

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
6	02/26/18	Open	Action	02/13/18

Subject: Amending and Restating Title VI -- Budget Procedures of the SacRT Administrative Code

ISSUE

Whether to amend and restate Title VI, Budget Procedures, of the SacRT Administrative Code.

RECOMMENDED ACTION

Adopt Resolution 18-02-___, Amending and Restating Title VI, Budget Procedures of the SacRT Administrative Code

FISCAL IMPACT

None as a result of this Action

DISCUSSION

Title VI of the SacRT Administrative Code (Code) sets forth SacRT's Budget Procedures and provides guidelines to ensure all Federal, State and Local funding requirements that pertain to SacRT's budgets and grant applications are met. Title VI was last amended and restated in February 2009 (Resolution No. 09-02-0031).

In recently reviewing the procedures, Staff determined that there were some efficiencies that could be achieved by making certain modifications to the budget procedures. In addition, some language changes are proposed for clarity, without making any substantive changes. This amendment and restatement would make the following material changes:

Section 6.1.1.3 Reporting Fund Transfers

Under the Budget Procedures, the General Manager/CEO is authorized to make minor transfers between the Operating and Capital Budgets. Section 6.1.1.3 currently requires that those transfers be reported at the end of the fiscal year. The proposed language would permit Staff to delay reporting of the transfers for up to 90 days after the end of the Fiscal Year. This will allow Staff to further refine the year-end closing numbers in order to provide more final and accurate information to the Board.

Sections 6.1.2.7 and 6.2.1.5 Minor Fund Transfers Between Operating and Capital Budgets

Under the existing procedures, the General Manager/CEO is able to make minor transfers between the Operating and Capital Budgets up to the lesser of 20% of a total project budget or

Approved:

Presented:

Final 02/20/18

General Manager/CEO

Chief Counsel

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\$50,000 for each project, with an aggregate cap of \$250,000 per year. The proposed change would eliminate the percentage-based cap, impose an increased dollar cap of \$100,000 per project and an increased aggregate cap of \$500,000. Since the minor fund transfer section was added in 2009, the size of the budget has grown and inflation has increased the cost of purchasing equipment and supplies. This will also provide additional flexibility for the General Manager/CEO to make adjustments due to unforeseen circumstances. This will not change the total Board-authorized combined amount for Operating and Capital budgets.

Section 6.2.1.1 Establishment of Program Categories for Capital Budget

The new language would establish “Program Categories” for the Capital Budget to be more consistent with how the Operating Budget is allocated into different expense categories and to be consistent with the categories currently in use in the Capital Improvement Program (CIP) and the Capital Budget. The Program Categories include System Expansion, Fleet, Infrastructure, Facilities, Equipment, Transit Technologies, Transit Security & Safety and Other.

Section 6.2.1.3 Transfers Within the Capital Budget

The proposed changes to Capital Project Budget Section would make it more consistent with how transfers are handled in the Operating Budget. Similar in concept to the Operating Budget, it will permit the General Manager/CEO to: (1) make transfers between Program Categories, so long as the aggregate of all transfers does not increase or decrease the authorized expenditure amount for any Program Category in the adopted Capital Budget by more than 10%; and (2) to make transfers between projects within Program Categories. The language will require quarterly reporting to the Board for: (1) any Program Category change in excess of 5%; and (2) for any individual capital project budget change in excess of either 10% of the project budget or \$500,000, whichever threshold is lower.

Board oversight will be achieved due to quarterly reporting of changes to a program category in excess of 5% and the requirement that major changes such as substantial project scope, substantial delivery schedule, and Program Category appropriation adjustments of more than 10% will require Board approval.

