

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

June 22, 2006

TO: BOARD OF DIRECTORS
THRU: ^JLarry Rubio, Chief Executive Officer
FROM: ^{CF}Craig Fajnor, Chief Financial Officer

SUBJECT: Request to Close Public Hearing and Adopt the Fiscal Year 2007 Operating Budget, Capital Budget, and Short Range Transit Plan (SRTP)

Summary: The fiscal year 2007 operating budget, capital budget, and SRTP were presented to the Agency's Board of Directors at their May 25th meeting. The motion approved by the Agency Board of Directors at the May 25th meeting was as follows:

1. Open public hearing on the fiscal year 2007 operating budget, capital budget, and SRTP.
2. Continue this item until June 22, 2006.

A public hearing was opened to allow input concerning any item related to these documents. To date, the Agency has not received any comments. The Riverside County Transportation Commission (RCTC) approved the SRTP in concept at their June 14th meeting.

Staff has made minor revisions to the documents that were presented at the May 25th meeting. The operating budget remains unchanged at \$43,665,697. However, the capital budget increased \$144,408 and now equals \$7,742,116.

There are two reasons for the increase. First, the FTA requires 1 percent of Federal Section 5307 funds for a large urbanized area (UZA) to be set aside for transit enhancement. The Temecula/Murrieta UZA, whose \$2,034,668 of funding supports a portion of RTA service activities, is classified as large. Thus, 1 percent, or \$20,347, has been added to our Bus Stop Amenities funding request. The required match of \$5,087 will be provided by State Transportation Assistance (STA) funds.

The second increase represents the re-inclusion of the \$95,179 Federal Section 5309 earmark for the Temecula, CA Inter-modal Transit Facility and required \$23,795 matching funds. Matching funds will be provided by the Transportation Uniform Mitigation Fund (TUMF). This earmark was included in RTA's original SRTP draft submittal to RCTC, but was extracted prior to presentation to the Board of Directors due to a funding reconciliation. At RCTC's direction, this line item has been re-introduced to our SRTP at the original values and from the original funding sources.

The combined budget now totals \$51,407,813. Staff requests that the public hearing be closed and the fiscal year 2007 operating budget, capital budget, and SRTP be adopted.

BUDGET OVERVIEW

The Agency's fiscal year 2007 operating budget, capital budget, and SRTP have been developed to support the overall Agency goals of increased ridership, reduction of job related injuries, providing excellent customer service (internal and external), and cost containment through greater efficiency. The documents reflect a strategy for minor service reduction and future service planning, while being sensitive to forecasted fiscal constraints.

The fiscal year 2007 service plan and operating budget reflects an estimated 1 percent decrease in revenue service hours and a 3 percent decrease in revenue service miles from fiscal year 2006 projections. The corresponding operating budget represents a 7 percent increase over the fiscal year 2006 year-end expenditure forecast.

As in past years, fiscal year 2007 is a year of budgetary challenges. Major challenges include cost increases above the Consumer Price Index (CPI) for: specialized services for Operations and Accounting; contracted Dial-A-Ride (DAR) service; utilities; and fuel. There are also increases planned in the expense element of inventory parts due to expiring warranties on the Agency's Compressed Natural Gas (CNG) bus fleet.

The fiscal year 2007 budget is balanced, based on revenue projections that are contained in the SRTP. Revenue sources are summarized below:

Revenue Source	Operating	Capital
Local Transportation Funds	\$31,975,445	\$ -
Federal Transportation Administration (Section 5307)	\$ 3,573,152	\$4,454,445
Federal Transportation Administration (Section 5309)	\$ -	\$1,719,120
Federal Transportation Administration (Section 5311)	\$ 669,181	\$ 39,480
State Transportation Assistance	\$ -	\$1,099,106
Passenger Fares	\$ 7,447,919	\$ -
Other	\$ -	\$ 429,965
Total	\$43,665,697	\$ 7,742,116

Fiscal Impact:

The proposed fiscal year 2007 operating budget is \$43,665,697. The proposed fiscal year 2007 capital budget is \$7,742,116. Total proposed operating and capital budget is \$51,407,813.

Funding exists from multiple sources to cover the above proposed budget.

Recommendation:

Close public hearing and adopt the fiscal year 2007 operating budget, capital budget, and Short Range Transit Plan.

