

STAFF REPORT

DATE: May 13, 2024
TO: Sacramento Regional Transit Board of Directors
FROM: Jason Johnson, VP, Finance/CFO
SUBJ: ACCEPT PUBLIC COMMENT ON THE SACRAMENTO REGIONAL TRANSIT DISTRICT PRELIMINARY FY 2024-2025 OPERATING AND CAPITAL BUDGET AND CONTINUE THE PUBLIC HEARING TO JUNE 10, 2024.

RECOMMENDATION

Motion to Approve.

RESULT OF RECOMMENDED ACTION

Approval will continue the public hearing to the June 10, 2024 Board meeting where the final Fiscal Year (FY) 2024-2025 Operating and Capital Budget will be presented for adoption.

FISCAL IMPACT

None as a result of this action.

DISCUSSION

Staff is proud to submit a balanced preliminary budget for FY 2025. SacRT's budget has modest growth to account for inflationary and general cost increases while maintaining the exceptional level of service the Sacramento region relies upon. This is possible through a combination of strong fiscal discipline and management of expenditures, continued growth in ridership and subsequent farebox collections, and strong federal and state support for the transit industry.

On March 11, 2021, the American Recovery Plan Act (ARP) was signed into law, the last of three federal pandemic relief funding packages for transit, and provided over \$26B to transit agencies apportioned through the Urbanized Area Formula Program (Section 5307). SacRT's portion of this funding was over \$103M, of which the final \$7.8M is allocated for the FY 2024-2025 Budget. SacRT funding related to the first two federal pandemic relief funding packages; the Coronavirus Aid, Relief and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), was fully depleted prior to the beginning of FY 2024.

In July 2023, the State of California passed Senate Bill 125 (SB 125), which serves as a trailer bill to the State's FY 2023-2024 budget. SB 125 creates approximately \$5.1B statewide, of new one-time funding to help address transit providers' operating and capital needs. SB 125 guides the distribution of \$4B from the State of California General Fund through the Transit and Intercity Rail Capital Program (TIRCP) on a population-based formula to regional transportation planning agencies (RTPA), which will have the flexibility to use the money to fund transit operations or capital improvements. The transportation budget trailer bill also establishes the \$1.1B Zero-Emission Transit Capital Program (ZETCP) to be allocated to regional transportation planning agencies on a population-based formula and another formula based on revenues to fund zero-emission transit equipment and operations. SB125 was created in response to ongoing revenue shortfalls in the transit industry and is intended to fund operating gaps and avoid a fiscal cliff that many transit agencies in California are facing.

The Sacramento Area Council of Governments (SACOG), the region's RTPA, was allocated a total of \$238.2M for the region across the two programs. Staff is working with SACOG to secure \$54M of TIRCP funds and \$6.6M of ZETCP funds from SB125 in FY 2025 to support operations and will continue to work closely with SACOG to secure additional funding for both operating and capital needs in the near future. These federal and state allocations will fully offset any projected revenue losses due to the residual impacts of COVID-19 and other economic factors for FY 2024-2025.

Assumptions Built into the FY 2025 Budget

The Operating Budgeting process is a significant undertaking that requires input from various operational staff members, consideration of economic conditions, goals and objectives by the Board, all balanced by the need to keep costs within estimated revenue projections. The assumptions used in this budget were built on a variety of sources.

These assumptions are as follows:

- Service levels have been budgeted without reductions, allowing for minor service modifications, such as improved headways on existing routes.
- The budget will support SacRT strategic priorities such as our customer first approach to services and business optimization.
- ARP federal stimulus funding and SB125 state funding is being used to offset the loss of fares and other revenues due to various economic factors.
- All merit increases will be received by employees per Collective Bargaining Agreements (CBA).
- There will be no fare rate adjustments.

Summary of FY 2025 Operating Budget

Tables 1A and 1B provide summaries of the preceding three years' actual results, the current year budget, and the FY 2025 proposed budgeted amounts. Revenues and expenditures each increased in total by \$17.6M or 7.0% compared to the original FY 2024 budget.

State & Local revenues are increasing by \$49.1M or 29.2% as the local economy (sales tax revenue) is projected to remain steady and new funding from SB125 will be available. Federal funds are projected to decrease by \$33.2M or 56.7% which is due to the full depletion of American Rescue Plan (ARP) funds.

Salaries & Benefits are increasing \$12.6M or 7.4%, which is attributed to both annual salary and benefits increases across all Collective Bargaining Agreements, and the addition of new full-time positions that directly support operations.