Section 6.2.1.6 Capital Budget Carryovers

The existing Title VI language provides that all outstanding capital encumbrances lapse at the end of the Fiscal Year and must be re-appropriated. Unlike the Operating Budget, where the budget is extinguished at the end of each fiscal year, capital projects typically consist of multi-year projects where the unspent budget amount that was previously appropriated by the Board is carried forward from year to year. Currently, Staff includes an estimate of the carryforwards in the budget that is brought to the Board for adoption in June of each year based on the latest available information. By the time the CIP is presented to the Board a few months later, these project estimates have changed based on the actual costs. Therefore, to reduce redundancy

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and provide a more concrete depiction of costs, Staff will present to the Board one set of carry forward amounts after the year-end process is complete as part of the CIP.

These changes are designed to permit Staff to be more nimble in management of the budget while preserving the critical role of Board oversight of the overall budget.

RESOLUTION NO. 18-02-_____

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

February 26, 2018

**AMENDING AND RESTATING TITLE VI, BUDGET PROCEDURES OF THE SACRT
ADMINISTRATIVE CODE**

WHEREAS, by Resolution No. 09-02-0031, adopted on February 23, 2009, this Board amended and restated its Budget Procedures as Title VI of the Sacramento Regional Transit District Administrative Code; and

WHEREAS, Title VI of the Administrative Code establishes the process to be followed before changing the adopted SacRT Budget; and

WHEREAS, this Board desires to amend and restate Title VI of the Administrative Code to allow the General Manager to make minor fund transfers.

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

THAT, Resolution No. 09-02-0031 is hereby repealed.

THAT, Title VI of the SacRT Administrative Code pertaining to budget procedures is hereby approved and adopted as follows:

TITLE VI - BUDGET PROCEDURES

CHAPTER 1

OPERATING BUDGET

ARTICLE 1

Board Approval

§6.1.1.1 Adoption of District Operating Budget.

The District Board of Directors must adopt the District Operating Budget in the manner set forth in California Public Utilities Code Section 102205. At a minimum, the District Operating Budget must include the amount budgeted for the following expense categories: Salaries & Benefits, Professional Services, Materials & Supplies, Utilities, Insurance & Liability and Other (hereinafter individually "Expense Category" and collectively "Expense Categories").

§6.1.1.2 Changes in District Operating Budget.

Any proposed change to the total amount of the District Operating Budget, whether increasing or decreasing it, must be approved by resolution of the Board of Directors, except for minor fund transfers as authorized in Sections 6.1.2.7 and 6.2.1.5. Notice must be given to each voting entity at least 10 calendar days prior to the date on which action is scheduled to increase or decrease the amount of the District Operating Budget if the change, together with any other changes previously adopted, would entitle a voting entity to call for a new allocation of votes as provided under Public Utilities Code Section 102105.1(d)(9). The District Operating Budget must be amended before making a transfer of funds between Expense Categories, if that transfer, together with any previously-approved transfer(s) for the same fiscal year, would increase or decrease the authorized expenditure amount for any Expense Category in the adopted Operating Budget by 10% or more.

§6.1.1.3 Operating Fund Transfers.

A transfer of operating funds otherwise authorized under Article 2 of this Chapter must be approved in advance by the Board of Directors whenever a transfer or combination of transfers would be inconsistent with any policy or program adopted by the Board of Directors. Any budget increases or decreases to the Operating Budget pursuant to Section 6.1.2.7 or Section 6.2.1.5 must be presented to the Board within ninety days after the end of the fiscal year for formal Board approval.

ARTICLE 2

GENERAL MANAGER APPROVAL

§6.1.2.1 Divisional Operating Budgets.

The General Manager will establish the fiscal year operating budget for each District operating division, office or unit to the extent such amounts are not contained in the Operating Budget adopted by the District Board of Directors. The aggregate amount budgeted for all divisions, offices or units must not exceed either of the following: (i) the total amount set forth in the adopted Operating Budget and (ii) when allocated by Expense Category, the amount set forth in the adopted Operating Budget for each Expense Category; however, this provision shall not be construed to prevent a transfer of funds made in the manner set forth under Article 2 of this Chapter.

§6.1.2.2 Administrative Procedures.

The General Manager must implement administrative procedures to carry out the intent of this Article. Such procedures may provide for the transfer of operating funds between one or more District divisions, offices, or units to the extent such procedures are consistent with the requirements set forth in this Article. A budget adjustment transfer form must be created for this purpose that includes the designation of the general ledger account numbers and corresponding expense categories that will be changed by each approved transfer.

§6.1.2.3 Inter-Divisional Transfers.

Upon approval of the General Manager, funds may be transferred from the budget for a District operating division, office or unit to the accounts of another District operating division, office or unit. The General Manager may delegate approval authority to the person directly responsible for the administration of the District operating division, office or unit that is surrendering funds. All transfers are subject to the provisions of Sections 6.1.1.2 and 6.1.1.3.

§6.1.2.4 Intra-Divisional Transfers.

Upon approval of the General Manager, funds may be transferred from the operating budget accounts established within a District operating division, office or unit to other operating budget accounts in the same operating division, office or unit. The General Manager may delegate approval authority to the person directly responsible for the administration of the operating division, office or unit in which such transfers are to be made. All transfers are subject to the provisions of Sections 6.1.1.2 and 6.1.1.3.

§6.1.2.5 Recording Fund Transfers.

As authorized under this Article, the person who transfers funds out of an account is responsible for submitting the budget adjustment form to the Director, Office of Management & Budget, to record the transfer of funds.

§6.1.2.6 Reporting Fund Transfers.

By the 15th day of each month, the Director, Office of Management & Budget must submit a report to the Chief Financial Officer summarizing all Operating fund transfers made during the preceding month. Operating fund transfers authorized pursuant to this Article must be reported to the Board of Directors or a designated Standing or Ad Hoc Committee at the end of each calendar quarter following adoption of the Operating Budget if the aggregate amount of transfers from any one of the Expense Categories set forth in the adopted Operating Budget exceeds 5% of the amount initially approved for that Expense Category in the Operating Budget. Each of these reports must show the amount of funds originally budgeted in the adopted Operating Budget for each operating Expense Category in which a fund transfer has occurred during the preceding calendar quarter or quarters in excess of 5%. Appropriate annotations by footnote or otherwise must show the amount of funds transferred, by calendar quarter, to and from each operating Expense Category and the reasons for the transfer.

§6.1.2.7 Minor Fund Transfers to Capital Budget.

The General Manager is authorized to approve minor transfers from the Operating Budget to the Capital Budget consistent with Section 6.1.1.2 and Section 6.1.1.3, in an amount not to exceed \$100,000 per project per fiscal year, not to exceed a total of \$500,000 per fiscal year.

CHAPTER 2

CAPITAL BUDGET ARTICLE 1 CAPITAL EXPENDITURES

§6.2.1.1 Adoption of District Capital Budget.

The District Board of Directors must adopt the District Capital Budget in the manner set forth in California Public Utilities Code Section 102205. At a minimum, the District Capital Budget must include the amount budgeted for the following program categories: System Expansion, Fleet, Infrastructure, Facilities, Equipment, Transit Technologies, Transit Security & Safety and Other (hereinafter individually "Program Category" and collectively "Program Categories").

§6.2.1.2 Changes to Capital Budget.

All changes to an adopted Capital Budget pertaining to the budget for an approved capital project must be approved by the Board of Directors, except as provided in Section 6.2.1.3, Section 6.2.1.4, and Section 6.2.1.5.

§6.2.1.3 Changes to Capital Project Budgets.

