

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
13	03/23/15	Open	Action	03/16/15

Subject: FY 2015 Review and Amending the FY 2015 Operating and Capital Budgets

ISSUE

Whether or not to amend the FY 2015 Operating Budget and the FY 2015 Capital Budget.

RECOMMENDED ACTION

Adopt Resolution No. 15-03-____, Approving Amendments to the FY 2015 Operating Budget and the FY 2015 Capital Budget.

FISCAL IMPACT

Although many adjustments are included in the proposed amendments, the combined *net effect* of all changes to the FY 2015 Operating and Capital Budgets will be a net decrease in operating revenues of \$546,850; a net decrease in operating expenses of \$546,850; and proposed amendments to increase the Capital funding budget by \$631,699.

DISCUSSION

The purpose of this Issue Paper is to recommend specific amendments to RT's FY 2015 Operating and Capital Budget.

Background:

On June 23, 2014, the Board adopted the FY 2014 Operating Budget of \$147.5 million in revenues and \$147.5 million in expenses. The adopted budget incorporated all known revenues and estimates of expenditures at that time.

On February 23, 2015, the Board was presented with the FY 2015 Mid-Year Financial Update as of December 31, 2014, (six months) indicating a deficit of approximately \$1.6 million due to revenues being below budget by \$1.4 million and expenses being over budget by \$242,000. 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 23, 2015. There was and still is uncertainty surrounding some of the revenue elements such as sales tax revenues, Compressed Natural Gas (CNG) tax rebate program revenue, as well as the potential sale of excess property. While there is still uncertainty surrounding some revenue elements, based on current data, the proposed changes in revenue and expense categories for FY 2015 Operating Budget are as follows:

Approved:

Presented:

Final 03/17/15
General Manager/CEO

Chief Financial Officer, Acting
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PROPOSED FY 2015 OPERATING BUDGET AMENDMENTS

Table 1 below summarizes the proposed FY 2015 budget amendments:

Table 1
Sacramento Regional Transit District
Schedule of Proposed Budget Changes

Categories	FY 2015 Current Budget	FY 2015 Revised Budget	FY 2015 \$ Changes	FY 2015 % Changes
<u>Operating Revenue</u>				
Fare Revenue	\$ 31,434,224	\$ 28,834,224	\$ (2,600,000)	-8.3%
Contracted Services	5,555,542	5,664,819	109,277	2.0%
Other	3,120,292	4,701,369	1,581,077	50.7%
State & Local	77,198,028	77,560,824	362,796	0.5%
Federal	30,173,615	30,173,615	-	0.0%
Total Operating Revenue	\$ 147,481,701	\$ 146,934,851	\$ (546,850)	-0.4%
<u>Operating Expenses</u>				
Salaries & Benefits	\$ 95,045,703	\$ 95,045,703	-	0.0%
Professional Services	25,942,183	25,979,283	37,100	0.1%
Materials & Supplies	9,856,500	9,494,600	(361,900)	-3.7%
Utilities	5,872,900	5,757,900	(115,000)	-2.0%
Casualty & Liability	8,603,540	8,603,540	-	0.0%
Other	2,160,875	2,053,825	(107,050)	-5.0%
Total Operating Expenses	\$ 147,481,701	\$ 146,934,851	\$ (546,850)	-0.4%
Potential Reserve	\$ -	\$ -	\$ -	

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.

Fare Revenue:

Staff proposes to reduce Fare Revenue by \$2.6 million. For the first seven months of FY 2015, Fare Revenue is below budget by 9.0%. Ridership for the first seven months of FY 2015 is 2.7% below the same period of last year. The ridership decrease was in part due to low gasoline prices. In addition, the adopted budget anticipated a more significant increase in ridership as a result of the Fix-50 project last summer which did not materialized. There was also an assumption in the FY 2015 Fare Revenue budget that the Connect Card project would be implemented by January 2015 and would result in added Fare Revenue; however, the Connect Card has not been rolled out to date. If the current trend continues, Fare Revenue is projected to be at least \$2.6 million below the current budget.

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Contracted Services:

The projected TDA Local Transportation funding (sales tax based) received by RT from the Citrus Heights contract is projected to be \$109,277 more than the current FY 2015 budget amount. This is due to SACOG’s revised Finding of Apportionment that was approved in February 2015.

