



Item #11

May 1, 2019

TO: Board of Directors

FROM: Steve L. Rosenberg 
Director of Finance and Administration

SUBJECT: Review and Discuss Staff Presentation on Draft FY2019-20 GCTD
Operating Budget

I. EXECUTIVE SUMMARY

As a result of the many changes GCTD is anticipating for FY 2019-20, organizational budget development was delayed from the start and continues to run behind our normal schedule. A balanced draft budget is not available for review at this time. This report will discuss the proposed budget and the issues that remain to be resolved.

The maximum revenue available for GCTD's Operating Budget is currently projected to be \$26,625,322. The first expense budget review, including all departmental requests, totaled \$28,142,400. An initial round of reductions has brought the current expense budget to \$27,493,600. Staff will continue to work on adjustments and reductions to present a balanced operating budget for the Board's review in June.

Revenue generated during FY 2019-20 is projected to be \$1.66 million higher than for FY 2018-19. Revenue carried over into FY 2019-20 from prior year budget underruns will be \$1.4 million less than the amount carried into FY 2018-19. This includes making use of all of GCTD's remaining prior year Federal Section 5307 grant funds.

The Operating Budget for FY 2018-19 was \$26.4 million, and GCTD is trending to expend \$24.6 million (excluding year-end GASB 68/75 accounting entries). The largest single factor leading to an anticipated FY 2018-19 underrun is delay in moving to GCTD's new Operations and Administration facility; this change impacted spending across all departments. The move is now scheduled to occur this summer.

Numerous factors contribute to a draft budget that is \$1.13 million higher than the previous year's budget and \$2.9 million higher than the previous year's expenditures. The largest factor is the increased cost of operating and maintaining a brand new and much larger facility; this not only includes direct operating and maintenance costs but related costs such as additional security requirements and a more comprehensive property insurance program. The items are discussed in detail later in the report.

GOLD COAST TRANSIT DISTRICT

It is recommended that the Board of Directors receive, review and advise staff regarding this discussion of GCTD's proposed budget for FY2019-20.

II. BACKGROUND

Following is a discussion of the premises for each of the major components of GCTD's proposed FY 2019-20 operating revenue budget.

Revenue

The current draft version of GCTD's FY 2019-20 operating revenue budget is \$26,625,322. This consists of \$15,723,720 (59.1%) in Local Transportation Funds, or LTF, \$6,157,702 (23.1%) in federal grant funds, \$3,250,100 (12.2%) in fare receipts and fare support programs, \$543,000 (2%) from the sale of District-generated State and Federal energy credits, \$410,800 (1.5%) in California State Transit Assistance (STA), State of Good Repair (SGR) and Low Carbon Transit Operations Program (LCTOP) support funds, \$230,000 (.9%) in advertising sales, \$180,000 (.7%) in deferred local funds, \$85,000 (.3%) in Medi-Cal trip reimbursement funds, and \$45,000 (.2%) in other revenues. The following sections discuss these revenue sources.

Local Transportation Funds

GCTD receives the full amount of LTF allocated based on its members' population share. For FY 2019-20, the most current estimate (from February 2019) is that GCTD's gross share will be \$16,600,523.

GCTD members may request from GCTD funding for their recurring transit-related activities not to exceed 10% above the members' baseline based on funding for such activities starting in FY 2014-15, adjusted by the annual CPI. The total adjusted baseline for FY19-20 is \$2,709,545. GCTD members have submitted to GCTD requests for \$2,672,202 in LTF funding for their recurring transit-related activities; each member will receive their request less amounts not expended in FY 2017-18 per audited financials (a total of \$334,754).

Members also may submit requests for funding for transit-related capital projects. GCTD received \$63,639 in net capital requests for FY 2019-20. The requested capital projects are: \$20,226 for two (2) bus shelters in Ventura and \$43,413 for bus stop shelters and bus stop sign replacements in Port Hueneme.

Previously-funded projects in the process of being completed and eligible for a budget extension are: \$270,145 for the City of Oxnard Bus Stop Capital Improvement Program, \$145,000 for Ventura County for Bus Stop Upgrades, \$45,134 for a Trolley Wash Pad and Collection System and \$30,091 for Trolley Yard Repaving in Ojai, \$29,707 for Route 22 Bus Stops in Ventura County and \$25,000 for Automated Vehicle Annunciators for the Kanan Shuttle in Ventura County.

