

**RECOMMENDATION:** **ADOPT THE FISCAL YEAR 2018 OPERATING BUDGET IN THE AMOUNT OF \$34,539,797 AND CAPITAL BUDGET IN THE AMOUNT OF \$14,296,613**

**LEAD STAFF:** **VIRGINIA ALCAYDE, DIRECTOR OF FINANCE**  
**GEORGE LORENTE, GRANTS MANAGER**

**FINANCIAL IMPACT:** **\$34,539,797 – OPERATING**  
**\$14,296,613 – CAPITAL**

**BACKGROUND:**

The San Joaquin RTD's Strategic Plan describes RTD's goals and strategic initiatives that are aligned with RTD's mission, vision, and core values. RTD's primary mission is to provide a safe, reliable, and efficient transportation system for the region and its vision is to be the transportation service of choice for the residents we serve. RTD's core values include customer service, safety, positive work environment, and sustainability.

RTD's strategic planning process, and the resulting strategic plan, serves as a guide for RTD management during the budget process. Strategic planning efforts allow RTD to prioritize activities and allocate appropriate levels of resources to enable RTD to meet its goals for Fiscal Year (FY) 2018.

**DISCUSSION:**

Accomplishments and Highlights of FY 2017:

RTD is proud of its accomplishments for FY 2017 that were made possible by RTD's Board, leadership team, and employees working together all year long to accomplish the goals described in the FY 2017 Strategic Plan. RTD has significant accomplishments, as it has in previous years, with deploying innovative programs for our customers, operating more efficiently with existing resources, bringing in alternative sources of revenues, and maintaining compliance with financial and programmatic requirements.

RTD has deployed several programs that will enhance mobility for RTD customers now and in the future. RTD implemented the FREEdom Program Pilot that will provide ADA certified passengers with free passes on RTD's fixed-route service. The program is designed to encourage ADA certified customers, who are able to ride ADA-compliant fixed-route buses, to ride RTD's fixed-route service, which provides customers with a flexible and convenient service at a lower cost than Dial-A-Ride services.

RTD implemented its Vanpool program by partnering with CalVans, an established non-profit provider of vanpool services that has been providing service to Northern California counties since 2001.

To enhance customer communication, RTD has implemented the SugarCRM customer engagement information system. In concert with RTD's philosophy of customer engagement and personalized communication, this system will centralize customer communications and comments from email, phone, social media, and in-person assistance at RTD's customer service center. This system allows RTD to efficiently access information about our customers' transportation needs to connect them with the services they need in the most convenient way possible.

RTD received Proterra's 100th electric bus as part of the ten electric buses RTD received during the fiscal year. RTD is truly a national leader in electric bus deployment and is one of a handful of agencies making electric buses a significant portion of their fleet in preparation for future deployments. This deployment is made possible by RTD's efforts in securing funding, planning service to accommodate the technology, and constructing supporting infrastructure for the electric buses.

Despite the funding uncertainty RTD faces, RTD can maximize its resources and bring in competitive sources of funding to ensure the financial health of the organization. RTD implemented a 401(a) Individual Retirement Plan for non-represented, non-vested employees to limit growing costs of pension plan contributions, for both RTD and employees, and to be able to provide an attractive compensation package to prospective employees.

In FY 2017, RTD received notifications of awards for over \$22 million that include funding for RTD's commuter bus replacement and safety and security items. These awards will allow RTD to invest in safety and security projects and will replace more than half RTD's commuter fleet, providing passengers with reliable and enhanced service.

RTD has maintained excellence in financial reporting by receiving the "Excellence in Financial Reporting" award from the Government Finance Officers Association for the 13th year in a row. RTD received unmodified or clean audit results from all of its audits, including the Single Audit that provides assurance to the federal governments as to the appropriate management and use of federal funds from recipients.

RTD continues to enhance its partnership with the community by participating in various community events that benefit the community and by promoting the services offered by RTD. RTD received national recognition of its "The Places You Can Go on RTD" video advertisement campaign with a Compass Award from the Transportation Marketing Sales Association (TMSA).

#### FY 2018 Goals

RTD aims to keep raising the bar of its performance to attract more passengers and achieve its primary mission "to provide a safe reliable, and efficient transportation for the region" and achieve its Vision "to be the transportation service of choice for the residents we serve."

RTD's goals for FY 2018 include deployment of two new Bus Rapid Transit routes, updating RTD fare vending machines and methods, development and monitoring of innovative transportation services, upgrading of RTD facilities, development of a Transit Asset Management plan, and safety and security improvements.

RTD will launch two new fully funded Bus Rapid Transit (BRT) routes in FY 2018 along the MLK and Midtown Corridors. The new service will support RTD's vision of a comprehensive and connected BRT system for Stockton. The service will increase operational efficiency, and RTD expects the service to contribute toward long-term ridership growth as customers and non-customers experience the convenience of this service. The MLK BRT corridor will be one of the nation's first fully electrified BRT routes and will provide environmental benefits to an area that has been historically economically and environmentally disadvantaged. The electric buses operating along this BRT route, branded as "Express" service, will run quietly and will charge within 10 minutes at a new transfer station that will support the Airport Way and MLK corridors. This service will significantly improve the quality of service, through increased frequency and enhanced features, for residential and commercial areas of midtown and south Stockton.

RTD will develop and monitor a new on-demand service model through a pilot project to enhance transit options for customers who live in the rural areas of San Joaquin County. RTD will coordinate services provided under a partnership between RTD, Uber, Lyft, and a private ADA transportation service provider. The goal of the program is to provide transportation options in areas that have limited transit options by offering a more cost effective solution than providing fixed-route service in low-density areas.

RTD will monitor its Vanpool program that was deployed in FY 2017 and continue to work to market and grow this program. RTD will begin reporting San Joaquin Council of Government's (COG) vanpool program ridership data to the National Transit Database (NTD). This arrangement, initiated by RTD and

established with a partnership between RTD and SJCOG, will net additional federal funds to RTD due to the increased ridership that will be taken into account when FTA allocates formula funds.

Another service RTD will deploy in FY 2018 to enhance ridership is the Mall Circulator, a service that will connect the malls within Stockton and will conveniently arrive at each stop every 15 minutes. RTD will work on co-marketing opportunities with the malls to subsidize the service.

Goals related to keeping RTD's infrastructure in a state of good repair include the development of a Transit Asset Management program as required by FTA. The program will serve to assist RTD in completing the proper maintenance of its assets at the appropriate point in an asset's lifecycle. It will also serve as a financial forecasting tool that can be used to project RTD's future capital needs more accurately. RTD plans to complete facility upgrades in FY 2018 include updating ADA paths at bus stops, repainting and roof replacement for the DTC, and upgrading of RTD security cameras.

RTD's goal is to deploy new Fare Vending Machines (FVM) along its two new BRT corridors and then upgrade existing old-generation FVM's along RTD's existing BRT corridors and its transfer stations. The new FVM's will support and integrate multiple types of emerging fare media that include mobile ticketing, smart cards, QR code tickets, and standard magnetic strip tickets. RTD will ensure that the FVM's are convenient for customers and are future proof.

Lastly, RTD will upgrade its bus radio systems by partnering with San Joaquin County to be able to use its next-generation radio system that will be deployed to support emergency services. This system will improve the coverage and voice quality of RTD's dated antennae system. This system will also have improved data transfers between RTD buses and control, which will improve the accuracy of real-time bus location information for RTD and passengers.

### Funding Outlook

#### *Transportation Development Act/Transit Ad-Hoc Committee*

The Local Transportation Fund (LTF) and the State Transit Assistance (STA) make up 49% of RTD's operating budget, with the LTF funds making up 43.7% of RTD's operating budget alone. The State's Transportation Development Act (TDA) authorizes these revenues for the purpose of supporting transportation operations and projects. The LTF revenue is generated by a quarter-cent state sales tax, and the STA revenue comes from a sales tax on diesel fuel.

The total LTF revenues for San Joaquin County have been increasing over the last three years, as the economy has recovered and sales tax receipts have risen. Although this trend for the total revenues directed to the county is positive, some uncertainty remains for RTD in regards to the allocation proportion RTD will receive from this fund moving forward. RTD's proportional share of LTF has declined over the last 20 years due to jurisdictions becoming LTF claimants and increases in off-the-top allocations for the San Joaquin Regional Rail Commission (SJRRRC) operations and to the San Joaquin Council of Governments (SJCOG) for administration and planning activities. In the last several years, RTD has faced proposed cuts to its LTF allocation, for the reasons mentioned, that could have resulted in a reduction of RTD's LTF allocation by \$2 million and would have brought RTD's LTF revenues below \$13 million, less that RTD's LTF allocation in 2006. RTD strongly advocated against such a drastic reduction in its allocation and an alternative strategy to fund the growing needs of SJRRRC was developed that had less of an impact on RTD's allocation.

The Regional Transit Systems Plan was initiated by SJCOG to evaluate the transit needs of the county and to allocate future resources to those needs. The result of this study was the recommendation to form a Transit Ad-Hoc Committee, made up of the executives of the transit agencies and the city

managers, who are tasked with making funding decisions for future transit revenues. This will include the LTF and STA allocations, as well as other federal and local funding sources for transit. The LTF allocation estimate for FY 2018 is not fully solidified by the Transit Ad-Hoc Committee. RTD is anticipating pending the transfer of the San Joaquin County's remaining LTF allocation to RTD to provide intercity services for the county. This action, among other funding decisions, is being discussed within the Transit Ad-Hoc Committee created by SJCOG. SJCOG's decisions, in relation to the recommendations from the Transit Ad-Hoc Committee, will communicate its vision and priorities in transit and mobility. RTD staff continues to strongly advocate for sustained funding on behalf of the disadvantaged members of the community (representing 85% of RTD's ridership) students, individuals with disabilities, and senior citizens, many who do not have any transportation choice except public transit.

RTD's operating budget assumes \$15 million in LTF revenues and is consistent with a preliminary allocation from SJCOG.

#### *Measure K*

Measure K constitutes approximately 18% of RTD's proposed operating budget. RTD is projecting a \$1.2 million increase to its Measure K revenues, a 25% increase over prior year. This increase is due to a revised long-term Measure K revenue projection and RTD's ability to deliver planned Bus Rapid Transit expansions on the MLK and Midtown Corridors.

RTD receives the full 5% share for BRT Capital. RTD receives at least 50% of the Bus Transit category which is 49% of the Passenger Rail, Bus, and Bicycles category, which itself is 30% of the entire Measure K program. While RTD is guaranteed 50% of the Bus Transit category, the Transit Ad-Hoc Committee will be making decisions on the remaining 50%.

While the Measure K 30-year renewal was initially estimated to generate approximately \$3 billion, the current estimate is at \$2.6 billion.

#### *State Transit Assistance (STA) / Senate Bill 1*

STA is derived from statewide sales tax on diesel fuel that makes up approximately 4.3% of RTD's operating budget. While STA is generally for capital, RTD allocates the majority of its STA revenues to operations to maximize the level of transit service on the street. For this budget year, the STA budget for capital expenditures are primarily operationally imperative activates that can be capitalized.

STA funding has declined statewide by over \$100 million in the last three years. This was caused by reductions in the price of gasoline and diesel fuel. Fuel prices have been rebounding, and the state controller has estimated an increase of STA revenues for FY 2018. Also, Senate Bill 1 (SB 1), The Road Repair and Accountability Act of 2017, increases the diesel sales tax rate from 3.5% to 7% on November 1, 2017. For these reasons, RTD is estimating revenues from STA to be \$4.3 million, compared to estimated revenues for FY 2017 of \$2.3 million.

