

**RECOMMENDATION:** **ADOPT THE FISCAL YEAR 2019 OPERATING BUDGET IN THE AMOUNT OF \$38,313,496 AND CAPITAL BUDGET IN THE AMOUNT OF \$19,829,428**

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

**FINANCIAL IMPACT:** **\$38,313,496 – OPERATING  
\$19,829,428 – CAPITAL**

**BACKGROUND:**

RTD annually creates a strategic plan to describe its goals and strategic initiatives, which are aligned with its mission, vision, and core values. RTD's primary mission is "to provide a safe, reliable, and efficient transportation system for the region." 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 serve as a guide for its management during the budget process. It allows RTD to prioritize activities and allocate appropriate levels of resources. The proposed operating and capital budget for FY 2019 and funding outlook were presented at a special meeting of RTD's Board of Directors on June 2, 2018. The operating and capital budget, developed with the input of RTD executive team, staff, and board members, was drafted with the intent of meeting RTD's goals with the resources that RTD can reasonably expect from its funding outlook for FY 2019. Attached operating and capital budgets will provide RTD with the authority to spend on the respective areas of its operations throughout Fiscal Year 2019, which begins July 1, 2018, and ends June 30, 2019.

**DISCUSSION:**

RTD is proud of its FY 2018 accomplishments which were made possible by RTD's Board, leadership team, and employees working together to accomplish the goals described in the FY 2018 Strategic Plan. RTD aims to raise the bar of performance in achieving its primary mission, vision, and goals as described in the FY 2019 Strategic Plan. RTD's budget will serve as its financial plan in order to accomplish its goals and fund operating and capital activities to provide sustainable services to the community.

Funding Outlook

*Transportation Development Act (TDA)*

TDA funds are administered by Caltrans and implemented by San Joaquin Council of Governments (SJCOG). There are two programs under TDA: Local Transportation Fund (LTF) and State Transit Assistance (STA). LTF is generated from a quarter-cent state retail sales tax that is returned to the County to support public transit. The STA fund is generated from a statewide sales tax on diesel fuel to support public transit operations and capital improvements. SJCOG allocates TDA funds to each city and unincorporated area of San Joaquin County. RTD's budget is consistent with the preliminary allocation from SJCOG.

LTF and STA make up 52% of RTD's operating budget, with LTF funds making up 45% of RTD's operating budget alone. LTF revenues have been increasing in the past four years as the retail sales tax receipt has risen due to an improving economy. Historically, allocation for STA has been declining; the passing of Senate Bill 1 (SB1) in November 2017 resulted in increased STA revenue in FY 2018 and projected STA revenue for FY 2019. However, SB1 is facing a repeal effort, which could potentially be on the November 2018 ballot. RTD did not include SB1 funding in its operating budget due to its uncertainty, but it makes up 19% of its FY 2019 capital budget. The possible repeal of SB1 will also

affect funding from TIRCP as SB1 provides additional revenue for TIRCP, a competitive program for which RTD has applied and received funding in the past.

*Low Carbon Transportation Operations Program (LCTOP)*

LCTOP is one of several programs that are a part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with priority on serving disadvantaged communities.

Revenues are on the rise for LCTOP, which is funded with Cap and Trade revenues. RTD uses LCTOP for operations, specifically toward new service such as BRT and Hopper 9.

*Federal Funding*

RTD receives approximately \$5.4 million in FTA formula funds through Section 5307 and \$655,000 through Section 5339. The bill that will fund FTA for FY 2019 is largely unknown and is tied to congressional negotiations on other budget and policy issues. RTD will pursue federal funds for buses, charging infrastructure, and solar infrastructure projects.

RTD staff continues to strongly advocate for sustained funding on behalf of the disadvantaged members of the community: students, individuals with disabilities, and senior citizens, many of whom do not have any transportation choice except public transit.

Operating Budget

RTD's proposed operating budget is \$38,313,496. The budget reflects a service level similar to the level provided in FY 2018, except for additional services that are funded by the Non-Emergency Medical Transportation (NEMT) fund and cost-saving services because RTD is designated by SJCOG as a Consolidated Transportation Services Agency (CTSA).

RTD has been experiencing a declining trend in ridership, which is consistent with the declining trend in most transit agencies nationwide. The reasons cited by transit professionals for the decline in ridership include increased car ownership due to improving economy, availability of on-demand transportation services (i.e., Uber and Lyft), and availability of online classes and online shopping. FY 2019 budget assumes a slight increase in fare revenue because of projected increase in ridership from the implementation of Bus Rapid Transit IV (BRT IV) and Mobility-On-Demand services. FY 2019 budget assumes an increase from advertising revenues due to improving economy, increase revenue from property tax due to increasing house values, and new revenue from a new rental contract with Greyhound. Measure K revenue is based on Measure K funding level agreements for FY 2019. TDA revenues are based on preliminary apportionments from SJCOG. Federal operating revenues are projected based on prior year funding levels.

FY 2019 projected expenses assume a 13% increase in wages and fringes due to a pay increase, new positions, an assumed medical premium increase, an increase in pension contributions, and an increase in operator hours. The budget projects a \$2.75 per gallon fuel cost. A projected increase in purchased transportation is due to a contract requirement for higher wages for the contractor employees and negotiated and expected improvement in service efficiency from RTD's new contractor for its Intercity, Commuter, and Hopper services. The new contractor is also responsible to provide bus parts necessary for bus maintenance.

RTD's proposed operating budget contains an estimated use of the fund balance of \$678,106 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 expenditure.

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.

#### Capital Budget

RTD's proposed capital budget is \$19,829,428. Work on capital projects will not begin and expenses will not be incurred unless revenue sources are secured or when RTD receives pre-award authority to spend on the capital projects. Out of the \$19.8 million projected capital revenue sources, \$14.3 million is projected to come from competitive grants and \$5.5 million from formula grants. An estimated \$3.77 million, which is 19% of the total capital revenue, is projected to be coming from SB1 funds. SB1 is facing a repeal effort, which could potentially be on the November 2018 Ballot. RTD will have to readjust prioritization of funding if SB1 is repealed.

The attached FY 2019 capital budget has an emphasis on items that accomplish the following:

- Support a statewide campaign for a greener community.
- Improve customer experience.
- Keep RTD's infrastructure in a state of good repair which enhances safety for both employees and customers.
- Comply with Transit Asset Management requirements.
- Conduct studies for consolidated and efficient transit system.

**Proposed Fiscal Year 2019 Operating Budget**

<u>Description</u>	<u>FY18 Budget</u>	<u>Proposed FY19 Budget</u>	<u>FY19 over FY18 Budget</u>	
<b>Revenue</b>				
Passenger Fares	\$ 3,735,752	\$ <b>3,759,781</b>	\$ 24,029	0.6%
Auxiliary Transp	77,000	<b>120,044</b>	43,044	55.9%
Non Transportation	57,515	<b>258,486</b>	200,971	349.4%
Property Tax	866,185	<b>974,588</b>	108,403	12.5%
Measure K	7,098,337	<b>5,708,775</b>	(1,389,562)	-19.6%
LCTOP	806,209	<b>1,548,279</b>	742,070	92.0%
TDA-STA	1,832,442	<b>2,535,357</b>	702,915	38.4%
TDA-LTF	15,097,083	<b>17,368,829</b>	2,271,746	15.0%
Fedral 5307	4,611,568	<b>4,640,092</b>	28,524	0.6%
Federal 5310	357,706		(357,706)	-100.0%
Federal 5311		<b>721,159</b>	721,159	100.0%
<b>Total Revenue</b>	\$ 34,539,797	\$ <b>37,635,390</b>	\$ 3,095,593	9.0%
<b>Expenses</b>				
Wages & Fringes	\$ 19,483,021	\$ <b>22,021,646</b>	2,538,625	13.0%
Services	2,897,621	<b>2,632,282</b>	(265,339)	-9.2%
Materials & Supplies	2,500,360	<b>2,102,259</b>	(398,101)	-15.9%
Utilities	846,071	<b>884,063</b>	37,992	4.5%
Insurance	840,000	<b>840,776</b>	776	0.1%
Taxes & Licenses	160,149	<b>202,032</b>	41,883	26.2%
Purchased Transportation	6,373,606	<b>7,873,772</b>	1,500,166	23.5%
Operating Contingency	-	<b>200,000</b>	200,000	100%
Miscellaneous Expenditures	1,438,969	<b>1,556,666</b>	117,697	8.2%
<b>Total Expenses</b>	\$ 34,539,797	\$ <b>38,313,496</b>	3,773,699	10.9%
<b>Projected (Deficit)</b>	-	<b>(678,106)</b>		
Fund Balance	-	<b>678,106</b>		
<b>Net Amount</b>	\$ -	\$ -		

**Proposed Fiscal Year 2019 Capital Budget**

Projected Revenue Sources by Program	Type	Amount	% of total Revenue
<b>Federal</b>			
5339 LoNo	Competitive	\$ 6,625,000	33%
CMAQ (FY18)	Competitive	3,375,000	17%
5339 Bus & Bus Facilities	Competitive	1,446,097	7%
5339 Bus & Bus Facilities (FY18 and FY19)	Formula	837,116	4%
5307 Urbanized Area Formula (FY19)	Formula	652,930	3%
CA95X143	Competitive	500,000	3%
	Total Federal	\$ 13,436,143	68%
<b>State</b>			
SB1 Transportation Funding (FY19)	Formula	2,340,199	12%
SB1 State of Good Repair (FY18 and FY19)	Competitive	1,435,640	7%
State Transit Assistance (STA) (FY19)	Formula	1,047,086	5%
CARB	Competitive	649,000	3%
SHA	Competitive	132,795	1%
	Total State	\$ 5,604,720	28%
<b>Local</b>			
Measure K- BRT Capital Project (FY16-FY19)	Formula	665,000	3%
Active Transportation Grant (ATP-SJCOG) (FY18)	Competitive	120,000	1%
Stockton Arts Commission (FY18)	Competitive	3,565	0.02%
	Total Local	\$ 788,565	4%
<b>Total FY19 Projected Capital Revenues</b>		<b>\$ 19,829,428</b>	<b>100%</b>
<b>Capital Projects by Category</b>		<b>Amount</b>	<b>% of total Expenses</b>
<b>Facilities Improvement and Upgrade:</b> Two Electric Bus Chargers, Solar Energy Project, RTC maintenance bay floor resurfacing, and file storage on RTD property		\$ 11,252,885	57%
<b>Property Purchase:</b> Sardee property		3,000,000	15%
<b>Communication and IT Equipments:</b> Transit Asset Management (TAM) System, Inventory & work order system, broadband on the bus/ bus stops, Kronos timekeeping system upgrade, fare vending machine replacements, other communication and information systems replacements i.e. desktops, scanners, printers		2,598,873	13%
<b>Bus Refurbishment:</b> Refurbishment of hopper buses, commuter buses, and to purchase decontamination system		1,137,650	6%
<b>Corridor Construction:</b> Additional funds for BRT IV Project		700,000	4%
<b>Bus Component Rebuild and Parts Over \$500:</b> Rebuild & replace engines, transmissions, and other major components		375,000	2%
<b>Tire Lease:</b> Tire lease for the entire bus fleet.		375,000	2%
<b>Maintenance Equipment:</b> Vehicle upholstery and carpet cleaner, A8 Shell and tool chest for electronics field repairs, Nova/Proterra Axle Bearing Tool, and Gillig - Front windshield installation tool		43,600	0.2%
<b>Facilities Equipment:</b> Truck mounted hot water pressure; bus wash water treatment media, Bus stops trash cans, signs and decals		41,420	0.2%
<b>Other Capital Project:</b> Stockton Transit Bike Share Feasibility Study, Transit Consolidation Study, and Artie Art Project		305,000	2%
<b>Total FY19 Proposed Capital Projects</b>		<b>\$ 19,829,428</b>	<b>100%</b>
<b>Net Amount</b>		<b>\$ -</b>	

RESOLUTION NO. \_\_\_\_\_  
DATED: JUNE 15, 2018

RESOLUTION ADOPTING THE FY 2019  
OPERATING AND CAPITAL BUDGET

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

1. That the FY 2019 Budget for RTD in the amount of \$38,313,496 for operating and \$19,829,428 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.