

June 8, 2011

TO: Board of Directors

FROM: Kathy Casenve, Director of Finance *KC*

REVIEWED: *Int*

SUBJECT: FY 2012 PROPOSED BUDGET AND FY 2011 ESTIMATED ACTUAL

FY 2012 Proposed Budget & FY 2011 Estimated Actual

The FY 2012 proposed operating budget totals \$32,544,295. Of this, fixed route is \$26,399,897 and Paratransit is \$5,594,399. The budget also includes a contingency line item of \$550,000. The only major change in this budget versus the draft presented in May is an increase in STA revenue due to a new estimate by MTC.

- Fixed route expenses for FY 2012 are projected to be \$1,466,315 (5.9%) more than the estimated actual for FY 2011.
- Paratransit expenses are estimated to be virtually the same as FY 2011.

The FY 2011 operating budget is for \$31,269,545 which included a contingency line item of \$313,212. The actual operating expenses are projected to be under budget. The June estimated actual is \$28,000 lower than the May draft in overall Fixed route projected expenses. There is no change in the Paratransit estimated actual expenses.

- Fixed route expenses for FY 2011 are estimated to be \$430,413 (1.7%) less than the budget.
- Paratransit expenses for FY 2011 are estimated to come in at budget.
- The contingency of \$313,212 will not be needed and will be returned to TDA reserve.

The Key Assumptions Used for FY 2012 Budget & Ten-Year Draft Financial Forecast and TDA Reserve-

Operating Revenues- The * denotes a change from the May draft

<p>Passenger Fares</p>	<p>Fixed route fares are projected to grow 2% in FY 2012 & 2% thereafter due to increased riders. A 12% fare increase is assumed for FY 2013, FY 2016 and FY 2019. (About 25 cents for single ride)</p>
<p>Special Fares</p>	<p>FY 2011 special fares are expected to be \$20,000 more than projected. FY 2012 projected revenue is about \$20,000 more. This revenue category offsets the cost of providing the special service. The Walnut Creek Rt 4 revenue is included.</p>

	Advertising Revenue	Advertising is projected to is projected to be \$530k in FY 2012, a 9.8% increase due to greater demand. The next 2 years are projected to increase 4%, bringing the total to \$570k FY 2014. After FY 2014, the rate increase is 2.5% bringing the total to \$678k in FY2021. This compares to actual revenue of \$689k in FY 2008 and \$675k in FY 2009.
*	FTA Preventive Maintenance	The Authority converted the FY 2011 bus purchase into preventive maintenance operating revenue. The amount is \$5.5 million, most of it to be used in FY 2012. MTC also allocates federal monies to a flexible setaside program that the Authority has used for preventive maintenance. The amount in FY 2010 was \$359,871 and the May draft included estimates for FY 2011 and FY 2012. Because of a region wide shortfall in funding for capital projects, MTC will not be allocating flexible setaside revenue for FY 2011 and FY 2012.
	Federal Stimulus	The Authority received \$5.3 million and has used it for preventive maintenance operating expense in FY 2009, FY 2010 and FY 2011. No additional stimulus money has been projected.
	MTC Preventive maintenance reserve & STA Augmentation Fund	Two one-time sources of revenue approved by MTC, for a total of \$1.6 million are part of the FY 2011 revenue. No additional revenue is expected for FY 2012.
	STA	The FY 2012 amounts for Fixed Route and Paratransit are based on MTC's estimate, which is based on the Governor's May revise. The out years are increased by 2.5% per year.
	Measure J	For FY 2012, the increase is 4.3% over the prior year. CCTA staff's estimate of sales tax receipts is frequently different than the projection made by the CC County auditor controller's staff. For TDA, the auditor controller estimated a 1.7% increase.
	BART Express	The MTC estimate for FY 2012 is 9.7% less than FY 2011. A 2.5% increase is projected thereafter.
	Dougherty Valley revenue	The revenue in FY 2011 is \$114,900 more than the budget. The estimate for FY 2012 is 23% more (\$42,000). Although there is no revised County plan, the expectation is that the same amount of fees will be collected, but just over a longer period of time. The original plan was that the fees would be consumed by Dec 2011. This forecast extends the time through FY 2014.
*	TDA 4.0 & 4.5	FY 2012 fixed route TDA revenue used has been reduced by \$642,000 due mainly to an increase in STA revenue.

Operating Expenses-

The forecast assumes no increase or decrease in fixed route hours.

*	Total Operating Expenses	<p>The growth rate for Fixed route expenses is 5.9%; for Paratransit, 0% for FY 2012. For most of the out years, the Fixed Route rate is 2.8%; for Paratransit, 3%.</p> <p>The largest increases are:</p> <ul style="list-style-type: none">• Fixed Route materials and supplies, \$952,000, mostly diesel fuel accounts for \$840,000.• Fixed route services, \$195,000. In this category, the largest increases are due to the real time bus service contract, IT contracts, and various maintenance service repair categories. <p>Operating Expense changes from the May Draft:</p> <ul style="list-style-type: none">• FY 2011 fixed route expenses have been reduced by \$28,000; in the salaries and benefits section.• FY 2012 fixed route expenses have decreased \$64,000; the salaries and benefits have been decreased by \$77,000 and the miscellaneous category has been increased by \$13,000.• The Paratransit expenses remain the same.
	PERS pension expense	<p>PERS pension expense has been gradually increased in the forecast. The FY 2011 rate is 4.974%; the FY 2012 rate will be 5.218%; PERS estimates the rate for FY 2013 as 5.9% and FY 2014 as 8.3%. The 8.3% rate is based on a 7.75% investment return for this fiscal year (July 2010-June 2011). If the return is more, the ER rate will be less. Salary increases also play an important role in determining rates; PERS assumes a growth rate of 3.25%.</p> <p>The ER rate in this forecast is gradually increased to 10.4% by FY 2021.</p>
	Retiree Medical expense	<p>Retiree medical expense of \$234,000 has been included in all years. This is based on the October 2009 actuarial report.</p>

Capital Program-

Capital Revenue-

No TDA revenue is shown as being used for capital projects after FY 2011. State Transportation bond money is shown as being used to supplement bus or van purchases. The capital program has a revenue line item listed as **"To be determined"** which represents a shortfall of capital revenues.

TDA Reserve-

The TDA reserve is estimated to be very low by the end of FY 2015- \$473,000. If no additional revenue is forthcoming before that time, a further reduction in service or other cost reductions would be needed,

ACTION REQUESTED:

The Administration and Finance Committee recommends that the Board of Directors adopt the Operating and Capital budget for FY 2012 as presented.