

**REGIONAL TRANSPORTATION AUTHORITY
BOARD APPROVAL DOCUMENT**

DATE: December 2, 2009
SUBJECT: Fiscal 2010 Operating & Capital Budgets

Recommendation and Related Information

Recommendation:	The Administration Committee recommends the Board of Directors adopt the FY 2010 Operating and Capital Budgets.
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Background

Chapter 451 of the Texas Transportation Code mandates that the Authority adopt an annual operating budget prior to the beginning of each fiscal year after making the proposed budget available publicly for at least 14 days. The required public notice period begins on November 18, 2009 to be complete in time for Board adoption.

Through a series of workshops, the Authority's Board of Directors has reviewed and discussed with staff (a) the 2009 year-end estimated financial results, (b) draft 2010 operating budget, (c) draft 2010 capital projects budget and (d) 20-year financial projections. Schedule 1 below depicts the FY 2009 year-end estimates and FY 2010 proposed operating budget.

Schedule 1 - Current Year Estimated and Next Year Proposed Operating Budgets				
Description	2009			2010
	Estimated	Adopted Budget	Favorable (Unfavorable) Variance	Draft Budget
	B	C	B vs. C	D
Sources of Funding:				
Operating Revenues	\$ 1,660,207	1,738,495	(78,288)	1,705,708
Sales Tax Revenue	20,929,713	23,602,661	(2,672,948)	21,446,094
Federal, state and local grants	1,263,799	322,034	941,765	2,086,807
Investment Income	96,695	361,263	(264,568)	154,011
	<u>23,950,414</u>	<u>26,024,453</u>	<u>(2,074,039)</u>	<u>25,392,620</u>

Schedule 1 - Current Year Estimated and Next Year Proposed Operating Budgets				
Description	2009			2010
	Estimated	Adopted Budget	Favorable (Unfavorable) Variance	Draft Budget
	B	C	B vs. C	D
Uses of Funding:				
Department Expenses	21,874,247	24,318,890	2,444,643	23,639,840
Depreciation (5307 Grant Match)	1,100,000	1,100,000	-	1,100,000
Loss on Sale of Equipment	225,000	-	(225,000)	-
Street Improvement Program	1,458,952	1,458,952	-	1,325,648
Total Other Income (Expense)	24,658,199	26,877,842	2,219,643	26,065,488
Net Resources/Uses	(707,785)	(853,389)	145,604	(672,868)
Other Funding/Uses:				
Carry Over from 2008	707,785	853,389	(145,604)	672,868
	\$	-	-	-

Fiscal 2009 Estimated Results

As shown in Schedule 1 above, the 2009 estimated activity results in \$145,604 less of a shortfall to be covered by a carryover of higher than anticipated revenues from 2008. Due to the unprecedented economic conditions of the past year significant variances exist between the 2009 budget and the estimated revenues and expenses. The more significant of these variances is being addressed by a proposed 2009 budget amendment not reflected on Schedule 1.

Fiscal 2010 Proposed Operating Budget

As shown in Schedule 1 above, the proposed operating budget provides funding for \$25.4 million. This represents a 2.4% decrease in revenues and a 3.0% decrease in expenses over the 2009 budget before the proposed amendment. This will decrease the need for use of carryover funds by about \$180,000 in 2010 as compared to 2009. Although depreciation is a non-cash expense, the cash generated is used to meet the required local match for FTA annual formula capital grants to be received in the next year (2010 in this case).

The 2010 budget will be funded through a combination of traditional revenues and by using \$672,868 of the higher than expected 2008 sales tax revenues. Use of carryovers from prior years depletes funds for capital improvements and grant match in coming years. Only the unprecedented high sales tax revenue from 2008 makes this possible in 2009 and 2010 without harming the long term financial stability of the Authority. The economy remains extremely volatile and the following items are concerns that may make it necessary to revise the 2010 budget in coming months:

1. Economic uncertainties and may further erode 2010 sales tax revenues;
2. Economic uncertainties that may adversely affect investment revenues;
3. Employee benefits could increase due to market fluctuations and potential adverse pension and health insurance trends
4. Higher than expected increases in fuel costs due to increased demand, a weak dollar, and or speculation by investors;
5. Potential refunds of past sales tax overpayments by self-paying entities (audits conducted by the state Comptroller's office);

Various key assumptions were used to formulate the operating budget is as follows:

- ◆ Transportation Services: Most service changes associated with the Comprehensive Operations Analysis were implemented during 2009. For 2010 the budget assumes the addition of a new Southside Express, increased Sunday service, two additional vanpools and 3% trip growth in B-Line demand response services and that 2009 changes will be in effect for the entire year.
- ◆ Fares – No changes in the current fare structure.
- ◆ Sales tax revenues are estimated to remain below prior years in the early months of the year gradually increasing during the later part of the year for a net increase of 2.5% over 2009.
- ◆ Overall department expenses will be 2.8% less than the 2008 budgeted level. Attachment A contains consolidated organization expenses by line item or “object.” Other relevant information is as follows:
 - Labor: Employee merit raises average of 3%, overtime costs will be reduced and four full-time-equivalent positions will not be funded in 2010, but will remain on the compensation plan in case economic conditions improve. The 2010 budget will be about 1% less than the 2009 budget.

- Benefits: Pension – An unusually low market valuation at the end of 2008 resulted in a much higher pension cost in 2009 than anticipated. The proposed budget amendment increases the 2009 budget to \$1,358,451. It is anticipated that the market improvement in 2009 will result in a decrease in expenses of about 15% in 2010. However, since the 2008 market devaluation is being spread over 15 years, it is expected that pension costs will remain much higher than 2008 levels for the foreseeable future.
- Benefits: Workers Compensation – Lower premiums expected due to better claims experience over the past few years.
- Benefits: Incentives – Incentives will be adjusted to contain costs to an estimated \$126,600, a decrease of about 13% below the 2009 budget.
- Services: The 2010 budget is 1% higher than the 2009 budget due to increases in consulting, security, and contracted vehicle maintenance.
- Materials: Fuel (Fixed Route and Service Vehicles) – Although proposed 2010 budget is only 75% of the current 2009 budget, it is almost 40% higher than the proposed amended budget for 2010. Actual 2009 prices have been much less than anticipated due to the sharp decline in demand for fuel resulting from the recession. In past years the Authority has based fuel price estimates on Energy Administration forecasts. For 2010 price estimates have been based on the EA forecast plus 10%, on the assumption that the extreme volatility of fuel prices make a cushion in the budget prudent. In addition an increase in the quantity of fuel consumed is anticipated due to increased service.
- Materials: Repair parts and related materials – Parts cost are being budgeted at 7% less than the current 2009 budget. However, the proposed budget amendment reduces the 2009 budget by about \$184,000. This change will result in an budgetary increase of 9% in 2010 compared to 2009. Newer buses and less inflation in prices in 2009 have resulted in lower than anticipated costs. In 2010 increased services will require maintaining a larger fleet which will increase costs.
- Utilities: Increases in telecommunication costs and increased costs associated with the renovated maintenance building will result in budgetary increase of about 12%.
- Insurance: Property & Liability Insurance – Increased rates and additional coverage for the maintenance building will increase costs by about 10%.
- Insurance: Employee Health – Costs will be lower than the current 2009 budget but higher than the amount in the proposed 2009 budget amendment. Actual costs in 2009 have been less than originally budgeted due to only one large claim. In 2010 the budget assumes two large claims and an increase in employee participation in costs.
- Purchased Transportation: B-line – Assumes 3% growth in trips, and new contract rates
- Purchased Transportation: Other – Higher maintenance costs billed from the Vehicle Maintenance department, implementation of the Southside express, new contract rates for MV Transportation (fixed and variable) and fuel expenses that are less than originally budgeted but higher than those in the proposed budget amendment. Overall costs will be 2% less than the original

- budget and 8% higher than the reduced costs included in the proposed budget amendment
- Miscellaneous Expenses/Leases: The 2010 budget is slightly less than the 2009 budget for both leases and miscellaneous expenses.

(Informational) There have been numerous changes made to the draft operating budget that was provided to the Board in September. Schedule 2 provides a listing of those changes and how each change impacts the bottom line of the budget.

Schedule 2 - Reconciliation of Draft Budget to Final Proposed Budget		
		FY 2010 Proposed
Department	Description	Budget Impact
	Draft Budget	\$ (814,473)
		-
		-
Marketing/Communications	Removed funding for Marketing Manager	47,657
Facility Maintenance	Removed funding for vacant Facilities Tech position	24,770
Purchased Transportation	Split Purchase Tran and Regional Mobility Coordinator into two positions	(28,712)
Various	Reduced Worker's compensation costs	94,000
Various	Increased Property/Casualty Insurance	(5,850)
Various	Decreased Incentives	9,740
		-
	Proposed Budget	\$ (672,868)

Attachment A contrasts the proposed 2010 budget as compared to the 2009 estimated actual expenses.

Attachment B shows the proposed 2010 budget by expense compared to the estimated 2009 actual expenses.

(c) FY 2010 Proposed Capital Budget

The Capital budget contains two sets of projects: (1) those continuing or “rolled forward” from 2009 and (2) new capital projects. Capital Table 1 below shows existing capital projects that will be rolled forward into FY 2010.

	2009 <u>Budget</u>	Proposed 2009 <u>Amendment</u>	Projects Not <u>Rolled Forward</u>	2010 <u>Budget</u>
FY 2009 Rolled Forward:				
Land	\$ 1,500,000		-	1,500,000
Facilities, Bus Stops & Other Improvements	11,417,304	5,809,500	(961,685)	16,265,119
Vehicles	19,611,485	(800,000)	(5,780,553)	13,030,932
Furniture & Equipment	1,551,435		(815,984)	735,451
Information Technology	2,092,102	500,000	(917,861)	1,674,241
Miscellaneous	50,000		(50,000)	-
	<u>\$ 36,222,326</u>	<u>5,509,500</u>	<u>(8,526,083)</u>	<u>33,205,743</u>
FY 2010 New Requests:				
Land	\$			1,760,000
Facilities, Bus Stops & Other Improvements				785,000
Vehicles				2,964,338
Furniture & Equipment				144,290
Information Technology				100,000
Miscellaneous				<u>50,000</u>
	\$			<u>5,803,628</u>
TOTAL	\$			39,009,371

Project details by category include the following types of expenditures:

Land

Property for Intermodal facility and Park and Rides

Vehicles

35' Buses

30' Buses

Paratransit Vehicles

Midlife Repower Project

Facilities, Bus Stops & Facilities

Vehicle Maintenance Facility Renovations
Bus Stops & Street Improvements
ADA Improvements Systemwide
Shelters & Facilities throughout the system.
Park & Ride Improvements

Furniture & Equipment

Urea Holding tank
Money Room Equipment
Furniture & Equipment replacements as needed

Information Technology

Retrofit of on board equipment
Telecom update
Various other IT purchases

Miscellaneous (Annual Estimate)

Smaller capital items as needed

Recommendation

The Administration Committee has reviewed the document and recommends that the Board of Directors adopt the FY 2010 Operating and Capital Budgets.

Fiscal 2009 Estimated, 2009 Budget and Proposed 2010

Attachment A – Summary

Description	2009			2010		
	Estimated	Adopted Budget	Estimated vs. Budget Fav (Unfav)	Draft Budget	Vs.	2009
					\$	Fav (Unfav) %
	A	B	A vs. B	C	A vs. C	
Operating Revenues:						
Passenger service	\$ 1,575,782	1,642,708	(66,926)	1,620,503	44,721	2.84%
Bus advertising	40,000	51,040	(11,040)	40,000	-	0.00%
Charter service	-	11,994	(11,994)	-	-	0.00%
Other operating revenues	44,425	32,753	11,672	45,205	780	1.76%
Total Operating Revenues	1,660,207	1,738,495	(78,288)	1,705,708	45,501	2.74%
Operating Expenses:						
Transportation	5,216,656	5,347,441	130,785	5,311,876	(95,220)	-1.83%
Customer Programs	432,085	510,097	78,012	459,978	(27,893)	-6.46%
Purchased Transportation	5,597,861	6,387,179	789,318	6,428,353	(830,492)	-14.84%
Service Development	200,046	267,534	67,488	193,869	6,177	3.09%
MIS	248,476	287,261	38,785	309,944	(61,468)	-24.74%
Vehicle Maintenance	4,666,932	6,148,353	1,481,421	5,401,450	(734,518)	-15.74%
Facilities Maintenance	815,022	812,849	(2,173)	869,173	(54,151)	-6.64%
Contracts and Grants	132,059	169,672	37,613	135,982	(3,923)	-2.97%
CEO/General Management	665,251	740,072	74,821	728,218	(62,967)	-9.47%
Finance and Accounting	338,093	360,979	22,886	358,572	(20,479)	-6.06%
Materials Management	145,058	144,068	(990)	136,998	8,060	5.56%
Human Resources	2,837,734	2,522,643	(315,091)	2,735,620	102,114	3.60%
DBE/EEO	146,050	153,360	7,310	157,490	(11,440)	-7.83%
Capital Projects	104,631	104,655	24	107,650	(3,019)	-2.89%
Marketing & Communications	328,293	362,727	34,434	304,667	23,626	7.20%
Total Departmental Expenses	21,874,247	24,318,890	2,444,643	23,639,840	(1,765,593)	-8.07%
Depreciation	4,400,000	4,400,000	-	4,400,000	-	0.00%
Total Operating Expenses	26,274,247	28,718,890	2,444,643	28,039,840	(1,765,593)	-6.72%
Operating Income (Loss)	(24,614,040)	(26,980,395)	2,366,355	(26,334,132)	(1,720,092)	-6.99%
Other Income (Expense)						
Sales Tax Revenue	20,929,713	23,602,661	(2,672,948)	21,446,094	516,381	2.47%
Federal, state and local grants	1,263,799	322,034	941,765	2,086,807	823,008	65.12%
Investment Income	96,695	361,263	(264,568)	154,011	57,316	59.28%
Gain (Loss) on Property Disposition	(225,000)	-	(225,000)	-	225,000	100.00%
Street Improvement Program	(1,458,952)	(1,458,952)	-	(1,325,648)	133,304	9.14%
Total Other Income (Expense)	20,606,255	22,827,006	(2,220,751)	22,361,264	1,755,009	8.52%
Net Income (Loss)	\$ (4,007,785)	(4,153,389)	145,604	(3,972,868)	34,917	0.87%
Balanced Budget:						
Net Loss	(4,007,785)	(4,153,389)	145,604	(3,972,868)		
Add Grant Share of Depreciation	3,300,000	3,300,000	-	3,300,000		
Prior Year "Carry Over"	707,785	853,389	(145,604)	672,868		
Reserves						
Local Income (Loss)	-	-		-		

ATTACHMENT B - Expenses by "Object Code" (PAGE 1 OF 3)

Description	2009		Draft Budget	2010		
	Estimated	Adopted Budget		Vs.	2009	
					Fav (Unfav)	
	A	B	C	\$	%	
Labor						
Salaries And Wages	\$ 2,884,221	2,884,963	2,899,954	(15,733)	-0.6%	
Other Salaries And Wages	3,784,363	4,067,430	4,017,672	(233,309)	-6.2%	
Overtime Wages	233,522	249,640	246,951	(13,429)	-5.8%	
Overtime Wages-Operators	407,399	482,554	434,521	(27,122)	-6.7%	
Total Labor Expense	7,309,505	7,684,587	7,599,098	(289,593)	-4.0%	
Benefits						
Medicare	101,992	106,670	105,008	(3,016)	-3.0%	
Pension	1,358,451	783,866	1,155,200	203,251	15.0%	
Group Health	-	-	-	-	0.0%	
Dental	15,000	20,000	20,000	(5,000)	-33.3%	
Life Insurance	19,093	22,111	19,808	(715)	-3.7%	
Disability Insurance	27,950	29,603	33,003	(5,053)	-18.1%	
Unemployment	10,807	11,000	12,000	(1,193)	-11.0%	
Uniform and Tools Allowance	20,195	22,295	20,934	(739)	-3.7%	
Tuition Reimbursement	20,307	24,000	33,800	(13,493)	-66.5%	
Workers' Compensation	366,964	384,935	295,993	70,971	19.3%	
Incentive Awards	146,055	146,590	126,600	19,455	13.3%	
Total Fringe Benefits Exp	2,086,814	1,551,070	1,822,346	264,468	12.7%	
Services						
Production Fees	45,883	40,300	44,300	1,583	3.5%	
Consulting Services	155,005	147,749	174,226	(19,221)	-12.4%	
Legal Fees	50,164	79,500	67,600	(17,436)	-34.8%	
Computer Consulting	6,690	9,200	6,500	190	2.8%	
Other Professional Serv	187,176	177,626	145,285	41,891	22.4%	
Temporary Services	47,908	25,500	25,400	22,508	47.0%	
Groundskeeping	-	-	-	-	0.0%	

ATTACHMENT B - Expenses by "Object Code" (PAGE 2 OF 3)

Description	2009		Draft Budget	2010	
	Estimated	Adopted Budget		Vs.	2009
				\$	Fav (Unfav) %
A	B	C	A vs. C		
Refuse Removal	44,304	44,922	47,950	(3,646)	-8.2%
Contracted Maintenance	194,968	204,568	209,743	(14,775)	-7.6%
Contracted Bldg Maint	12,693	9,533	15,054	(2,361)	-18.6%
Contracted Shelter Maint	1,900	5,715	1,900	-	0.0%
Contracted Vehicle Maint	265,920	315,710	334,425	(68,505)	-25.8%
Security Service	307,998	278,550	294,374	13,624	4.4%
Employee Exams	38,277	24,510	30,000	8,277	21.6%
Other Services	-	14,640	-	-	0.0%
Total Services Expense	1,358,886	1,378,023	1,396,757	(37,871)	-2.8%
Materials & Supplies Consumed					
Fuel And Lubricants	1,329,370	2,508,587	1,893,044	(563,674)	-42.4%
Fuel And Lubricant Taxes	207,473	205,873	217,847	(10,374)	-5.0%
State Environmental Fee	2,590	2,280	2,720	(130)	-5.0%
Superfund Fee	2,826	2,046	2,967	(141)	-5.0%
Tires And Tubes	144,212	161,201	167,418	(23,206)	-16.1%
Ins Proceeds-Bus Repairs	(4,583)	-	-	(4,583)	-100.0%
Repair Parts	963,706	1,147,937	1,055,239	(91,533)	-9.5%
Bus Cleaning Supplies	14,447	14,447	15,600	(1,153)	-8.0%
Building Maint Materials	66,420	65,405	70,932	(4,512)	-6.8%
Promotional Supplies	29,223	34,150	30,150	(927)	-3.2%
Vehicle Maintenance M&S	138,610	138,600	145,536	(6,926)	-5.0%
Shelter Maint Supplies	25,803	25,803	24,160	1,643	6.4%
Office Supplies	39,125	48,407	44,328	(5,203)	-13.3%
Postage And Express	39,104	41,234	39,462	(358)	-0.9%
Minor Tools And Equipment	14,046	10,409	18,350	(4,304)	-30.6%
Minor Office Equipment	8,799	6,800	8,180	619	7.0%
Printing	106,547	124,600	123,740	(17,193)	-16.1%
Uniforms	54,154	50,680	53,841	313	0.6%
Other Materials And Suppl	36,448	44,790	47,590	(11,142)	-30.6%
Total Materials & Supplies Exp	3,218,320	4,633,249	3,961,104	(742,784)	-23.1%
Utilities					
Telephone	136,493	158,344	159,260	(22,767)	-16.7%
Electricity	200,632	200,632	247,299	(46,667)	-23.3%
Water And Gas	27,686	33,761	34,600	(6,914)	-25.0%
Total Utilities Expense	364,811	392,737	441,159	(76,348)	-20.9%

ATTACHMENT B - Expenses by "Object Code" (PAGE 3 OF 3)

Description	2009		2010		
	Estimated	Adopted Budget	Budget	Vs.	2009
				Fav (Unfav)	
	A	B	C	\$	%
Insurance					
Insurance	235,337	268,361	294,653	(59,316)	-25.2%
Health Care Self Insurance	1,240,000	1,506,500	1,330,000	(90,000)	-7.3%
Total Insurance Expense	1,475,337	1,774,861	1,624,653	(149,316)	-10.1%
Purchased Transportation					
Charter Service	-	-	46,306	(46,306)	0.0%
Commuter Service	1,664,116	1,953,510	1,896,549	(232,433)	-14.0%
Harbor Ferry Service	155,795	254,660	246,490	(90,695)	-58.2%
Robstown #34	99,639	98,758	105,117	(5,478)	-5.5%
Tram Service	-	-	-	-	0.0%
Texas A&M Shuttle	67,476	67,476	74,231	(6,755)	-10.0%
B-Line Fuel	361,765	693,592	517,862	(156,097)	-43.2%
B-Line Service	2,882,330	2,909,413	3,057,467	(175,137)	-6.1%
Taxi Cab Service	-	-	-	-	0.0%
Port Aransas Flexi-B	80,319	94,201	86,253	(5,934)	-7.4%
Port Aransas Trolley Srvc	86,880	125,972	94,106	(7,226)	-8.3%
Rural Service	120,383	120,295	120,700	(317)	-0.3%
Purchased Transportation	44,545	103,714	69,420	(24,875)	-55.8%
Total Purchased Transportation	5,563,248	6,421,591	6,314,501	(751,253)	-13.5%
Miscellaneous Expenses					
Dues And Subscriptions	64,436	60,095	67,903	(3,467)	-5.4%
Travel, Training & Mtngs	194,942	184,980	184,790	10,152	5.2%
Advert/Promo Media Exp.	80,406	63,000	55,600	24,806	30.9%
Prompt Payment Act	-	-	-	-	0.0%
Community Services	50,549	60,800	57,000	(6,451)	-12.8%
Other Miscellaneous Exp.	28,802	19,275	22,595	6,207	21.6%
Total Miscellaneous Expenses	419,135	388,150	387,888	31,247	7.5%
Leases And Rentals	78,191	94,622	92,334	(14,143)	-18.1%
Total Dept - Operating Expenses	\$ 21,874,247	24,318,890	23,639,840	(1,765,593)	-8.1%

Note: The above represents departmental expenses only.