Table 1A - Revenues (Thousands)

	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Budget	FY 2025 Budget	FY 2024 to FY 2025	
						\$ Change	% Change
Fare Revenue	\$ 12,000	\$ 14,309	\$ 16,615	\$ 17,300	\$ 18,439	\$ 1,139	6.6%
Contract Services	6,634	825	842	800	1,150	350	43.8%
State & Local	113,657	144,508	159,055	168,495	217,623	49,128	29.2%
Federal	57,704	56,676	56,876	58,540	25,360	(33,180)	-56.7%
Other	7,340	5,239	9,500	4,365	4,490	125	2.9%
Total	\$ 197,335	\$ 221,557	\$ 242,888	\$ 249,500	\$ 267,062	\$ 17,562	7.0%
Operating Surplus/(Deficit)	5,943	6,223	3,152	-	-		
Operating Revenue	\$ 191,392	\$ 215,334	\$ 239,736	\$ 249,500	\$ 267,062	\$ 17,562	7.0%

Table 1B - Expenses (Thousands)

	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Budget	FY 2025 Budget	FY 2024 to FY 2025	
						\$ Change	% Change
Salaries & Benefits	\$ 141,910	\$ 153,684	\$ 160,614	\$ 171,645	\$ 184,264	\$ 12,619	7.4%
Professional Services	14,162	16,497	19,400	24,620	26,515	1,895	7.7%
Materials & Supplies	13,504	14,748	18,955	15,839	16,562	723	4.6%
Utilities	7,272	7,425	7,988	8,458	8,427	(31)	-0.4%
Insurance & Liability	12,336	19,784	28,248	22,789	25,560	2,771	12.2%
Other	2,208	2,634	2,784	6,149	5,734	(415)	-6.7%
Operating Expenses	\$ 191,392	\$ 214,772	\$ 237,989	\$ 249,500	\$ 267,062	\$ 17,562	7.0%
GASB 87 Lease	-	562	1,747				
Total Expenses	\$ 191,392	\$ 215,334	\$ 239,736	\$ 249,500	\$ 267,062	\$ 17,562	7.0%

Focus on Operations

To continue a customer first approach at SacRT, the FY 2025 Operating Budget places a clear emphasis on our operations. The proposed budget includes 24 new operator positions to be hired throughout the year. To augment funding for direct operations and customer-facing positions, previously authorized non-operations positions that had not been filled were eliminated. In addition, an organizational restructuring following voluntary staff departures led to a reduction in the size of the Executive Management Team. Chart 1 and Table 2 below show that 82.1% of the positions at SacRT directly support the Operations Division.

