

RECOMMENDATION: APPROVE A REVENUE-BASED SPENDING AUTHORITY OF UP TO \$38,257,604 FOR FISCAL YEAR 2020

LEAD STAFF: VIRGINIA ALCAYDE
DIRECTOR OF FINANCE

FINANCIAL IMPACT: UP TO \$ 38,257,604

BACKGROUND

On an annual basis, San Joaquin RTD presents its budget for adoption by the Board prior to the start of its fiscal year. The adopted budget provides a financial plan to achieve RTD's goals and fund operating activities to provide services to the community. A detailed review of estimated resources and expenses was presented to the Board on May 3, 2019 in a Special Board Meeting. With flat operating revenues and increased expenses, the projected deficit presented to the board at said meeting was \$3.9 million.

DISCUSSION

An increase in estimated expenses beyond projected revenue streams creates an extremely difficult challenge in ensuring sustainability of FY 20 operations. Some of the cost drivers include the impact of the arbitration decision on wages of represented employees and the resulting increase in payroll expenses and retirement contributions, increase in pension contribution rate, increase in medical premiums, increase in workers' compensation expenses, and service hours that have been provided without an identified funding source. As of date of this report, RTD has implemented some measures to reduce labor costs without impacting productivity and efficiency, such as laying off of two employees, consolidating two management positions, and eliminating some vacant positions. In order to ensure sustainability of RTD operation, it is more critical than ever for staff to revisit its service design as well as the allocation of RTD's operating funds to the respective service type. RTD needs to make a strategic decision to either discontinue unfunded service or form partnerships with appropriate parties on funding commitments in order to continue such service.

Staff is committed to present to the Board for adoption a proposed balanced FY 2020 operating budget at the Board meeting in August.

Staff members have identified the operating revenues for FY 2020. While staff members are still working on prospective partnerships, service design, and funding allocations, staff members recommend a revenue-based spending authority consistent with identified resources in order to continue its operation in the beginning of FY 2020 on July 1.

Below reflects the budget that was presented to the Board on May 3, 2019:

Revenue Sources	Projected FY19 Revenues	Projected FY20 Revenues	FY20 over FY19 Budget	
TDA- LTF	\$ 17,605,997	\$18,235,681	\$ 629,684	4%
Measure K	5,708,775	5,843,687	134,912	2%
Federal	5,389,331	5,309,315	(80,016)	-1%
Passenger Fares	3,759,781	3,329,197	(430,584)	-11%
TDA - STA	2,710,357	3,480,163	769,806	28%
LCTOP	1,326,507	1,053,267	(273,240)	-21%
Property Tax	974,588	974,588	(0)	0%
Other Revenues	378,530	431,706	53,176	14%
Operating Fund Balance	459,630			
Total Revenue	\$ 38,313,496	\$ 38,657,604	\$ 344,108	0.9%
Provision for Reserves per Policy		(400,000)		
Revenues Available for Operations	\$ 38,313,496	\$ 38,257,604	\$ (55,892)	0.1%
Estimated Expenses	38,313,496	44,027,066	\$ 5,713,570	15%
Projected Deficit		\$ (5,769,462)		
Estimated Operating Fund Balance		1,781,562		
Projected Net Deficit		\$ (3,987,900)		

RESOLUTION NO. _____
DATED: JUNE 21, 2019

RESOLUTION TO APPROVE A REVENUE-BASED SPENDING AUTHORITY FOR UP TO
\$38,257,604 FOR FY 2020

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

- 1) That spending authority in the amount of \$38,257,604 for FY 2020 operating be, and hereby is, approved; and
- 2) That the CEO be, and hereby is, authorized and directed to carry out the programs within the spending authority until Board of Directors' approval of FY 2020 Budget.

RECOMMENDATION: ADOPT THE FISCAL YEAR 2020 CAPITAL BUDGET IN THE AMOUNT OF \$27,677,983

LEAD STAFF: GEORGE LORENTE
GRANTS MANAGER

FINANCIAL IMPACT: \$27,677,983 – CAPITAL

BACKGROUND:

RTD develops a strategic plan on an annual basis to establish and plan for 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 management during the budget development process. It allows RTD to prioritize activities and allocate appropriate levels of resources. The proposed capital budget for FY 2020 and funding outlook were presented at a special meeting of RTD's Board of Directors on May 3, 2019. The capital budget, developed with the input of RTD executive team, staff, and board members, was drafted with the intent of meeting RTD goals. The attached capital budget will provide RTD with the authority to spend on the respective areas throughout Fiscal Year 2020, which begins July 1, 2019, and ends June 30, 2020.

DISCUSSION:

The following funding outlook is a discussion of funding sources that RTD can reasonably expect to be available to fund capital projects in FY 2020.

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 operations. The STA fund is generated from a statewide sales tax on diesel fuel and can be used to support public transit operations and/or 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.

Historically, RTD's allocation for STA has been declining due to declining revenues on diesel fuel sales taxes. The passing of Senate Bill 1 (SB1) in November 2017 resulted in an increase in STA revenues. SB1 faced a repeal effort on a November 2018 ballot that was ultimately unsuccessful. Although RTD has experienced an increase in STA of approximately 40% due to SB1, these additional revenues have practically served as a replacement of capital funds from Proposition 1B that provided its last annual allocation in FY 2017.

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 to partially fund the Midtown Bus Rapid Transit Corridor (Route 47).

Discretionary/Competitive Funding

With the exception of the US DOT Automated Driving Systems (ADS) Program, all identified competitive funding within the proposed budget is either programmed or awarded to RTD. The initiation of the AutoGo!–Bus Transit automation Demonstration Project will be contingent upon award of the US DOT grant for which an award announcement is expected this summer.

Of the \$27.7 million projected capital revenue sources, \$21.8 million or 79% is projected to come from competitive grants and \$5.9 million or 21% from formula grants.

Federal Funding

RTD receives approximately \$5.4 million in FTA formula funds through Section 5307 and \$600,000 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 discretionary funds for the following projects:

- Electric buses and charging infrastructure to meet zero-emission goal by FY 2025
- Solar and battery storage project (phase 2)
- RTD AutoGo!–Bus Transit automation Demonstration Project
- Mobility programs
- Safety and security projects

Capital Budget

RTD's proposed capital budget is \$27,677,983. 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.

The attached FY 2020 capital budget has an emphasis on items that accomplish the following:

- Support a federal, state, and local initiatives to reduce harmful emissions and greenhouse gas emissions.
- Improve customer experience.
- Implement innovative projects to meet the changing mobility needs of the public.
- Keep RTD's infrastructure in a state of good repair which enhances service reliability and safety.
- Comply with Transit Asset Management requirements.
- Conduct studies for a consolidated and efficient transit system.

Proposed Fiscal Year 2020 Capital Budget

Projected Revenue Sources by Program		Type	Amount	% of Total Revenue
Federal				
FTA 5339 Bus & Bus Facilities	Competitive	\$	915,008	3.3%
FTA CMAQ	Competitive		11,170,715	40.4%
FTA Innovations in Transit Public Safety	Competitive		180,000	0.7%
US DOT Automated Driving Systems (ADS) Program (contingent on award)	Competitive		8,944,710	32.3%
FTA 5339 Bus & Bus Facilities	Formula		595,015	2.1%
FTA 5307 Urbanized Area Formula Program	Formula		654,480	2.4%
FTA 5307 (Tracy and Manteca)	Formula		402,000	1.5%
	Total Federal	\$	22,861,928	82.6%
State				
SB1 State of Good Repair	Competitive		686,790	2.5%
Prop 1B - PTMISEA	Competitive		36,920	0.1%
State Transit Assistance (STA)	Formula		1,775,369	6.4%
	Total State	\$	2,499,079	9.0%
Local				
HVIP Electric Bus Credit	Formula		1,980,000	7.2%
Measure K- BRT Capital Project	Formula		79,223	0.3%
Measure K- Commuter Bus Replacement	Formula		257,752	0.9%
	Total Local	\$	2,316,975	8.4%
Total FY19 Projected Capital Revenues			\$ 27,677,983	100.0%
Capital Projects by Category			Amount	% of Total Expenses
Bus Component Rebuild and Parts Over \$500: Rebuild & replace engines, transmissions, and other major components			1,001,750	3.62%
Communication and IT Equipment: Mobile phones for transit ambassadors, credit card processing terminal, networking switches, firewall, server, windows upgrade, and other communication and information systems replacements (i.e. desktops, scanners, printers)			399,919	1.44%
Facilities Improvement and Upgrades: DTC door, HTS HVAC replacement, HTS fencing, DTC HVAC controls, RTC drain spout diverters, UTS charger #2			142,896	0.52%
Maintenance Equipment: Floor jack and electric bus tools			13,625	0.05%
Non-Revenue Fleet Vehicles: Replacement and purchase of four trucks, 2 vans, and 1 automobile			730,300	2.64%
Other Capital Projects: Feasibility study for bay area ferry service, consolidation study, misc. marketing items, safety railing at Franklin High School, property purchase, and HTS signage			789,244	2.85%
Revenue Vehicle Purchase: Purchase 12 Van Go! Vans, 10 electric buses and charging equipment, and 2 commuter buses			15,280,539	55.21%
RTD Auto Go!Bus Transit Automation Demonstration Project (contingent on award)			8,944,710	32.32%
Tire Lease: Tire lease for the entire bus fleet			375,000	1.35%
Total FY 2020 Proposed Capital Projects			\$ 27,677,983	100.00%
Net Amount			\$ -	

RESOLUTION NO. _____
DATED: JUNE 21, 2019

RESOLUTION ADOPTING THE FY 2020
CAPITAL BUDGET

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

- 1) That the FY 2020 Capital Budget for RTD in the amount of \$27,677,983 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.