Other Revenue:

The Other Revenue budget is proposed to increase by \$1,581,077. Staff expected about \$1.5 million to come from the Cemo Circle property sale, the appraisal for which was \$1.729 million. In March-April 2015, notices to adjoining property owners will be sent and an availability of property for sale will be advertised. Offers are expected to come in May, and in June staff will bring to the Board the details of the proposed sale.

About \$230,000 of the increase in the Other Revenue budget should come from the sale of Low Carbon Fuel Standard (LCFS) credits. In 2014, in order to reduce greenhouse gas emissions, the California Air Resources Board established a Low Carbon Fuel Standard (LCFS) for transportation fuels in California. Staff estimates that RT will have 9,122 LCFS credits earned for CNG usage by the end of June 2015. These credits have value based upon the market, which is estimated between \$25 to \$36 per credit depending upon market conditions. Sale of LCFS credits could bring additional revenue in the range of \$228,000 to \$328,000 in FY 2015.

Investment income is trending under budget by \$100,000. Staff proposes to reduce Investment income budget by \$100,000.

Parking revenue is trending under budget by \$40,000. Staff proposes to reduce Revenue from Park and Ride lots by \$40,000.

State & Local Subsidy Revenue:

Staff proposes to increase State & Local revenue budget by \$362,796 due to changes in State Transit Assistance (STA) revenue. The South Line Phase 2 project will be able to pay additional Revenue Bond interest in the amount of \$369,225. These funds will be moved from Capital to Operating, increasing STA Operating revenue. At the same time, \$6,429 is needed on the Capital side as a local match for the “Operation Lifesaver” grant.

Local Transportation Fund (LTF) and Measure A

RT’s sales tax based revenues, which are Local Transportation Funds (LTF) and Measure A Funds, are trending at 5.6% growth for the first half of FY 2015 over prior year for Measure A funds and at 6.6% growth over prior year for LTF funds. RT staff closely monitors sales tax receipts through the Board of Equalization (BOE). March is the next quarterly true-up month for the region covering the holiday season. The true-up results were received on March 16th, 2015. LTF sales tax receipts increased 4.9% over the same period of last year, and Measure A increased 4.8 % compared to last year.

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With the most current Board of Equalization update on sales tax growth, Measure A and LTF funds are very close to being on budget. Every additional 1% increase in actual sales tax growth increases sales tax funding by about \$350,000 for the year for Measure A or LTF funding. Staff will be closely monitoring sales tax in the months ahead.

Federal Revenue:

Staff proposes no changes to the Federal Revenues budget. Funding for Section 5307 Urbanized Area Formula and Section 5337 State of Good Repair have both recently been allocated for eight out of 12 months of the fiscal year. Staff is closely monitoring this funding source.

Amendments to Expenditures

Salaries & Benefits:

Staff doesn't propose any changes to Salaries & Benefits. The following steps have been taken to reduce labor cost in the remaining months of FY 2015 in order to bring it on budget by the end of the fiscal year:

- Initiation of a hiring freeze for positions not authorized prior to January 30th for all employees, except the backfill of Operator positions to maintain our current service levels and service reliability.
- Effective January 30th, a prohibition on overtime except with the permission of the General Manager/CEO, with the exception of Bus, CBS and Rail Operators. These groups are excluded from the ban on overtime due to how RT's bus and rail runs are structured and scheduled to ensure that we continue to provide reliable service.
- Staff has reached out to all management and project managers to remind them to charge time spent on Capital Projects to those projects to assist in more savings to the operating labor costs.

All the measures discussed above will help to bring Salaries & Benefits on budget plan. Staff is evaluating other potential labor cost savings, as well.

Professional Services:

Staff proposes to increase Professional Services by \$37,100. The Paratransit cost will increase by \$281,000 due to higher than expected demand for ADA trips. Outside services in Light Rail will increase by \$110,000 due to CAF and Siemens car re-upholster services. The Radio Maintenance contract budget will increase by \$62,000 due to a per-radio subscription rate increase. The Media Advertisement budget was reduced by \$145,000 since there is no intent of conducting a Spring campaign. The budget for professional services was reduced in the following departments: Chief Financial Officer, Legal, Marketing, Bus Maintenance, Chief Administrative Officer, Human Resources, Employee Relations. Security Services is assumed to come on budget.

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Materials & Supplies:

Staff proposes to decrease Materials & Supplies by \$361,900. Based on the trends for seven months of FY 2015, the budgets for the following accounts will be reduced: CNG cost will be reduced by \$250,000, Bus Parts cost reduced by \$100,000, and Gasoline cost reduced by \$50,000. Budgets for Printing Tickets and Building and Ground cost will increase by \$59,000 and \$50,000, respectively. The budget changes in other areas make up the remaining difference.

Utilities:

Staff proposes to decrease the Utilities budget by \$115,000. Traction power and telephone costs are trending under budget, and the budgets will be reduced by \$85,000 and \$40,000, respectively. The budget changes in other areas make up the remaining difference.

Casualty & Liability:

Staff proposes no changes to Casualty & Liability costs. However, based on the results of the preliminary actuarial study that was completed in February 2015 for the first six months of FY 2015 (July to December 2014), it is highly possible that costs could exceed the budget by the end of the fiscal year. The potential increase in these costs is mainly due to an increase in the number of Worker's Compensation (WC) claims for the first half of FY 2015. There were 93 WC claims filed from July to December 2014; there were 71 claims filed during the same time period in 2013, which is a 31% increase in the total number of claims filed. In addition, there is an open WC claim that was initially budgeted at \$71,000; however, after further review, staff determined that the case reserve was too low and needed to be increased by \$587,000. The FY 2015 final year-end actuarial reports will not be completed until early August 2015. Staff will continue to monitor this closely.

Other Expenses:

Staff proposes to decrease Other Expenses by \$107,050. This change is due to a decrease in the interest expense of \$38,000, due to a decrease in Rodeo cost of \$73,000 due to the cancelation of Rodeo competitions. The budget changes in other areas make up the remaining difference.

Amendments to Reserve:

The final year-end audited financial results for FY 2014 reflected a cumulative reserve of \$4.6 million which remains unaffected by this mid-year budget revision. If sale of excess property is delayed for any reason, the use of reserve might be needed to balance FY 2015 revenues with projected expenses. In addition, the actual year-end actuarial reports for worker's compensation and liability cost could exceed the actual budgeted amount, in which case it would be necessary to use reserves.

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FY 2015 Capital Budget Amendments

Since the Capital Budget was adopted on June 23, 2014, changes in expected project funding have occurred. These changes include moving a net \$369,225 in State Transit Assistance (STA) revenue from the FY 2015 Capital Budget to the FY 2015 Operating Budget. STA funds are transferred to the operating budget in this amount due to the South Line Phase 2 project being able to pay \$369,225 more debt service (interest expense costs) for RT's 2012 Revenue Bonds debt service payment than originally budgeted.

The remainder of the proposed revisions to the FY 2015 Capital Budget are 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 2015 is increased by \$631,699 and the proposed Capital Funding total is \$51,684,845. A summary of all project amendments is provided as Exhibit A.

Risk Areas

Staff will also continue to monitor the Federal CNG rebate legislation and will continue to contain costs in labor and well as non-labor for the remainder of FY 2015.

Staff will continue to closely monitor the progress of the Excess Property Sale for RT's Cemo Circle property, the appraisal for which came in at \$1.729 million. The sale of this property may or may not happen by June 30, 2015. Another property for sale is the Old I-5 right of way (ROW). RT is working with the City of Sacramento, who has shown interest in this property.

The LCTOP (Low Carbon Transit Operations Program), which was discussed at the February 23rd Board meeting, is a new program under the State Cap and Trade Legislation established in 2014 by Senate Bill 862. Staff had proposed to request funding under this program for FY 2015 for Route 28 to Butterfield light rail station, which is a new service for RT that will start in April 2015. Since the last Board meeting, staff has checked with CalSTA staff and determined that under the guidelines of this new program, this route will not be eligible due to the fact that the new route is starting operation in April 2015 and RT would not receive a grant award until June 2015. This program requires that the project be formally approved and funding allocated before the route begins operation. Based on this information, RT plans to request for FY 2015 funding under this program for Route 65, which will begin operation in September 2015, as well as the South Line Phase 2 project; funding for both of these projects would be included in the FY 2016 Budget.

Board Action

Staff recommends that the Board adopt of the proposed amendments to the FY 2015 Operating and Capital Budgets.

RESOLUTION NO. 15-03-_____

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

March 23, 2015

APPROVING AMENDMENTS TO THE FY 2015 OPERATING BUDGET AND THE FY 2015 CAPITAL BUDGET

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

THAT, the FY 2015 Operating Budget is hereby amended by making the following changes to it:

- Net decrease of \$546,850 to Revenues - decrease of \$2,600,000 to Fare Revenue; increase of \$109,277 to Contracted Services; increase of \$1,581,077 in Other revenue; and an increase of \$362,796 of State & Local revenue.
- Net decrease of \$546,850 to expenses – increase of \$37,100 in Professional Services; decrease of \$361,900 in Materials & Supplies; decrease of \$115,000 in Utilities; and a decrease of \$107,050 in Other expenses.

THAT, the FY 2015 Capital Budget is hereby amended by increasing the total capital funding by \$631,699 as described more specifically in Exhibit A.

JAY SCHENIRER, 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

Program	Project Name	Tier	FY 2015 Budget Funding	FY 2015 Capital Funding Budget Revised	Changes to FY 2015 Capital Funding	Description of Change
System Expansion Programs						
R327	Green Line SITF HSR Connectivity Improvements (Final Design & Construction)	I	\$ 770,000	\$ 770,000	\$ -	No Change
R055	Light Rail Station at Dos Rios	I	1,000,000	900,000	(100,000)	Reduce: Local SHRA Funding
R135	Light Rail Station at Horn	I	500,000	500,000	-	No Change
S010	Sacramento-West Sacramento Streetcar Starter Line	I	5,647,803	5,647,803	-	No Change
	System Expansion Total		7,917,803	7,817,803	(100,000)	
Fleet Programs						
B139	40' CNG Bus Procurement	I	26,621,149	29,136,174	2,515,025	Add: State P1B PTMISEA Funding
P000	Paratransit Vehicles Replacement	III	7,297,205	7,297,205	-	No Change
P007	Paratransit Vehicle Replacement - CNG" project	0	1,571,200	1,571,200	-	No Change
	Fleet Program Total		35,489,554	38,004,579	2,515,025	
Infrastructure Programs						
A006	Natoma Overhead Widening Project	II	60,000	-	(60,000)	Reduce: State DOT Funding
A010	Louis Orlando - Construction	II	-	167,667	167,667	Add: Local Revenue Bond Funding
M002	University/65th Street Transit Center Relocation	I	1,061,531	-	(1,061,531)	Reduce: Local RT Other (City of Sac Redevelopment Bond Proceed)
	Infrastructure Program Total		1,121,531	167,667	(953,864)	
Transit Security & Safety						
T033	Active Shooter Training	II	29,029	29,029	-	No Change
TBD1	Antiterrorism Patrols	II	166,333	-	(166,333)	Reduce: State P1B Transit Security Funding
T028	LR Digital Messaging Control System	0	103,250	103,250	-	No Change
TBD3	Mobile Screening for Explosives	II	90,333	-	(90,333)	Reduce: State P1B Transit Security Funding
T035	Operation Lifesaver, Inc. (OLI)	0	-	21,429	21,429	Add: Federal Sec 5312 Nat'l Research & Tech Progm \$15,000 State STA Funding \$6,429
T025	Surveillance and Security Facilities Enhancement	0	252,000	252,000	-	No Change
T029	Upgrade Bus Fleet Digital Video Recorders	0	342,987	342,987	-	No Change
T024	Upgrade Data Back Up Systems	0	104,320	104,320	-	No Change
TBD2	Video Security System Upgrade	II	225,000	-	(225,000)	Reduce: State P1B Transit Security Funding
T027	Video Surveillance System Upgrade	0	115,920	115,920	-	No Change
T026	WiFi Security Systems Enhancement	0	144,350	144,350	-	No Change
	Transit Security & Safety Total		1,573,522	1,113,285	(460,237)	
Planning / Studies						
A008	Regional Bike Share System	II	100,000	100,000	-	No Change
	Other Programs Total		100,000	100,000	-	
Other Programs						
M004	Revenue Bond, Series 2012 Payment	I	3,582,256	3,213,031	(369,225)	Reduce: State STA Funding
	Other Programs Total		3,582,256	3,213,031	(369,225)	
Subrecipient						
Q037	FFY15 Section 5307 - Paratransit Inc. Travel Training (MM)		150,000	150,000	-	No Change
Q042	FFY15 Section 5307 - Paratransit Inc. JARC		125,000	125,000	-	No Change
Q041	FFY15 Section 5339 - Roseville Transit Louis and Orlando Transfer Pt.		993,480	993,480	-	No Change
	Subrecipient Total		1,268,480	1,268,480	-	No Change
Total			\$ 51,053,146	\$ 51,684,845	\$ 631,699	

* All project expenditures are subject to available funding.