

STAFF RECOMMENDATION: **ADOPT THE FY 2022 OPERATING BUDGET IN THE AMOUNT OF \$41,528,066 AND CAPITAL BUDGET IN THE AMOUNT OF \$25,404,043**

LEAD STAFF: **VIRGINIA ALCAYDE, DIRECTOR OF FINANCE
SYED BUKHARI, FINANCE SENIOR SPECIALIST**

FINANCIAL IMPACT: **\$41,528,066 – OPERATING
\$25,404,043– CAPITAL**

BACKGROUND:

RTD presents its budget for adoption by the Board on an annual basis, prior to the start of its fiscal year. The process starts with creation of its Strategic Plan, which serves as a guide for its management during the budget process. The Strategic Plan and proposed budget were developed with the input from the Executive team, Board of Directors, and Department Heads.

The proposed operating and capital budget for Fiscal Year (FY) 2022 and funding outlook were presented in detail at a special meeting of RTD's Board of Directors on May 27, 2021. Upon Board approval, RTD's operating and capital budgets will provide RTD the authority to spend on operations from July 1, 2021 to June 30, 2022 and authority to spend on capital projects when funds are secured and awarded.

DISCUSSION:

FY 2022 will be a defining year for RTD as it starts recovery from service impact of COVID-19 pandemic. RTD will continue to prioritize and enhance safety and security of passengers and employees by implementing appropriate risk mitigation as outlined in RTD's Agency Safety Plan.

Services contracted out for its Metro Hopper, County Hopper, Commuter, and Van Go! services will be directly operated by RTD effective July 18, 2021.

RTD plans to complete the final draft of the "Next Gen System Redesign Study" by the end of 2021. The project will be implemented in early 2022 to ensure sustainability of its service design for the coming years. The service design will be continuously evaluated for its effectiveness and sustainability.

Funding Sources

RTD receives funding from Federal, State, and Local sources.

Local Transportation Fund (LTF)

Established under the Transportation Development Act, LTF is derived from a quarter-cent of the general sales tax revenue. The State Board of Equalization, based on sales tax collected in each county, returns the general sales tax revenues to each county's LTF. Each County apportions the LTF funds within the county based on population. LTF is administered by the California Department of Transportation (Caltrans) and implemented by the San Joaquin Council of Governments (SJCOG). FY 2022 reflects a significant increase over FY 2021 budget because the projected decrease in sales tax revenue due to the COVID pandemic did not materialize. Instead, San Joaquin County is one of the few counties that experienced growth in sales tax revenue. LTF is a primary funding source for RTD's operations and is budgeted based on estimated apportionments received from SJCOG.

State Transit Assistance (STA)

STA was also established under the Transportation Development Act and is derived from sales tax on diesel fuel. It is appropriated by the legislature to the State Controller's Office (SCO), who allocates the tax revenue to planning agencies and other selected agencies. RTD will use FY 2022 STA for its capital projects except for funds specifically appropriated for BRT weekend service. STA is budgeted based on estimated apportionments received from SJCOG.

Low Carbon Transit Operations Program (LCTOP)

One of several programs established in 2014 by Senate Bill 862, LCTOP revenue is derived from 5% of the annual proceeds from the Greenhouse Gas Reduction Fund. It is administered by Caltrans in coordination with Air Resource Board and the State Controller's Office and provides operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with priority on serving disadvantaged communities. There is a significant decrease in funding for FY 2022 operations due to Cap and Trade auction revenues being well below expectations. LCTOP will be used specifically for BRT Midtown Corridor service in FY 2022.

Measure K

Measure K is a voter approved, half-cent sales tax for transportation projects in the San Joaquin region. RTD receives funding under agreements administered by the SJCOG. Measure K revenues have been projected to grow but the funding amount for RTD has been flat for the past three years. In the absence of FY 2022 agreements, RTD has budgeted this operating revenue the same as FY 2021 agreements level.

Federal Formula Funding

RTD receives annual apportionments from the FTA through the Section 5307 Urbanized Area Formula Program, Section 5311 Rural Area Formula Program, and Section 5339 Bus and Bus Facilities Formula Program. RTD's projects are in line with these funding.

Property Tax

RTD receives its annual share of property tax revenue. Property tax revenue is estimated based on available prior year's actual amount.

Fare Revenue

Fare revenue is estimated to be flat as a result of flat ridership. FY 2022 includes a partnership with Delta College to provide fare subsidy for its students. Unfunded expenses due to shortfall in revenues will be funded by Federal Stimulus Grants, subject to grant limitations.

Federal Stimulus Grants

Stimulus grants were apportioned through Corona Virus Aid, Relief, and Economic Security (CARES) Act, American Rescue Plan Act (ARPA), Urbanized Service, and Rural County Operations. RTD received a total of \$29.6 million in apportionments from the said stimulus funding, of which \$16.26 million has been expended for FY 2021 operations.

Operating Budget

RTD's proposed FY 2022 operating budget is \$41,528,066, a 7% increase compared to FY 2021 budget.

FY 2022 projected expenses were calculated using the following:

- 2% top rate increase, progression increase, uniform, tools, and boots allowances increase of represented employees.
- 4% pay increase pool for non-represented employees.
- 5% increase in medical premiums.
- 0.62% increase in pension contribution based on approved rate from an actuarial study.
- Increase in sanitation expenses.
- \$2.75 per gallon fuel cost.
- Services currently contracted out to National Express will be directly operated by RTD.

Proposed Fiscal Year 2022 Operating Budget

| Description | FY21 Budget | FY22 Proposed Budget | Increase (Decrease) | |
|---------------------------------------|-----------------------|-----------------------|---------------------|-------------|
| Revenue | | | | |
| Passenger Fares | \$ 1,093,607 | \$ 1,048,085 | \$ (45,522) | -4% |
| Auxiliary Transportation Revenues | 107,955 | 100,464 | (7,491) | -7% |
| Non Transportation | 311,059 | 245,606 | (65,453) | -21% |
| Property Tax | 1,009,114 | 1,100,797 | 91,683 | 9% |
| Measure K | 5,708,775 | 5,708,775 | - | 0% |
| LCTOP | 1,173,520 | 650,737 | (522,783) | -45% |
| TCC Grant | | 78,252 | 78,252 | 100% |
| TDA-STA | 1,800,000 | 175,000 | (1,625,000) | -90% |
| TDA-LTF | 12,300,955 | 20,909,178 | 8,608,223 | 70% |
| Federal 5307 | 5,680,263 | 6,646,063 | 965,800 | 17% |
| Federal 5310 | - | 249,529 | 249,529 | 100% |
| Federal 5311 | 366,451 | | (366,451) | -100% |
| Total Operating Revenue | \$ 29,551,698 | \$ 36,912,486 | \$ 7,360,788 | 25% |
| Expenses | | | | |
| Wages & Fringes | \$ 21,555,699 | \$ 29,155,155 | \$ 7,599,456 | 35% |
| Services | 3,626,991 | 3,423,613 | (203,378) | -6% |
| Materials & Supplies | 2,608,044 | 3,315,714 | 707,670 | 27% |
| Utilities | 1,057,842 | 1,150,078 | 92,236 | 9% |
| Insurance | 1,121,169 | 1,888,575 | 767,406 | 68% |
| Taxes & Licenses | 278,944 | 287,450 | 8,506 | 3% |
| Purchased Transportation | 7,765,918 | 1,034,000 | (6,731,918) | -87% |
| Operating Contingency | - | 300,000 | 300,000 | |
| Miscellaneous Expenses | 966,284 | 973,481 | 7,197 | 1% |
| Total Expenses | \$ 38,980,891 | \$ 41,528,066 | \$ 2,547,175 | 7% |
| Deficit Before Stimulus Grants | \$ (9,429,193) | \$ (4,615,580) | \$ 4,813,613 | -51% |
| Stimulus Grants | 9,829,193 | 10,799,608 | 970,415 | 9.9% |
| Provision for Reserves per Policy | (400,000) | (400,000) | | |
| Surplus | 0 | 5,784,028 | 5,784,028 | |

Capital Budget

The FY 2022 capital budget has an emphasis on items that accomplish the following goals:

- Support a federal, state, and local initiatives to reduce greenhouse gas emissions.
- Maintain high standards for safety and security of RTD passengers and employees.
- Improve customer experience with technology and facility improvements.
- Implement innovative projects to meet the changing mobility needs of the public.
- Keep RTD's infrastructure and rolling stock in a state of good repair.

Proposed Fiscal Year 2022 Capital Budget

SAN JOAQUIN REGIONAL TRANSIT DISTRICT FY22 PROJECTED GRANTS REVENUE & CAPITAL PROJECTS

| Projected Grants Revenue Sources by Program | Type | Amount | % of Total Revenue |
|---|------------------------|----------------------|---------------------|
| Federal Formula | | | |
| FTA 5307 Urbanized Area Formula Program | Formula | 387,866 | 1.5% |
| FTA 5339 (a) Bus & Bus Facilities | Formula | 1,543,387 | 6.1% |
| Total Federal Formula Funds | | 1,931,252 | 7.6% |
| Federal Competitive | | | |
| FTA 5307 Congestion Mitigation and Air Quality (CMAQ) Improvement Program | Competitive | 3,328,421 | 13.1% |
| FTA 5339 (c) Low or No Emission Program | Competitive | 6,977,664 | 27.5% |
| Member Designated Project (Earmark) - Solar Phase II | Competitive | 5,300,000 | 20.9% |
| Total Federal Competitive Funds | | \$ 15,606,085 | 61.4% |
| State/Local - Matching Funds for Federal Grant | | | |
| State Transit Assistance (STA) | Formula | 3,714,905 | 14.6% |
| SB1 State of Good Repair (SGR) | Formula | 651,523 | 2.6% |
| Total State/Local Matching Funds | | 4,366,428 | 17.2% |
| State/Local - Other | | | |
| State Transit Assistance (STA) | Formula | 2,512,553 | 9.9% |
| SB1 State of Good Repair (SGR) | Formula | 787,725 | 3.1% |
| California Energy Commission | Competitive | 200,000 | 0.8% |
| Total State/Local Funds -Other | | \$ 3,500,278 | 13.8% |
| Total FY 2022 Projected Capital Grants Revenues | | \$ 25,404,043 | 100.0% |
| Capital Projects by Category | # of Projects | Amount | % of Total Expenses |
| Communication and IT Equipment: Computers, printers, handheld radios, Bus Video Standardization System. | 7 | \$ 1,342,155 | 5.3% |
| Facilities Improvement and Upgrades: Bus wash blower, air purifiers, shelter solar lighting, emergency lighting at all locations, RTC bird netting and spikes, RTC lighting system, CTC seal pavement ,CTC evaporative coolers, Hot water pressure washer trailer. | 11 | 540,000 | 2.1% |
| Planning and Studies: RTD Next Implementation Study, Zero-Emission Blueprint Study. | 2 | 325,000 | 1.3% |
| Maintenance Equipment: Bus air purification system, disinfecting chemical foggers. | 4 | 358,150 | 1.4% |
| Non-Revenue Fleet Vehicles: Replace four (4) non-revenue vehicles (including 2 new steam cleaning trucks). | 4 non-revenue vehicles | 403,350 | 1.6% |
| Safety and Security: Security/surveillance cameras system upgrades. | 4 | 171,722 | 0.7% |
| Tire Lease: Tire lease for the entire bus fleet. | 1 | 240,000 | 0.9% |
| Zero-Emission Projects: Solar project phase II, refueling station for zero-emission buses; nine (9) zero-emission Buses. | 3 | \$ 22,023,666 | 86.7% |
| Total FY 2022 Proposed Capital Projects | | \$ 25,404,043 | 100.0% |
| Net Amount | | \$ - | |

RESOLUTION NO. _____
DATED JUNE 18, 2021

RESOLUTION ADOPTING THE FY 2022 OPERATING BUDGET IN THE AMOUNT OF \$41,528,066 AND
CAPITAL BUDGET IN THE AMOUNT OF \$25,404,043

RESOLVED AND ORDERED by the Board of Directors as follows:

- 1) That the FY 2022 operating budget in the amount of \$41,528,066 and capital budget in the amount of \$25,404,043 be, and hereby are, approved; and
- 2) That the CEO be, and hereby is, authorized and directed to carry out the programs as outlined within the Budget.