The primary risk to this funding source is the possible repeal of SB 1. Although unlikely, there are reports of movement among several southern California jurisdictions that are interested in acting to repeal this bill.

### *Operating Budget*

RTD's proposed operating budget is \$34,539,797. Due to constrained funding levels and rising expenses in specific areas, the budget reflects a service level that is equal to the amount of service provided in FY 2017. The budget assumes a 5% increase in medical premiums and no pay rate increases, except for progression and budgeted promotions. It includes an increase in retirement and retirement health by 25%, increasing from 20.51% in FY 2017 to 25.7% of wages, for the RTD contribution portion. The budget projects a \$2 per gallon fuel cost.

Passenger fares are expected to be 15% lower than what was budgeted in FY 2017 due to recent ridership trends for RTD. This declining trend is consistent with ridership in most cities nationwide. The reasons cited by transit professionals for the recent decline in ridership include the funding and service level reductions that transit agencies experienced several years ago, lower fuel cost, an improving economy, and other transportation choices available, such as on-demand services like Uber and Lyft.

RTD's proposed operating budget contains an estimated use of fund balance of \$888,337 as necessary to bridge the gap between its estimated resources and estimated expenses for the delivery of RTD services. This deficit will grow if there is a shortfall in RTD's funding projections and other unforeseen increases in expenditures such as results in labor negotiations.

Any adverse funding decision outside of RTD's control could lead to a reduction in the level of service and staff. RTD staff will do its best to provide the highest level of service to the greatest number of people within RTD's financial means by closely monitoring expenses and the receipt of projected revenues.

### *Capital Budget*

RTD's proposed capital budget is \$14,296,613. The purchase of 10 new commuter buses makes up \$10,384,000 or 73% of the budget. RTD received an award from the federal complete grant program FTA's Low and No Emissions Deployment program amounting to \$8,284,000 for the commuter buses. The remaining \$3,912,613 of the budget are for items that are critical to support RTD operations and include: bus refurbishment, component rebuilds, parts, facilities equipment, Information Technology equipment, fare vending machines, tire lease, and grants and project administration.

The FY 2018 capital budget is lean and has an emphasis on critical items that will add convenience and an improved experience for customers as well as items that will keep RTD's infrastructure in a state of good repair, enhancing safety for both employees and customers.

### **RECOMMENDATION:**

Staff recommends adoption of the attached operating and capital budgets that will provide RTD with the authority to spend on the respective areas of its operations throughout Fiscal Year 2018, which begins July 1, 2017, and ends June 30, 2018.

## Proposed Fiscal Year 2018 Operating Budget

<u>Description</u>	<u>FY17 Budget</u>	<u>Proposed FY18 Budget</u>	<u>FY18 over FY17 Budget</u>	
<b>Revenue</b>				
Passenger Fares	\$ 4,430,792	\$ 3,735,752	(695,040)	-15.7%
Auxiliary Transportation	84,500	77,000	(7,500)	-8.9%
Non Transportation	65,219	57,515	(7,704)	-11.8%
Property Tax	866,185	866,185	(0)	0.0%
Measure K	4,946,318	6,210,000	1,263,682	25.5%
LCTOP	221,773	806,209	584,436	263.5%
TDA-STA	3,000,000	1,472,660	(1,527,340)	-50.9%
TDA-LTF	14,706,057	15,097,083	391,026	2.7%
Federal 5307	4,675,445	4,611,568	(63,877)	-1.4%
Federal 5310	-	357,706	357,706	100.0%
Federal 5311	379,079	359,783	(19,296)	-5.1%
<b>Total Revenue</b>	<b>\$ 33,375,368</b>	<b>\$ 33,651,460</b>	<b>276,092</b>	<b>0.8%</b>
<b>Expenses</b>				
Wages & Fringes	\$ 18,867,246	\$ 19,547,953	680,707	3.6%
Services	2,892,989	2,863,285	(29,704)	-1.0%
Materials & Supplies	2,799,289	2,494,431	(304,858)	-10.9%
Utilities	729,330	846,371	117,041	16.0%
Insurance	806,878	797,341	(9,537)	-1.2%
Taxes & Licenses	190,051	160,149	(29,902)	-15.7%
Purchased Transportation	7,073,500	6,374,541	(698,959)	-9.9%
Operating Contingency	-	200,000	200,000	0.0%
Miscellaneous Expenditures	1,270,698	1,255,726	(14,972)	-1.2%
<b>Total Expenses</b>	<b>\$ 34,629,981</b>	<b>\$ 34,539,797</b>	<b>(90,184)</b>	<b>-0.3%</b>
<b>Projected (Deficit)</b>	<b>(1,254,613)</b>	<b>(888,337)</b>		
Fund Balance	1,254,613	888,337		
<b>Net Amount</b>	<b>\$ -</b>	<b>\$ -</b>		

FY 2018 Proposed Capital Budget			
FY18 Revenue Sources by Program	Type	Amount	% of Total Revenues
FY15 TSSSDRA: Fleet and Facility Security	Formula - State	\$ 3,542.50	0%
FY17 5307: Security	Formula - Federal	64,366	0%
FY18 FTA 5307: Security	Formula - Federal	51,493	0%
FY18 FTA 5307: Grants & Project Administration	Formula - Federal	275,514	2%
FY18 FTA 5307: Tire Lease	Formula - Federal	213,600	1%
FY18 FTA 5339: Bus & Bus Facilities	Formula - Federal	468,854	3%
FY17 FTA 5339B: Bus & Bus Facilities	Competitive - Federal	8,284,000	58%
FY18 Measure K	Formula - Local	2,100,000	15%
FY18 SB 1	Formula - State	1,300,000	9%
FY18 STA	Formula - State	1,535,243	11%
<b>Total Revenues</b>		<b>\$ 14,296,613</b>	<b>100%</b>
Funded Projects by Project Category		Amount	% of Total Expenses
<b>Bus Component Rebuild and Parts Over \$500:</b> Rebuild & Replace Engines, Transmissions, and Other Major Components		\$ 215,000	2%
<b>Bus Refurbishment:</b> (20) BRT Rebranding, (6) BRT Articulated Rebranding, (27) SMA/Intercity Rebranding, (8) Hopper Rebranding, (5) Electric Proterra Rebranding		568,217	4%
<b>Facilities Equipment:</b> RTC Bus Wash Brushes		15,000	0%
<b>Grants &amp; Project Administration:</b> Grants Administration, Grant Writing, and Project Administration		414,710	3%
<b>IT Equipment:</b> Transit Asset Management Plan, (44) VenTek Fare Vending Machines, (5) APC Smart-UPS 1500VA LCD RM 2UPS, Mobile Ticketing Phase 2, (2) Printers, Projector, Scanner		2,432,686	17%
<b>Revenue Vehicles:</b> (10) Commuter Buses		10,384,000	73%
<b>Tire Lease:</b> Tire lease for the entire bus fleet.		267,000	2%
<b>Total Expenses</b>		<b>\$ 14,296,613</b>	<b>100%</b>

RESOLUTION NO.  
DATED: JUNE 23, 2017

RESOLUTION TO APPROVE THE FY 2018  
OPERATING AND CAPITAL BUDGET

RESOLVED AND ORDERED by the San Joaquin Regional Transit District (RTD) Board of Directors  
as follows:

1. That the FY 2018 Budget for RTD in the amount of \$34,539,797 for operating and \$14,296,613 for capital be, and hereby is, approved; and
2. That the CEO be, and hereby is, authorized and directed to carry out the programs as outlined within the Budget.