Chart 1 – FY 2025 Positions by Division

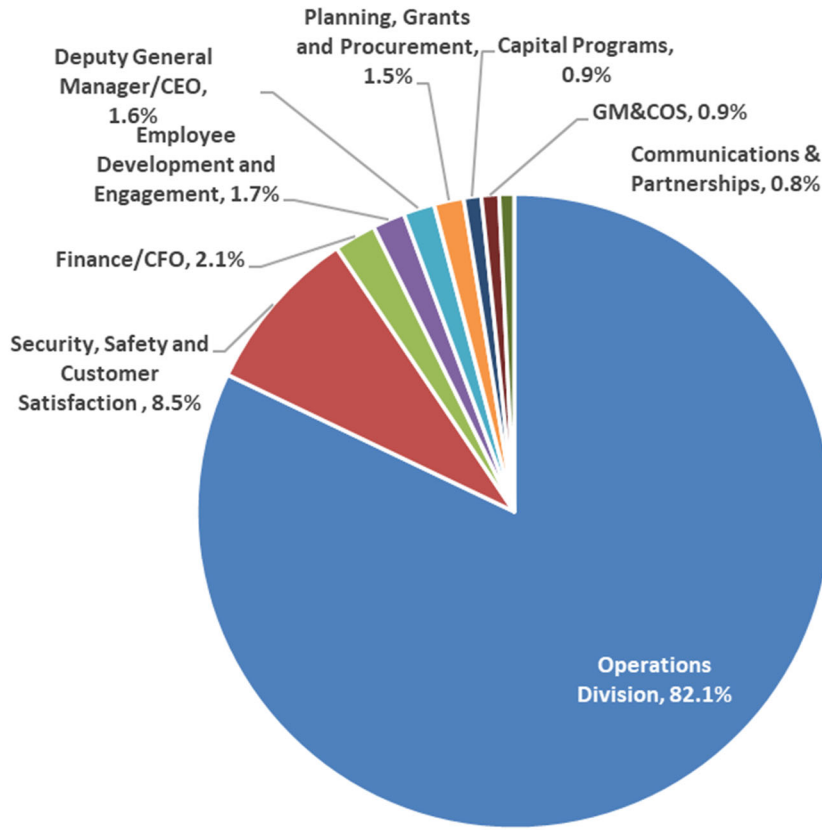


Table 2 – FY 2025 Positions by Division

Division	FY 2021 Funded	FY 2022 Funded	FY 2023 Funded	FY 2024 Funded	FY 2025 Funded	FY 2024 to FY 2025
General Manager/CEO	16	9	10	10	9	-1
Chief of Staff/VP, Real Estate	0	0	0	0	4	4
Planning, Grants and Procurement	57	58	59	67	22	-45
Operations Division*	0	0	0	0	1192	1192
Bus Operations	1196	939	945	928	0	-928
Light Rail Operations	0	261	266	270	0	-270
Deputy General Manager/CEO	33	41	22	23	23	0
Employee Development and Engagement	0	0	0	24	24	0
Capital Programs	0	0	0	0	13	13
Finance/CFO	47	51	29	23	31	8
Procurement, Real Estate & Special Projects	0	0	22	23	0	-23
Communications & Partnerships	0	9	16	16	11	-5
Security, Safety and Customer Satisfaction	74	82	79	79	123	44
Total	1,423	1,450	1,448	1,463	1,452	-11

Capital Budget

Unlike the Operating Budget, the Capital Budget consists of projects that often take multiple years to complete, and in some cases take multiple years to fully fund. Funds approved for a project that are not spent in the previous fiscal year are typically carried over to the following fiscal year. Similarly, when the Board approves the budget for a large

multi-year project in one fiscal year's budget, the project continues to have Board-approved budget authority rolled over from year to year, less any funds that have been expended on the project. The estimated amounts to be carried over from FY 2024 will be reported to the Board as part of the five-year Capital Improvement Plan later this year. The total Capital Budget for existing projects is estimated to exceed \$1.95B. Table 3 below provides a summary of new projects and currently approved projects that require additional Capital Budget funding for FY 2025.

Table 3 - Summary of FY 2025 Capital Budget

Project Number	Project Name	FY 2024	FY 2025	FY25 Budget	Available Funding	Prior Yr Funds Awarded Not Available	FY25 Funds To Be Added	Funding TBD
		Amended Budget	Budget Additions					
Bus/Paratransit/Microtransit Projects								
B147	Fleet Maintenance Mgmt Software	\$ 414,500	\$ 1,085,500	\$ 1,500,000			\$ 1,500,000	
B150	Watt I-80 Transit Center Imprvmts	\$ 30,000,000	\$ 112,905	\$ 30,112,905	\$ 30,112,905			\$ -
B174	Disruption Manager Software	\$ 214,866	95,269	\$ 310,135	\$ 310,135			\$ -
B176	Vehicle Event Recorder	\$ 454,590	\$ 100,000	\$ 554,590	\$ 454,590	\$ 100,000		\$ -
B184	CA Labor Federation WED		\$ 77,000	\$ 77,000	\$ 77,000			\$ -
	Total Bus Projects	\$ 31,083,956	\$ 1,470,674	\$ 32,554,630	\$ 30,954,630	\$ 100,000	\$ 1,500,000	\$ -
Light Rail Projects								
R384	LRV Maintenance Shop Upgrade	\$ 289,800	\$ 2,228	\$ 292,028	\$ 292,028			\$ -
R386	LR Station LED Light Upgrade	\$ 2,750,000	\$ 2,250,000	\$ 5,000,000	\$ -	\$ 2,000,000	\$ 1,000,000	\$ 2,000,000
R387	Park & Ride LED Light Upgrade	\$ 3,000,000	\$ 2,000,000	\$ 5,000,000	\$ -	\$ 2,000,000	\$ 1,000,000	\$ 2,000,000
	Total Light Rail Projects	\$ 6,039,800	\$ 4,252,228	\$ 10,292,028	\$ 292,028	\$ 4,000,000	\$ 2,000,000	\$ 4,000,000
Facilities Projects								
F042	South Bus Parking Lot Pavement	\$ 100,000	\$ 700,000	\$ 800,000	\$ -	\$ 800,000		\$ -
	Total Facilities Projects	\$ 100,000	\$ 700,000	\$ 800,000	\$ -	\$ 800,000		\$ -
Planning Projects								
M019	Arcade Creek Bridge Enviro	\$ 110,000	\$ 31,781	\$ 141,781	\$ 141,781			\$ -
M025	Truxel Bridge Study		\$ 14,730	\$ 14,730	\$ 14,730			\$ -
	Total Planning Projects	\$ 110,000	\$ 46,511	\$ 156,511	\$ 156,511	\$ -		\$ -
Other								
M004	FY12 Revenue Bond Payments	\$ 25,406,671	\$ 1,542,900	\$ 26,949,571	\$ 25,406,671		\$ 1,542,900	\$ -
V102	Q Street Move	\$ 2,900,000	\$ 500,000	\$ 3,400,000	\$ 3,152,000		\$ 248,000	\$ -
	Total Other Projects	\$ 28,306,671	\$ 2,042,900	\$ 30,349,571	\$ 28,558,671	\$ -	\$ 1,790,900	\$ -
Subrecipients								
TBD	El Dorado Transit FFY24 FTA 5307/5339(a)		\$ 450,000	\$ 450,000			\$ 450,000	
		\$ -	\$ 450,000	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ -
	Totals	\$ 65,640,427	\$ 8,962,313	\$ 74,602,740	\$ 59,961,840	\$ 4,900,000	\$ 5,740,900	\$ 4,000,000