The Capital Budget must be amended by the Board before making a transfer of funds, if that transfer, together with any previously-approved transfer for the same fiscal year, would increase or decrease the authorized expenditure amount for any Program Category in the adopted Capital Budget by more than 10%. The General Manager may approve a change to the amount budgeted for any capital project included in an adopted Capital Budget (and, if approved, must make a conforming change to any adopted CIP (Capital Improvement Plan) if such change: A) is consistent with and permitted by the requirements of the funding sources for the project; B) does not substantially change the scope of the approved project, C) does not substantially change the delivery schedule for the approved project, and D) does not change the total amount approved by the Board of Directors for any Program Category in excess of 10%. If the General Manager makes a change as authorized in this Section, such change(s) must be set forth in an addendum to the adopted Capital Budget that is signed and dated by the General Manager as of the date of its approval, whereupon such change will be deemed to be incorporated into the applicable adopted Capital Budget and the CIP. The General Manager or his or her designee must report approved changes to a Capital Budget to the Board of Directors or a designated Standing or Ad Hoc Committee at the end of each calendar quarter if: (1) the change modified the budget for any approved Capital Project by the lesser of 10% of the Project budget or \$500,000; or (2) the aggregate changes increased or decreased the authorized expenditure amount for an Program Category by more than 5%. A change set forth in an addendum that is incorporated into a Capital Budget as provided herein and is subsequently approved or ratified by the Board of Directors, is not counted in calculating the monetary limitations set out

above.

§6.2.1.4 Addition or Deletion of Capital Projects.

The Board of Directors must approve a change to a Capital Budget that results in the addition or deletion of a project that is not the result of a transfer as outlined in Section 6.1.2.7, 6.2.1.3, or 6.2.1.5. However, expenses of \$100,000 or less from the General Manger's Contingency or similar account for any single project will not be treated as the addition of a capital project for the purpose of this Article.

§6.2.1.5 Minor Fund Transfers to Operating Budget.

The General Manager is authorized to approve minor transfers from the Capital Budget to the Operating Budget subject to Section 6.1.1.2, Section 6.1.1.3, and Section 6.2.1.3, in an amount not to exceed \$100,000 per project per fiscal year, not to exceed a total of \$500,000 per fiscal year.

§6.2.1.6 Outstanding Capital Encumbrances and Available Balances.

All outstanding capital encumbrances for active projects will automatically be re-appropriated in the following fiscal year Capital Budget, unless the Board takes alternate action. The amounts re-appropriated for each project will be reported to the Board as part of the Capital Improvement Plan.

CHAPTER 3
GRANT FUNDING
ARTICLE 1
APPLICATION AND APPROVAL OF
GRANTS

§6.3.1.1 Applications for Grant Assistance.

The General Manager or his or her designee is authorized to submit an application and all supplemental materials required to support an application for federal, state or local funding assistance for any project set forth in an adopted Capital or Operating Budget.

§6.3.1.2 Binding SacRT to an Agreement for Grant Assistance.

The General Manager or his or her designee is authorized to bind SacRT to a grant agreement providing federal, state or local funding assistance for any project set forth in an adopted Capital or Operating Budget if the grant agreement contains substantially identical terms and conditions as set forth in grant agreements approved by the granting entity for similar projects; however, any such grant agreement must be approved by the Board of Directors if: A) the Board of Directors must amend the associated Operating or Capital Budget as the result of approving a grant agreement for such funding or B) the funding provided under such grant agreement is contingent upon a subsequent event not within the control of District, including but not limited to a subsequent appropriation or other legislative authorization.

§6.3.1.3 Binding Subrecipient to an Agreement Pertaining to Grant Assistance.

The General Manager is authorized to bind SacRT to a sub-recipient agreement with another public entity whereby the public entity agrees to: A) prosecute a project described in a federal, state or local grant agreement, B) discharge RT's obligations under said grant agreement and C) indemnify SacRT for any losses arising from any breach of the sub-recipient agreement provided that: (i) said grant agreement has been approved either by the Board of Directors or by the General Manager pursuant to the authority set forth in Section 6.3.1.2 or (ii) the General Manager is authorized to enter into the subrecipient agreement pursuant to RT Resolution No. 05-08-0152, as amended or restated from time to time.

PATRICK KENNEDY, Chair

ATTEST:
HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary