & Liability	8,603,540	9,772,996	9,793,687	20,691	0.2%	13.8%
Other	2,053,825	1,978,310	1,978,310	-	0.0%	-3.7%
Total Operating Expenses	\$ 146,934,851	\$ 155,380,339	\$ 155,457,994	\$ 77,655	0.0%	5.8%
Balance	\$ -	\$ (772,024)	\$ (0)	\$ 772,024		
Cumulative Reserve	\$ 4,561,880					

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Revenues

A net increase of \$849,679 in projected total revenues is due to the following:

Fare Revenue

Fare Revenue increased by \$88,317 due to the anticipated implementation of the Connect Card, as well as a projected increase in ridership in FY 2016.

Contracted Services

Contracted Services increased by \$113,364 due to an update to the cost calculation for the City of Folsom's operating and maintenance agreement with RT for light rail service.

Other Revenue

Other Revenue increased by \$260,000 due to an increase in expected RINs revenue; staff is projecting this revenue source to be approximately \$560,000 in FY 2016.

State & Local

State & Local revenue increased by \$387,998 due to the following:

- an increase of \$186,995 in RT's State Transit Assistance (STA) allocation, which is the result of an increase in the State-wide STA allocation in the May revised State budget for FY 2016;
- a reduction of \$24,087 due to the transfer of STA funds from the Operating Budget to the Capital Budget to fund the local match required for the Watt/I-80 Transit Center Master Plan project; and
- an increase of \$225,090 in additional LCTOP funding for new South Line Phase 2 positions.

Expenses

A net increase of \$77,655 in projected total expenses is due to the following:

Salary & Benefits

Salary & Benefits increased by \$167,267 in FY 2016 as compared to the May 11th Preliminary Operating Budget due to the elimination of funding for 29 positions, which is three more than was reported at the last Board meeting, and due to the addition of three new positions for South Line Phase 2. As a result of reassessment of the needs to properly operate, maintain and manage a new service, three existing vacant positions have been shifted to support South Line phase 2 operations, and three new positions were added, for a total of 33 permanent employee positions, and one temporary analyst position funded for one half of FY 2016.

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Professional Services

Professional services increased by \$59,974 in FY 2016 as compared to the May 11th Preliminary Budget due to an increase in Paratransit ADA service cost estimates.

Materials & Supplies

Materials & Supplies decreased by \$170,277 in FY 2016 as compared to the May 11th Preliminary Budget due to a change in the projected CNG cost for FY 2016, which has been adjusted to reflect the current trends of a lower price per therm than was in the original FY 2016 Preliminary Budget.

Casualty & Liability

Casualty & Liability cost increased by \$20,691 in FY 2016 as compared to the May 11th Preliminary Budget due to an increase in insurance premiums. The final quotes from the insurance companies were slightly higher than originally projected.

Comparison of Existing Service Costs and South Line Phase 2 Service Costs

Table 2 shows a breakdown of the FY2016 Budget into two categories: the cost of RT's existing service (Base Budget) and the costs associated with the addition of the South Line Phase 2 service.

**Table 2
Sacramento Regional Transit District
FY 2016 Operating Revenues and Expense Summary**

Categories	FY 2015 Amended Budget	FY 2016 Draft Base Budget	FY 2016 Base Budget % Changes	FY 2016 Draft South Line	FY 2016 Draft Budget Total	FY 2016 Total Budget % Changes
Operating Revenue						
Fare Revenue	\$ 28,834,224	\$ 29,358,956	1.8%	\$ 594,458	\$ 29,953,414	3.9%
Contracted Services	5,664,819	6,443,738	13.8%	-	6,443,738	13.8%
Other	4,701,369	4,060,292	-13.6%	-	4,060,292	-13.6%
State & Local	77,560,824	81,260,747	4.8%	1,707,837	82,968,584	7.0%
Federal	30,173,615	30,393,610	0.7%	1,638,356	32,031,966	6.2%
Total Operating Revenue	\$ 146,934,851	\$ 151,517,343	3.1%	\$ 3,940,651	\$ 155,457,994	5.8%
Operating Expenses						
Salaries & Benefits	\$ 95,045,703	\$ 96,685,353	1.7%	\$ 2,492,822	\$ 99,178,175	4.3%
Professional Services	25,899,283	27,738,620	7.1%	229,829	27,968,449	8.0%
Materials & Supplies	9,494,600	9,563,473	0.7%	541,500	10,104,973	6.4%
Utilities	5,757,900	5,757,900	0.0%	676,500	6,434,400	11.7%
Casualty & Liability	8,603,540	9,793,687	13.8%	-	9,793,687	13.8%
Other	2,133,825	1,978,310	-7.3%	-	1,978,310	-7.3%
Total Operating Expenses	\$ 146,934,851	\$ 151,517,343	3.1%	\$ 3,940,651	\$ 155,457,994	5.8%
Balance	\$ -	\$ -		\$ -	\$ -	

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Note: The FY 2016 Base Line Budget has increased by 3.1% over the FY 2015 Amended Operating Budget. The major cost drivers in the proposed FY 2016 Operating Budget are Labor increases due to contractual obligations, an increase in Paratransit costs, an increase in security costs, and an increase in insurance premiums and reserves for workers' compensation and liability claims.

Risk Analysis for FY 2016

Other Revenue - CNG Rebate

One area of continuing concern is the CNG tax rebate, which is included in the FY 2016 Preliminary Operating Budget in the amount of \$1.4 million. If no legislative action is taken to continue the rebate, which expired in December 2014, staff will consider adjusting this revenue item in the FY 2016 Budget to take the rebate out of the revenue projections for the period of July 2015 to June 2016. This will occur either during the 60 day budget review period or will be reflected in the revised Operating Budget for FY 2016 (which will be in February 2016).

Contracted Services Revenue - Elk Grove Contract

The Proposed FY 2016 Budget includes revenues from RT's contract service agreement with the City of Elk Grove in the amount of approximately \$800,000. There is potential risk that this revenue source could be impacted by Assembly Bill No. 906 (AB906), which was introduced by Assembly Member Cooper and proposes to amend section 102100.9 of the Public Utilities Code relating to Transit.

Here is an excerpt from the Legislative Counsel's Digest that describes AB906:

Existing law provides for the creation of Sacramento Regional Transit District, with specified powers and duties relative to the provision of public transit services and governed by a Board of Directors. Existing law provides for appointment of directors by member entities, and also provides that a city or county that is not annexed to the district may appoint at least one director as a participating entity if it enters into an agreement with the district that provides, among other things, for payment of the participating entity's proportionate share of the district's cost to provide rail or other districtwide transit services. Existing law, in that regard, provides for the proportionate share of the City of Elk Grove to be determined pursuant to a specified agreement between the city and the district. This bill would delete the reference to the specified agreement, and instead provide that the City of Elk Grove's proportionate shall be deemed fully satisfied though the district's receipt from the Sacramento Transportation Authority of specified transportation-related transaction and use tax revenues (Measure A revenues).

If this bill were to pass, RT's current contract amount of \$800,000, which is included in the FY 2016 Proposed Operating Budget as mentioned above, would be reduced to zero revenue from Elk Grove in FY 2016 as well as all future years. Staff is monitoring this situation closely.

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Looking Ahead

The Preliminary Operating Budget that was presented to the Board on April 13th had a projected shortfall of \$2.7 million. Staff was able to fine tune revenues and expenses over the past two months and balance the FY 2016 Budget without the use of reserves. Staff will continue to look for further cost reductions and revenue enhancement opportunities. A full budget package will be presented to the Board for approval at the June 22nd Board meeting.

Future Budget Schedule

June 22, 2015 Continue Public Hearing and Board Adoption

July 1, 2015 Start of Fiscal Year 2016