Outlook for FY 2025

The residual effects of the COVID-19 pandemic continue to negatively impact some of SacRT's revenue sources; however, the regional economy is forecast to remain stable for Fiscal Year 2024-2025. The revenues presented in the budget reflect these expectations. SacRT's fare-based revenues are expected to gradually increase through Fiscal Year 2024-2025, and modest increases for sales tax based (State & Local) revenues above FY 2023-2024 have been forecasted. While Federal stimulus funds will

be fully exhausted in FY 2024-2025, SacRT expects to backfill operational funding gaps with state of CA SB125 funds for the next three years and has already begun to focus on securing a long-term and sustainable funding source to ensure that SacRT can continue to provide our patrons with a world class public transit system in the Sacramento Region. Also funded by SB 125 is the Comprehensive Operational Analysis (COA) presented separately. The COA will include scenarios not only for expansion of SacRT's network if a new source of revenue is secured, such as a local sales tax measure or statewide transit funding, but will also take a fiscally constrained approach to service plans in a scenario where such funding is not available by FY 2026-2027. The COA will also include a review of service standards for all modes (i.e., bus, light rail, SmaRT Ride) to ensure an optimal mix of services that is cost-effective, fiscally sustainable, and consistent with other goals such as ridership maximization, coverage and accessibility, equity, air quality, etc. and to make sure that level of service expectations match industry norms for communities of various sizes and densities (i.e., that high-frequency service is planned and provided only in areas with the jobs and population density to support such service).

The General Manager/CEO is presenting a balanced budget for FY 2024-2025 that maintains service levels and includes limited service expansions, while addressing the pressing need to fund SacRT's operating reserve and continue our reduced reliance on the line of credit. We will continue to relentlessly pursue efficiency improvements, business optimizations, and new revenue opportunities in the upcoming year.



FY 2025 Budget Briefing

FY 2025 Budget Assumptions

- Services are budgeted without reductions
- The budget will support SacRT strategic priorities
 - Customers first
 - Business optimization
- ARP and SB125 funding used to close funding gaps
- No reductions to staffing levels
- No fare rate adjustments



