

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
4	02/25/19	Open	Action	02/20/19

Subject: FY 2019 Review and Amending the FY 2019 Operating Budget

ISSUE

Whether or not to amend the Fiscal Year (FY) 2019 Operating Budget.

RECOMMENDED ACTION

Adopt Resolution No. 19-02-____, Approving Amendments to the FY 2019 Operating Budget.

FISCAL IMPACT

The proposed budget includes numerous adjustments to revenues and expenses. The combined *net effect* of all changes to the FY 2019 Operating Budget is an increase of \$6.7 million in revenues and \$6.7 million in expenses. It includes budgeting \$3.5 million for the Budget Stabilization account, which is necessary to ensure SacRT is structurally ready to absorb the FY 2020 bond payment.

DISCUSSION

The purpose of this Issue Paper is to recommend specific amendments to FY 2019 Operating Budget.

Background:

On June 11, 2018, the Board adopted the FY 2019 Operating Budget of \$169 million in revenues and \$169 million in expenses. The adopted budget incorporated all known revenues and estimates of expenditures at that time.

Effective January 1, 2019, the City of Folsom and City of Citrus Heights annexed the SacRT. The adopted FY 2019 Operating Budget is proposed to be updated to reflect this change as well as other adjustments to revenues and expenses. Based on current information available, the proposed changes in revenue and expense categories for FY 2019 Operating Budget are as follows:

Approved:

Presented:

Final 02/20/19

General Manager/CEO

Director, Office of Management & Budget

J:\Board Meeting Documents\2019\03 February 25, 2019\02-25-19 FY 2019 Mid-Year Budget Amendment.doc

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PROPOSED FY 2019 OPERATING BUDGET AMENDMENTS

Table 1 below summarizes the proposed FY 2019 budget amendments:

Table 1
Sacramento Regional Transit District
Schedule of Proposed Changes

Categories	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2019 Amended Budget	\$ Change FY 2019 Amended to Adopted	% Change FY 2019 Amended to Adopted
Operating Revenues					
Fare Revenue	\$ 27,276,231	\$ 27,941,750	\$ 25,946,344	\$ (1,995,406)	-7.1%
Contracted Services	6,420,062	6,379,456	3,830,066	(2,549,390)	-40.0%
Other	5,006,280	4,228,000	5,778,000	1,550,000	36.7%
State & Local	93,339,133	98,161,278	104,104,789	5,943,511	6.1%
Federal	37,059,773	32,306,519	36,085,040	3,778,521	11.7%
Total Operating Revenue	\$ 169,101,479	\$ 169,017,003	\$ 175,744,240	\$ 6,727,237	4.0%
Operating Expenses					
Salaries & Benefits	\$ 109,150,499	\$ 114,449,254	\$ 117,904,513	\$ 3,455,259	3.0%
Professional Services	22,331,018	24,110,253	24,286,629	176,376	0.7%
Materials & Supplies	9,308,799	10,346,924	10,391,259	44,335	0.4%
Utilities	6,994,536	7,028,725	7,028,725	-	0.0%
Casualty & Liability	9,299,744	9,182,927	9,231,194	48,267	0.5%
Other	2,844,876	3,898,920	6,901,920	3,003,000	77.0%
Total Operating Expenses	\$ 159,929,472	\$ 169,017,003	\$ 175,744,240	\$ 6,727,237	4.0%
Balance	\$ 9,172,007	\$ -	0	\$ 0	

Amendments to Revenues

The most significant impacts on SacRT's revenues are noted below.

Fare Revenue: Reduction of \$2.0 million due to the following:

- For the first time in its history, effective October 2018, SacRT reduced fares. This is expected to cause a short-term reduction in fare revenues until the anticipated increase in ridership materializes.
- Upcoming ticket exchange program for tickets with expiration date of June 30, 2019.
- Ridership decline in the first half of the fiscal year due to trend and fires.

Contracted Services: Reduction of \$2.5 million due to the following:

- Decrease in contracted services due to the annexation agreements with City of Folsom and City of Citrus Heights. The decreased revenues will be offset with increased State and Local Transportation Development Act (TDA) revenue (see below).

Other Revenue: Increase of \$1.6 million due to the following:

- Two claim payouts were received for last year's Folsom accident and the BP settlement.

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- Increased sales of Low Carbon Fuel Standard (LCFS) credits and Renewable Identification Numbers (RIN) credits.
- Increases to the amount of the Environmental Council of Sacramento (ECOS) settlement revenue for Folsom late night service to reflect the current billing methodology.
- Decreases due to Park-n-Ride lot fee elimination.

State & Local: Increase of \$5.9 million due to the following:

- Changes in the State Transit Assistance (STA) revenue allocation released by Sacramento Area Council of Governments (SACOG) in November.
- Six months of TDA revenue for Cities of Folsom and Citrus Heights due to the annexation agreements.
- Measure A Neighborhood Shuttle revenue decreases (which are offset by lower operating expenses) due to changes in the implementation schedule of the Microtransit service.

Federal: Increase of \$3.8 million due to the following:

- Anticipated allocation of Federal Section 5307 and 5337 revenue.
- Additional Sacramento Emergency Clean Air & Transportation Grant Program (SECAT) funds.

Amendments to Expenditures

Salaries & Benefits: Increase of \$3.5 million due to the following:

- The addition of positions for Folsom service.
- The addition of positions for Elk Grove service to ensure a successful implementation.
- Temporary services for SacRT Forward implementation.
- Aligning overtime cost with the trend.

Professional Services: Increase of \$176,000 due to the following:

- Folsom in-kind service cost per the annexation agreement.
- Citrus Heights administrative cost per the annexation agreement. These administrative costs used to be deducted from the contract revenues before annexation, but now that we will be receiving Citrus Heights' TDA funds directly, these will show up as a cost for a minimal fiscal impact.

Materials & Supplies: Increase of \$44 thousand due to the following:

- Costs related to Folsom annexation.
- Reduction in costs due to change in Microtransit service implementation.

Casualty & Liability: Increase of \$48 thousand due to the following:

- Costs related to Folsom annexation.

Other Expenses: Increase of \$3.0 million due to the following:

- Increase of \$3.5 million in the Budget Stabilization account
- Decrease of \$0.5 million in contingency.

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Board Action

Staff recommends that the Board adopts of the proposed amendments to the FY 2019 Operating Budget.

RESOLUTION NO. 19-02-_____

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

February 25, 2019

APPROVING AMENDMENTS TO THE FY 2019 OPERATING BUDGET

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

THAT, the FY 2019 Operating Budget is hereby amended by making the following changes to it:

- Net increase of \$6,727,237 to Revenues - decrease of \$1,995,406 to Fare Revenue; decrease of \$2,549,390 to Contracted Services; increase of \$1,550,000 in Other revenue; an increase of \$5,943,511 of State & Local revenue; and an increase of \$3,778,521 in Federal Revenue.
- Net increase of \$6,727,237 to expenses – increase of \$3,455,259 in Salaries & Benefits, increase of \$175,376 in Professional Services; increase of \$44,335 in Materials & Supplies; increase of \$48,267 in Casualty & Liability; and an increase of \$3,003,000 in Other expenses.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary