

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
9	03/22/10	Open	Action	03/16/10

Subject: Declaring a State of Fiscal Emergency Under the California Environmental Quality Act.

ISSUE

Whether to declare a state of fiscal emergency under the California Environmental Quality Act.

RECOMMENDED ACTION

Adopt Resolution 10-03-_____, Declaring a State of Fiscal Emergency Under the California Environmental Quality Act.

FISCAL IMPACT

None as a result of this action.

DISCUSSION

RT staff reported to the RT Board of Directors (Board) on February 22, 2010, and March 8, 2010, that as a result of the failure of revenues to adequately fund RT programs and facilities, RT is projected to have a fiscal emergency as defined under Public Resources Code section 21080.32, in that it is projected to have negative working capital within one year. Staff has further reported that formal action will be required by the Board to declare a state of fiscal emergency. This staff report requests the formal action necessary to declare a state of fiscal emergency.

As Exhibit A to the resolution illustrates, RT's Operating Budget for Fiscal Year 2011 projects a deficit of \$25 million. This deficit is due mainly to the loss of revenue resulting from the economic downturn, the loss of over \$40 million in state funds over the past three years, and a projected decline in sales tax-based revenues as presented to the Board on March 8th. Various actions under discussion to address this deficit include service changes and reductions.

These changes and reductions are subject to the California Environment Quality Act (CEQA) unless an exemption applies. In adopting Public Resources Code section 21080.32, the Legislature statutorily exempted from CEQA review the reduction or elimination of transit services and increases to fares, fees, fines, rates and charges that support transit service when such actions are undertaken as a result of a declared "fiscal emergency" caused by the failure of revenues to adequately fund agency programs, facilities, and operations.

A "fiscal emergency" means that the agency is projected to have negative funding within one year from the date of declaration. It is important to note that a declaration of fiscal emergency does not by itself implement service changes or reductions.

The Board was required to hold a public hearing to receive public testimony regarding the proposed service changes and reductions prior to making the finding of fiscal emergency. This public hearing took place on Monday, March 8, 2010, at 4:00 p.m. during the Board's regularly scheduled meeting. Within 30 days after the public hearing, the Board is required to respond to comments and suggestions received from the public. The Board will respond to the public comments at the regularly scheduled March 22nd Board meeting. At that same meeting, staff will request that the Board consider a declaration of fiscal emergency for FY 2011 beginning July 1, 2011 as defined in Public Resources Code section 21080.32.

Approved:

Presented:

FINAL 3/18/10

General Manager/CEO

Chief Financial Officer

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RESOLUTION NO. 10-03-_____

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

March 22, 2010

DECLARING A STATE OF FISCAL EMERGENCY UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

WHEREAS, Sacramento Regional Transit District (RT) has demonstrated excellent fiscal stewardship by implementing cost reductions and revenue enhancements to meet the over \$40 million shortfall created by the State of California's diversion of state public transit funding since 2007; and

WHEREAS, the declining economy has taken a significant toll on RT's sales tax-based revenues provided through the Local Transportation Fund (LTF) and Measure A, such that the decline in both revenue sources in FY 2010 is expected to approximate \$6.2 million and continue to decline by another \$6.4 million in FY 2011; and

WHEREAS, FY 2010 Fare Revenues will fall short of projections by approximately \$8 million because of ridership impacts due to high unemployment, State of California employee furloughs, lower gasoline prices, and changes in fare-buying patterns; and

WHEREAS, recently enrolled state legislation to provide a stable source of state funding for public transit has not received approval by the Governor; and

WHEREAS, RT has implemented significant cost-saving measures, including a hiring freeze; employee medical dependent coverage eligibility reviews; restrictions on spending for professional services, travel, supplies, and non-essential meeting expenses; delay of 91 capital projects to reprogram flexible funding to operations; cancelled management cost-of-living increases; revised pension amortization periods to reduce expenditures; eliminated contract workers and intern opportunities; reduced community-based memberships and sponsorships; reduced facilities service contracts for internal services; and re-negotiated existing fare and transfer agreements; and

WHEREAS, RT has implemented significant revenue enhancement measures, including pursuit of additional grant opportunities to shift costs from operations to capital funding program; fare increases; changes to pass programs; implementation of parking fee pilot program; expanded advertising program; and installation of vending machines at light rail stations; and

WHEREAS, RT has had to cut positions from almost all internal departments and faces additional cuts associated with service changes and reductions; and

WHEREAS, many RT employees have already made personal sacrifices by agreeing to pay and benefit concessions, including unpaid furloughs, salary and promotional freezes, and suspension of cash payouts for accruals; and

WHEREAS, additional internal cost-saving measures will not be sufficient to address the ongoing budget crisis to avoid significant service changes and reductions that will have a negative impact upon the public; and

WHEREAS, a fiscal emergency exists under the California Environmental Quality Act (CEQA) when an agency is projected to have “negative working capital” within one year from the date that the agency finds that a fiscal emergency exists; and

WHEREAS, RT has projected a significant operating deficit in FY 2010, continuing through FY 2011, without reserves to draw upon; and

WHEREAS, on January 11, 2010, February 22, 2010, and March 8, 2010, the RT Board was provided with reports on the agency’s financial status, and based upon such reports, the Board concluded on March 8, 2010 that there was justification to call for a public hearing regarding the possible declaration of a fiscal emergency and the need to take action to address such an emergency; and

WHEREAS, one of the consequences of the fiscal emergency faced by RT is the need to consider possible service reductions; and

WHEREAS, on March 8, 2010, the RT Board held a public hearing to present information regarding the existence of a fiscal emergency and potential actions needed to address that emergency and provided the public an opportunity to comment; and

WHEREAS, comments were received during the public hearing; and

WHEREAS, RT has considered the comments received at the public hearing, as well as received in writing or e-mail, and has responded to those comments in a staff report presented to the RT Board at a public meeting held within thirty days of the receipt of comments; and

WHEREAS, the RT Board has received staff’s analysis, reviewed the summary of public comments and the staff responses to those comments, and has further considered the financial condition of RT.

WHEREAS, RT is predicted to have negative working capital within one year from the date of this Resolution, as reflected in Exhibit A.

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

THAT, the RT Board, in performing its responsibilities under CEQA, finds and declares that a fiscal emergency exists within the definition of Public Resources Code section 21080.32 and the implementing regulations promulgated thereunder, in that RT is predicted to have negative working capital within one year from the date of this Resolution; and

THAT, the RT Board finds that the reduction or elimination of existing fixed route service resulting from the aforementioned fiscal emergency is statutorily exempt from CEQA review and that the General Manager/CEO is authorized to file a Notice of Exemption relative to this action; and

THAT, the RT Board authorizes the General Manager/CEO to take any action necessary to effectuate reductions in force necessary to address the fiscal emergency.

STEVE MILLER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

**Sacramento Regional Transit District
Fiscal Emergency Worksheet**

ESTIMATED UNRESTRICTED NET ASSETS - JUNE 30, 2010		\$ (12,930,442)
FY 2011 Operating Revenue		
Fares	<u>\$ 33,471,459</u>	
Total Operating Revenue		\$ 33,471,459
FY 2011 Non-Operating Revenue		
Operating Assistance:		
State and Local	42,578,319	
Federal	<u>21,519,497</u>	
Total Operating Assistance		64,097,816
Contracted Service Revenue		
Folsom	1,471,400	
Citrus Heights	1,706,201	
Elk		
Grove	<u>596,633</u>	
Total Contracted Services		3,774,234
Other Revenue		2,495,292
ESTIMATED TOTAL FY 2011 REVENUES		\$103,838,801
Salaries & Benefits	74,872,077	
Professional Services	15,996,129	
Materials & Supplies	8,403,890	
Utilities	5,393,002	
Insurance & Liability	9,356,097	
Other Expenses	1,866,056	
ESTIMATED TOTAL FY 2011 EXPENDITURES		\$115,887,251
ESTIMATED FY 2011 DEFICIT		\$ (12,048,450)
ESTIMATED UNRESTRICTED NET ASSETS - JUNE 30, 2011		\$ (24,978,892)