FY 2025 Budget Changes from April to May

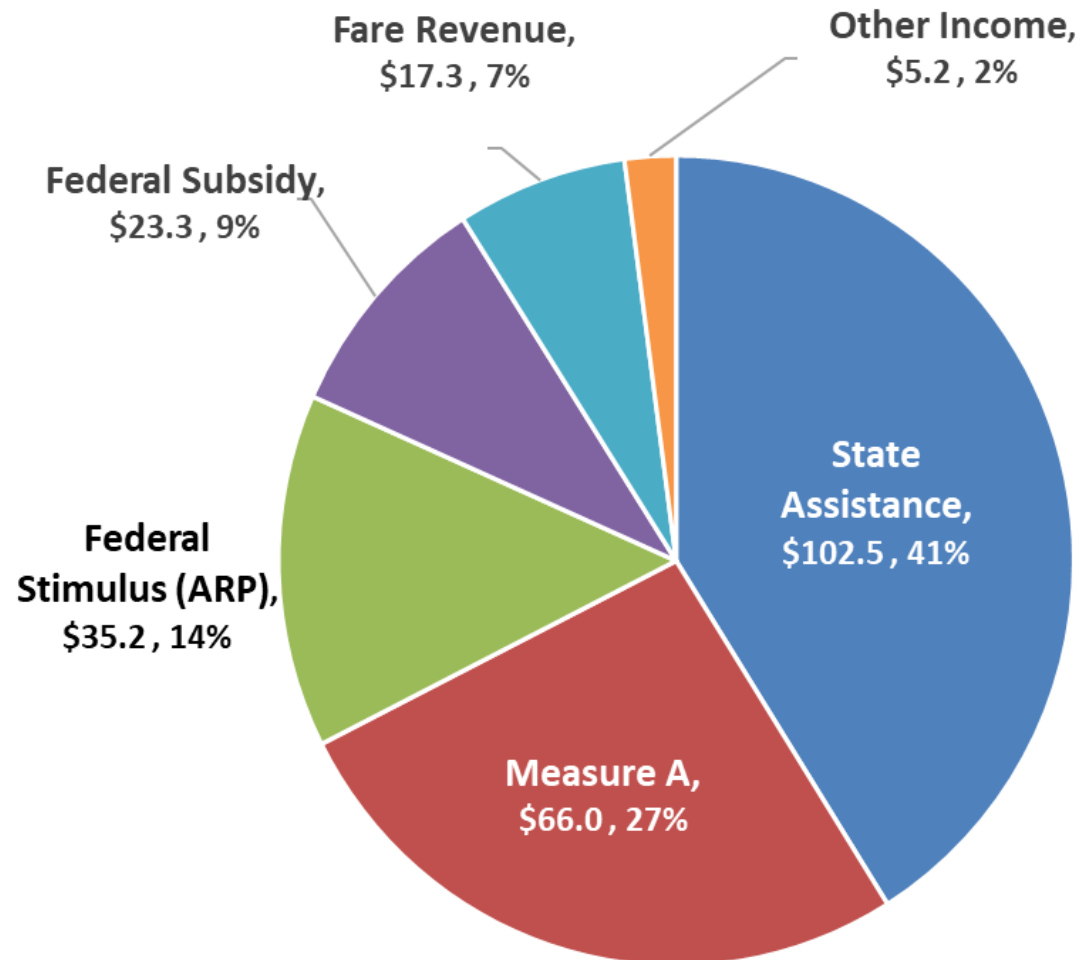
Categories	FY 2025 Preliminary	FY 2025 May Revise	\$ Change	% Change
Operating Revenues				
Fare Revenue	\$ 18,439,108	\$ 18,439,108	\$ -	0.0%
Contracted Services	1,149,730	1,149,730	-	0.0%
State & Local	217,623,010	219,223,010	1,600,000	0.7%
Federal	25,360,075	23,760,075	(1,600,000)	-6.3%
Other	4,490,000	4,490,000	-	0.0%
Total Operating Revenue	\$ 267,061,923	\$ 267,061,923	\$ -	0.0%
Operating Expenses				
Salaries & Benefits	\$ 184,263,558	\$ 184,263,558	\$ -	0.0%
Professional Services	26,514,807	26,514,807	-	0.0%
Materials & Supplies	16,562,316	16,562,316	-	0.0%
Utilities	8,427,059	8,427,059	-	0.0%
Casualty & Liability	25,560,113	25,560,113	-	0.0%
Other	5,734,070	5,734,070	-	0.0%
Total Operating Expenses	\$ 267,061,923	\$ 267,061,923	\$ -	0.0%
Surplus/(Shortfall)	\$ -	\$ -	\$ -	\$ -