Additionally, a Bus Stop construction project at Ventura Road and Bard Road in Port Hueneme has been cancelled and \$75,167 is scheduled to be returned to GCTD. A project to remodel the bathrooms at the Ventura Transportation Center (VTC) was completed and a small balance remaining will be returned to GCTD as a credit against Ventura's capital project.

Funding these programs, net of carryover from members' prior year funding and returned capital funds, leaves GCTD with \$14,294,161 in FY 2019-20 LTF for its use.

The LTF Allocation follows as Attachment "A" to this report.

FTA Grant Funding

GCTD's FY 2019-20 Federal transit funding is authorized by the Fixing America's Surface Transportation (FAST) Act 2015 legislation. The FY 2019-20 proposed Program of Projects (POP) Revenue from Ventura County's Federal Transit Administration (FTA) apportionment, as published for the April 2019 TRANSCOM meeting showed GCTD's allocation for FY 2019-20 is \$5,019,082. Of that amount, \$4,264,160 is Section 5307 funding and is eligible for use for certain line items in the Operating Budget, while \$754,922 is Section 5339 formula funding and may be used for capital projects or GCTD's COP (bond) payments.

The proposed maximum revenue available for GCTD's Operating Budget also includes \$1,383,542 in Section 5307 funds from existing grants from previous years. For many years GCTD has carried \$1.3 - \$1.8 million in prior years grants. This has provided GCTD a significant cash flow benefit, since in most recent years Federal funds have not become available until very late in the fiscal year, or in some years, after the fiscal year ends. Using these funds in FY 2019-20 will make this benefit unavailable in the future.

VCTC, in its April 2019 meeting, agreed to increase GCTD's allocation of Federal funds with an additional \$1,161,246 in Section 5307 and 5339 funds as an amendment to the FY 2018-19 POP. These funds are specifically programmed for GCTD's COP (bond) payments and may not be used for the Operating Budget.

In addition, GCTD will be allocating to its FY2019-20 Operating Budget \$450,000 in route-specific Federal CMAQ grant funds for the Ventura Road Route (Route 23) scheduled to begin service in January 2020.

Passenger Fares

GCTD's passenger fares for FY 2019-20 include onboard fares and prepaid fare media for both fixed route and paratransit service, and digital fare media for fixed route service. GCTD also receives fare revenue from VCTC's College Ride Transit Fare Promotion Project (funded by State LCTOP funds) and uses its LCTOP funds to subsidize the Token Transit (digital fare media sales) program. GCTD projects \$2,657,000 in fixed route fare sales, \$335,100 in paratransit fare sales and \$258,000 in LCTOP fare revenue in FY 2019-20.

Revenue for paratransit fares is also provided through the Medicare Administrative Activities (MAA) Program, administered through Ventura County Public Health. Through this program GCTD is partially reimbursed for providing Medi-Cal eligible trips on the GCTD ACCESS service. Unfortunately this program was recently changed by legislation that excludes public transit providers from participating. These funds are paid in arrears, and GCTD projects receiving its final quarterly payment, estimated at \$85,000, during FY2019-20.

State Revenue

GCTD's State Transit Assistance (STA) budget for FY 2019-20 is \$309,000 and is based on the most current State Controllers estimate. GCTD's State of Good Repair (SGR) budget for FY 2019-20 is \$43,000 and is based on the most current State Controllers estimate.

The Operating budget also includes \$58,800 in LCTOP funds to cover those costs associated with operating the new Ventura Road route (Route 23) not covered by Federal CMAQ funds.

Other Revenue

GCTD has in place since 2014 a contract agreement whereby the District receives a discount on its natural gas and generates and sells both Low Carbon Fuel Standard (LCFS) credits (State of California) and Renewable Identification Number (RIN) credits (U.S. EPA) from its use of renewable natural gas to fuel the fleet. GCTD projects receiving over \$600,000 from credit sales in FY 2018-19. Credit prices have recently been falling, and the proposed budget for FY 2019-20 is \$543,000.

The District's advertising sales revenue finally rebounded in FY 2018-19 and we are on track for have our best year since FY 2015-16. The proposed FY 2019-20 budget is \$230,000. Other budgeted revenue line items are sale of surplus materials and interest.

A chart showing FY 2019-20 available revenue compared to the FY 2018-19 Revenue Budget follows as Attachment "B" to this report.

Expense

Numerous factors contribute to a draft budget that is \$1.13 million higher than the previous year's budget and \$2.9 million higher than the previous year's expenditures.

The largest factor comparing FY 2019-20's budget to FY 2018-19 projected actuals is the increased cost of operating and maintaining a brand new and much larger facility; this not only includes direct operating and maintenance costs but related costs such as

additional security requirements and a more comprehensive property insurance program.

Other factors in comparing FY 2019-20's budget to FY 2018-19 projected actuals include:

- Wage, pension and health insurance contribution increases, most of which are contractual obligations.
- Service changes, including the long-promised Ventura Road route (Route 23), which will be subsidized in FY 2019-20 by both Federal and State funds. The cost of service will be higher as our headquarters move further from the core of our service area; however cost increases are being minimized by implementing several changes proposed by the recent Comprehensive Efficiency Analysis. This includes a route restructuring which will be brought to the Board for review later this year.
- Costs not incurred in FY 2018-19 for budgeted headcount because positions were vacant for extended periods.
- Three proposed new positions; Office Coordinator, required to provide a consistent presence at the public entry to the new Administration Building, and one each to support what are currently single-employee functions, Information Technology and Paratransit and Special Projects. These functions have each outgrown their current support level. Several other needed positions were proposed but were removed as part of the initial budget reduction.
- Liability and Workers' Compensation insurance costs continue to increase. Liability coverage through GCTD's long-time relationship as a member of the California Transit Indemnity Pool (CalTIP) will increase \$90,000 in FY 2019-20. The final cost of GCTD's Workers Compensation insurance, through the California State Association of Counties (CSAC), is not available each year until June. The current estimate for FY 2019-20 is just over \$1,306,000; that is \$169,400 higher than the FY2018-19 budget and \$58,554 higher than the FY 2018-19 premium.
- GCTD's new Paratransit Services contract contains lower pricing than was anticipated in last year's budget. As a result, the FY 2019-20 budget is projected to be \$304,300 lower than the FY 2018-19 budget; however, it is still \$146,000 higher than the projected actual costs for FY 2018-19.
- Relocation of GCTD's entire operation and workforce will take place in FY2019-20. The current estimate for the move is \$60,000. Additionally, GCTD's expenditures for supplies and office equipment have been unusually low during FY 2018-19 and it is expected that we will see a one-time increase after the move. It is also expected that IT supplies and services will increase in FY 2019-20 as new systems come on line and many of our existing systems may need to be renewed or upgraded.

Staff will be reviewing all alternatives for bringing the operating expense budget into line with available revenues.

Debt Service

In March 2017 GCTD issued 30-year Certificates of Participation (COPs) to raise \$22,000,000 required to complete funding to construct the new GCTD Operations and Administration Facility in North Oxnard. The District realized capital funding in the amount of \$22,012,934 for the Project Fund and \$1,385,750 for the Reserve Fund. GCTD has been making debt obligation payments since 2017.

The operating budget does not include a separate non-operating debt service budget that in FY 2019-20 will require interest and principal payments totaling \$1,394,438. The District anticipates having adequate dedicated Federal funding and matching local funds to meet its debt obligation in June 2019 and through the end of FY 2019-20. GCTD's obligation during that time period will be \$2.27 million; GCTD has \$2.19 million in existing and pending Federal grant funding dedicated to payment of these obligations.

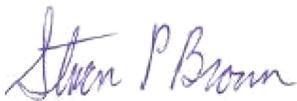
Cash Reserves

As reported in Item #3 of the May 2019 Board Agenda, as of March 31, 2019, GCTD had \$3,626,698 in its cash accounts and \$7,708,740 in the Capital Reserve fund. Just over \$2.7 million of the Capital Reserve balance is expected to be used to complete construction of the new Administration and Operations Facility.

III. RECOMMENDATIONS

It is recommended that the Board of Directors receive, review and advise staff regarding this discussion of GCTD's proposed budget for FY2019-20.

Concurrence:



Steven P. Brown
General Manager

<u>TDA - LTF REVENUE PROJECTIONS</u>		<u>TOTAL</u>	<u>OJAI</u>	<u>OXNARD</u>	<u>PORT HUENEME</u>	<u>VENTURA</u>	<u>VENTURA COUNTY</u>
February 2019 Preliminary LTF Allocation (Subject to Final VCTC Adoption - June 2019)		<u>\$16,600,523</u>	<u>\$285,026</u>	<u>\$7,664,752</u>	<u>\$888,188</u>	<u>\$4,130,041</u>	<u>\$3,632,516</u>
<u>FUNDING REQUESTS FOR RECURRING TRANSIT REQUIREMENTS</u>							
Ojai Trolley Operations & Maintenance	Ojai	\$158,000	\$158,000				
OTC Operation & Maintenance / Transit Services	Oxnard	\$502,194		\$502,194			
Operation & Maintenance at VTC /AMTRAK/ MetrolinkStation/ Bus Stops	Ventura	\$246,935				\$246,935	
Recurring Bus Stop Maintenance	Oxnard/P.H.	\$100,073		\$53,500	\$26,573		\$20,000
County Transit Services Management & Oversight	Ventura County	\$180,000					\$180,000
Transit Service - Heritage Valley	Ventura County	\$320,000					\$320,000
Transit Service - Ojai Trolley	Ventura County	\$220,000					\$220,000
Transit Service - T.O. D-A-R / Unincorporated Area	Ventura County	\$250,000					\$250,000
Transit Service - ECTA D-A-R	Ventura County	\$45,000					\$45,000
Transit Service - Kanan Road Shuttle	Ventura County	\$650,000					\$650,000
TOTAL - RECURRING TRANSIT REQUIREMENTS		<u>\$2,672,202</u>	<u>\$158,000</u>	<u>\$555,694</u>	<u>\$26,573</u>	<u>\$246,935</u>	<u>\$1,685,000</u>
Less: Credit for FY 2017-18 Operating Carryover		<u>(\$334,754)</u>	<u>\$0</u>	<u>(\$132,965)</u>	<u>(\$13,958)</u>	<u>\$0</u>	<u>(\$187,831)</u>
Net LTF Funding for FY 2019-20 Recurring Transit Requirements		<u>\$2,337,448</u>	<u>\$158,000</u>	<u>\$422,729</u>	<u>\$12,615</u>	<u>\$246,935</u>	<u>\$1,497,169</u>
<u>REQUESTED MEMBER CAPITAL IMPROVEMENT PROJECTS</u>		<u>TOTAL</u>	<u>OJAI</u>	<u>OXNARD</u>	<u>PORT HUENEME</u>	<u>VENTURA</u>	<u>VENTURA COUNTY</u>
Replace two (2) Bus Shelters	Ventura	\$20,226				\$20,226	
Bus Stop Shelters	Port Hueneme	\$39,630			\$39,630		
Bus Stop Sign Replacements	Port Hueneme	\$3,783			\$3,783		
TOTAL CAPITAL IMPROVEMENTS		<u>\$63,639</u>	<u>\$0</u>	<u>\$0</u>	<u>\$43,413</u>	<u>\$20,226</u>	<u>\$0</u>
Less: Credit for FY 2017-18 (and earlier) Capital Carryover		<u>(\$19,558)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$16,562)</u>	<u>(\$2,996)</u>	<u>\$0</u>
Net LTF Funding for FY 2019-20 Capital Improvement Projects		<u>\$44,081</u>	<u>\$0</u>	<u>\$0</u>	<u>\$26,851</u>	<u>\$17,230</u>	<u>\$0</u>
TOTAL NET MEMBER FUNDING REQUIREMENTS		<u>\$2,381,529</u>	<u>\$158,000</u>	<u>\$422,729</u>	<u>\$39,466</u>	<u>\$264,165</u>	<u>\$1,497,169</u>
Available FY 2019-20 LTF Funding for GCTD		<u>\$14,218,994</u>					
<u>PRIOR YEAR CAPITAL IMPROVEMENT PROJECTS - PROJECT CANCELLATIONS / REDUCTIONS</u>							
<i>Funds to be Returned to GCTD by Direct Payment</i>							
Bus Stop - Ventura Rd. & Bard	Port Hueneme	\$75,167			\$75,167		
TOTAL - Funds to be Returned by Direct Payment		<u>\$75,167</u>	<u>\$0</u>	<u>\$0</u>	<u>\$75,167</u>	<u>\$0</u>	<u>\$0</u>
Available LTF Funding for GCTD Operations		<u>\$14,294,161</u>					

PRIOR YEAR CAPITAL IMPROVEMENT PROJECTS - PROJECT CANCELLATIONS / REDUCTIONS

<i>Funds to be Returned to GCTD by Credit (See above)</i>		<u>TOTAL</u>	<u>OJAI</u>	<u>OXNARD</u>	<u>PORT HUENEME</u>	<u>VENTURA</u>	<u>VENTURA COUNTY</u>
Upgrade Bus Stops and Shelters- FY 14-15 Budget Item	Port Hueneme	(\$16,562)			(\$16,562)		
VTC Bathroom Remodel - Project Complete	Ventura	<u>(\$2,996)</u>				<u>(\$2,996)</u>	

PRIOR YEAR CAPITAL IMPROVEMENT PROJECTS - TIME EXTENSION REQUESTS

Bus Stop Upgrades from FY17-18	Ventura County	\$145,000					\$145,000
Voice Annunciator System / Kanan Shuttle Fleet from 17-18	Ventura County	\$25,000					\$25,000
Route 22 Bus Stops from FY17-18	Ventura County	\$29,707					\$29,707
Trolley Washpad and Collection System	Ojai	\$45,134	\$45,134				
Trolley Yard Repaving Project	Ojai	\$30,091	\$30,091				
Bus Stop Construction & Improvements	Oxnard	\$270,145		\$270,145			
TOTAL CAPITAL PROJECTS FOR TIME EXTENSION (NO ADDITIONAL FUNDS)		\$545,077	\$75,225	\$270,145	\$0	\$0	\$199,707

CURRENT PREMISES FOR DRAFT GCTD OPERATING REVENUE BUDGET

<u>Item</u>	FY 19-20 Available Funds		FY 18-19 Budget		Increase/ (Decrease)
	<u>Current Year Revenue</u>	<u>Prior Year Revenue</u>	<u>Current Year Revenue</u>	<u>Prior Year Revenue</u>	
FARES					
Passenger Fares -Fixed Route (fare media sales only)	\$2,657,000		\$2,749,900		(\$92,900)
Passenger Fares - Paratransit	\$335,100		\$319,600		+\$15,500
LCTOP Fare Programs (College Pass & Token Transit)	\$258,000		\$241,500		+\$16,500
MAA Reimbursements (Final Payment)	\$85,000		\$195,000		(\$110,000)
FEDERAL FUNDS					
<u>Current Year</u>					
5307 Federal Funds (for Operating Budget) - Current Year POP	\$4,264,160		\$3,498,316		+\$765,844
CMAQ Federal Funds (for Operating Budget)	\$450,000		\$475,000		(\$25,000)
5310 Federal Funds (for Operating Budget)	\$60,000		\$60,000		+\$0
<u>Prior Year</u>					
5307 Carryover / Prior Year		\$1,383,542		\$870,857	+\$512,685
STATE FUNDS					
<u>Current Year</u>					
Current Year LTF	\$14,294,161		\$13,124,602		+\$1,169,559
STA / SOGR (State)	\$352,000		\$440,000		(\$88,000)
LCTOP Support for Route 23	\$58,800		n/a		+\$58,800
<u>Prior Year</u>					
LTF Carryover / Prior Year		\$1,429,559		\$3,110,625	(\$1,681,066)
LOCAL/OTHER REVENUE					
<u>Current Year</u>					
Advertising Revenue	\$230,000		\$160,000		+\$70,000
LCFS and RIN Energy Credits	\$543,000		\$646,500		(\$103,500)
Other Revenue	\$45,000		\$56,000		(\$11,000)
<u>Prior Year</u>					
Prior Year Local Funding		\$180,000		\$410,000	(\$230,000)
TOTAL REVENUE	\$23,632,221	\$2,993,101	\$21,966,418	\$4,391,482	
GRAND TOTAL		\$26,625,322		\$26,357,900	+\$267,422