SB 125 Funding

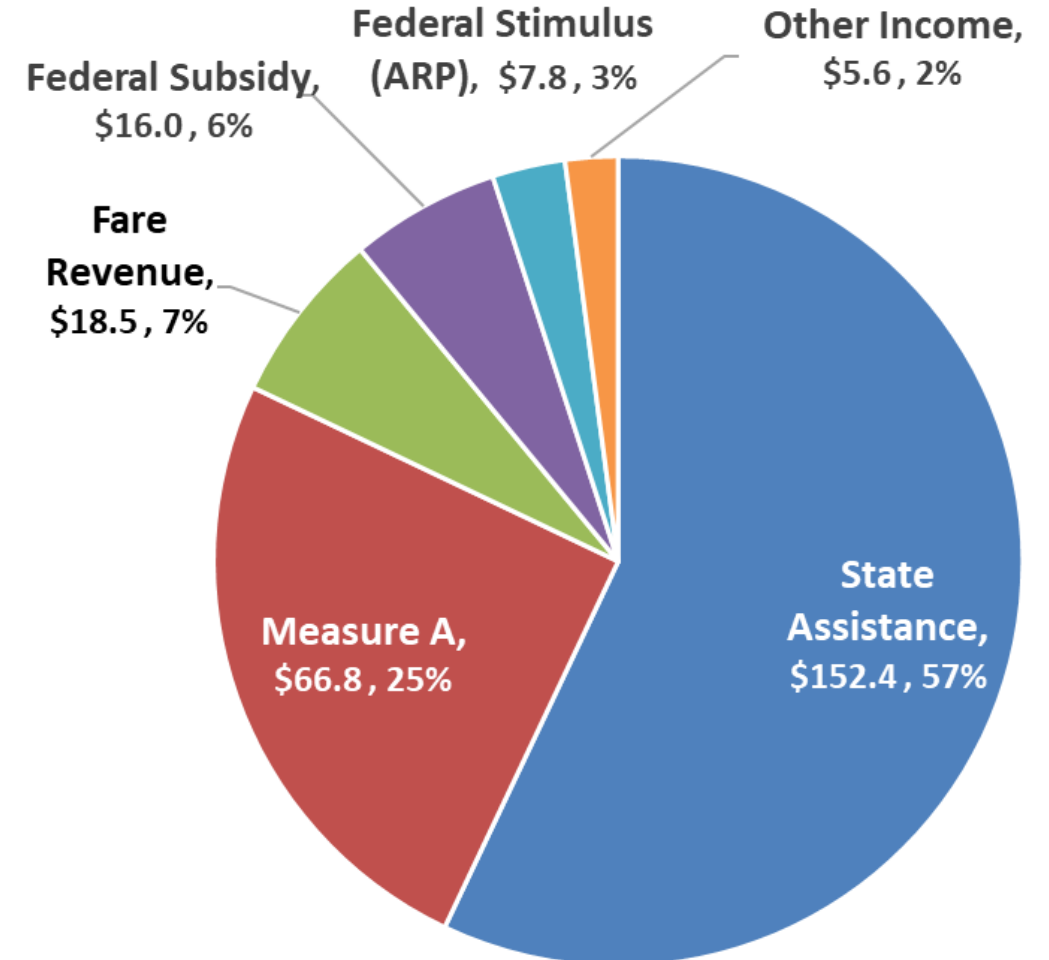
- FY 24/25 Operating Budget includes \$60.6M in SB 125 Funding
 - \$54M from the Transit and Intercity Rail Capital Program (TIRCP)
 - \$6.6M from the Zero Emission Transit Capital Program (ZETCP)
- State Budget Knowns vs. Unknowns
 - SacRT FY 24/25
 - SacRT FY's 25/26 and 26/27
- SacRT's Comprehensive Operational Analysis (COA)

Where the Dollars Come From (\$ Millions)

FY 2024 Operating Revenue \$249.5M

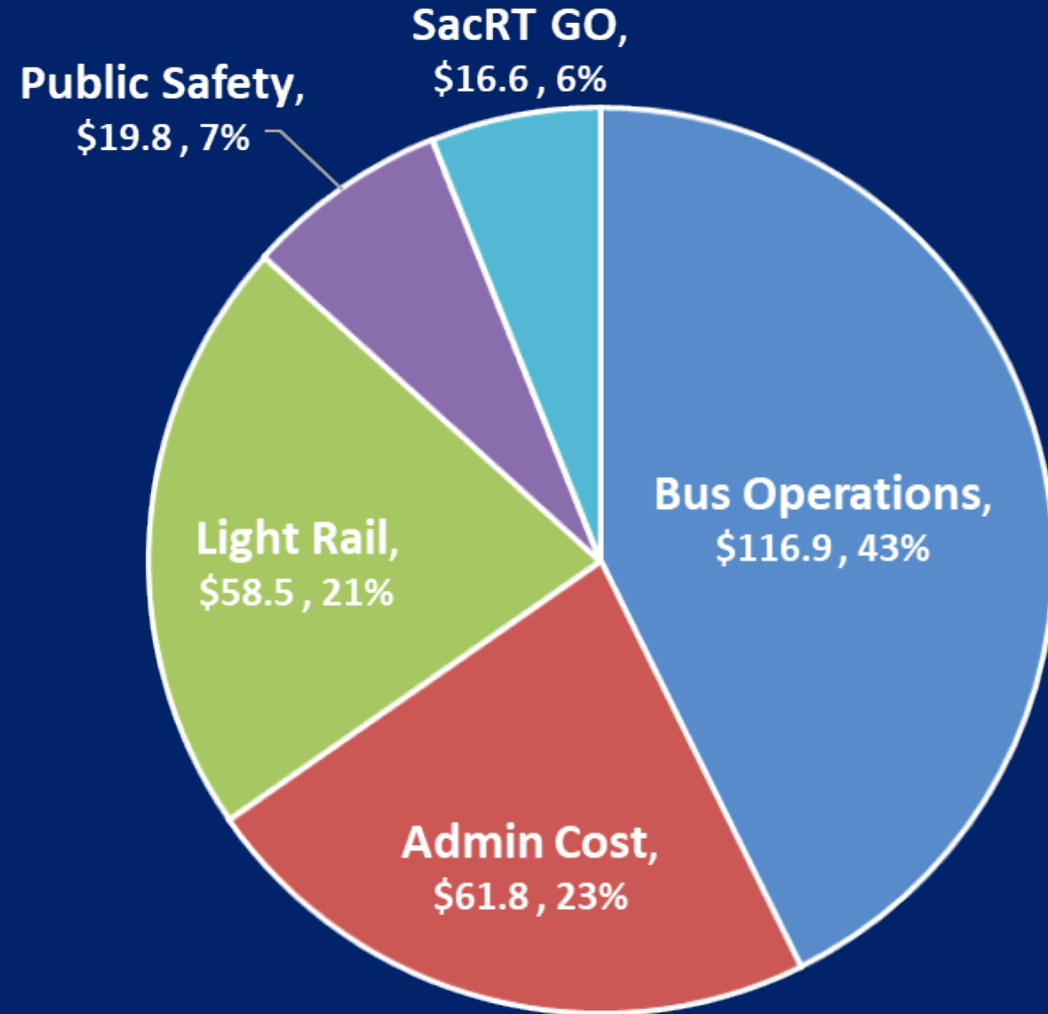


FY 2025 Operating Revenue \$267.1M



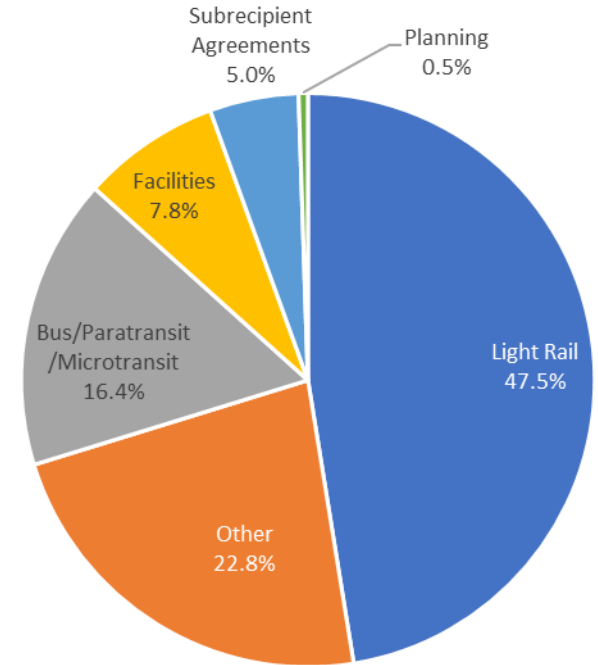
Service Delivery Breakdown (\$ Millions)

- Operating Budget - \$267.1M
 - 77% Operations
 - 23% Admin Support



FY 2025 Capital Budget Additions

Project Categories	# of Projects	FY 2025 Budget Additions	%
Bus/Paratransit/Microtransit	5	\$ 1,470,674	16.4%
Light Rail	3	4,252,228	47.5%
Facilities	1	700,000	7.8%
Planning	2	46,511	0.5%
Other	2	2,042,900	22.8%
Subrecipient Agreements	1	450,000	5.0%
Total	14	\$ 8,962,313	100%



- Total FY 2025 Capital Budget (after additions) will be approximately \$1.95 billion

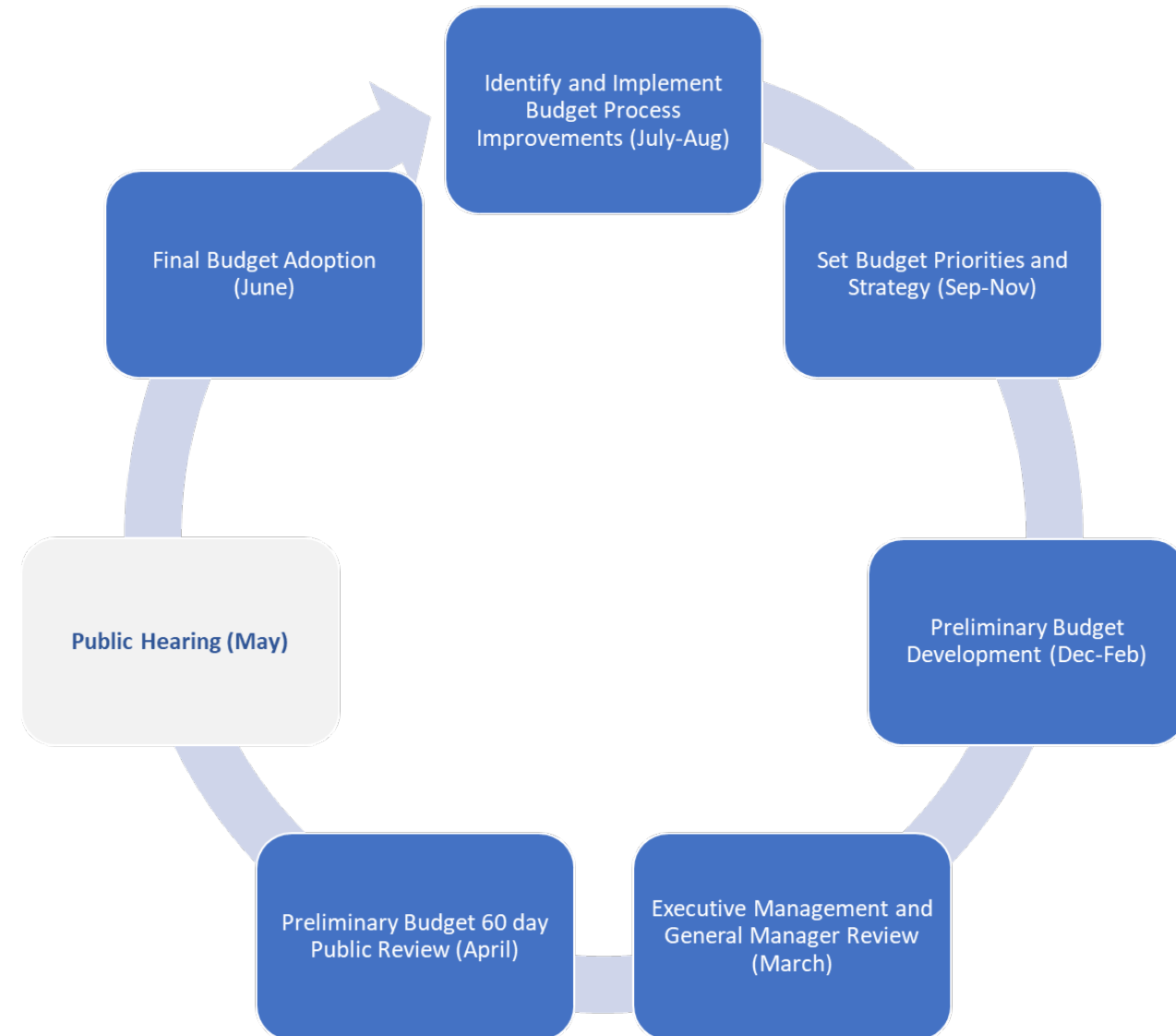
- Regional economy is forecast to remain stable
- Fare revenues continue to grow as ridership increases
- Federal Stimulus funds will be fully expended in FY 2025
- State of CA SB125 funds will fill operational funding gaps for the next 3 years
- SacRT will be undergoing a comprehensive operational analysis (COA) that will:
 - Take a fiscally constrained approach to service level changes
 - Address several funding and service level scenarios over the coming years
 - Review service standards for all modes to ensure an optimal mix

The Budget Cycle/Schedule

April 8, 2024 Release of the Preliminary FY 2025 Operating and Capital budgets, 60-day public review begins

May 13, 2024 Public Hearing receiving public comment

June 10, 2024 FY 2025 Operating and Capital Budget hearing for adoption by the Board of Directors



Thank you