RIVERSIDE TRANSIT AGENCY FY2007 BUDGET SUMMARY

Introduction

The Agency's fiscal year 2007 budget reflects a strategy to provide efficient and effective service while considering the economic pressures that challenge compliance with the recently adopted Productivity Improvement Plan (PIP). The Agency must plan for and deploy a public bus service that balances fiscal constraints with the varied profile of the service area. Staff is fully committed to exploring all service and financial alternatives necessary to meeting the public transit needs of the citizens who live and work in Western Riverside County. Public transportation helps alleviate congestion, ensures basic mobility, promotes more livable communities, and assist with meeting additional needs that arise as a result of the Americans With Disabilities Act and the Clean Air Act.

Ridership

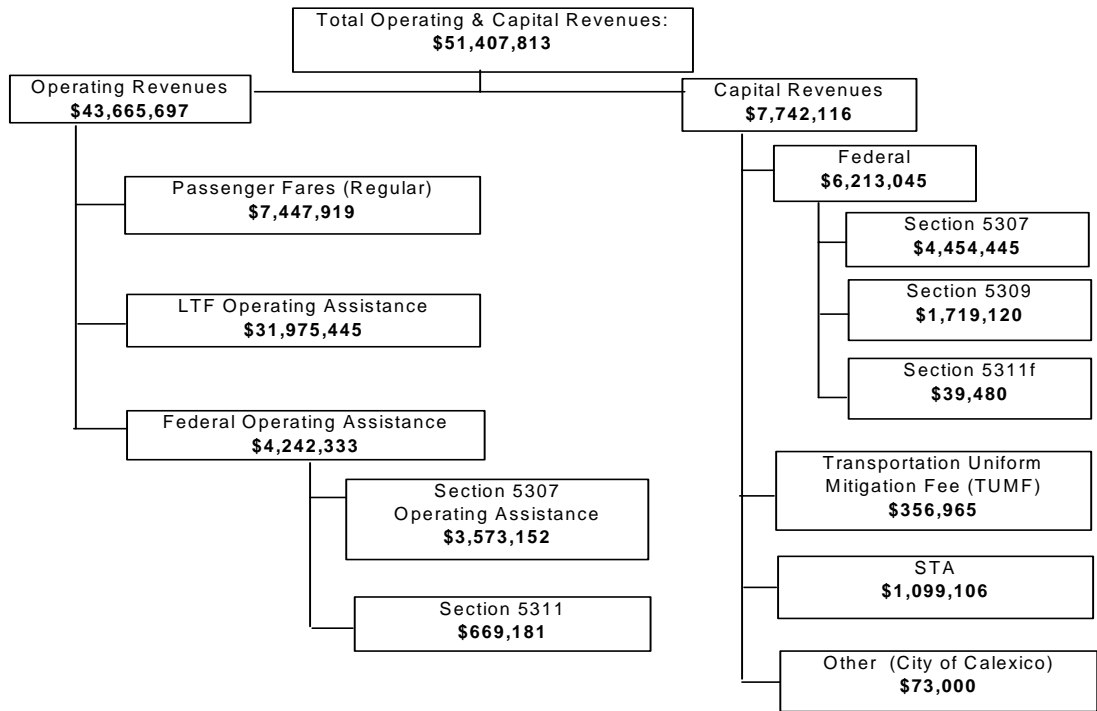
A fare structure increase was adopted by the Board in early 2005. Through fiscal year-to-date March 2006, ridership has declined 8.5% over the prior year - considered to be a direct result and reaction to the year-old fare increase. While disappointing and outside of forecasted expectation, customer reaction was not out of the ordinary compared with other operator's experience. It should be noted that the overall decline itself is declining as the current fiscal year continues. Thus, expectations for FY2007 are for a ridership increase of 3.0% system-wide and a fare revenue increase of 4.8%, respectively, over FY2006.

Revenues

Total Agency revenues for fiscal year 2007 are budgeted at \$51,407,813, with \$43,665,697 projected for Operating expenses and \$7,742,116 projected for capital improvements.

Operating revenues of \$43,665,697 consist of Local Transportation Funds (LTF), Federal Operating Assistance, and Passenger Fares. The projected LTF operating revenues of \$31,975,445 represents 73 percent of the total. Federal Operating Assistance of \$4,242,333 represents 10 percent of the total, while Passenger Fares constitute the remaining 17 percent. The operating budget covers service provided on directly operated fixed route, contracted fixed route, Dial-A-Ride (DAR), and taxi overflow.

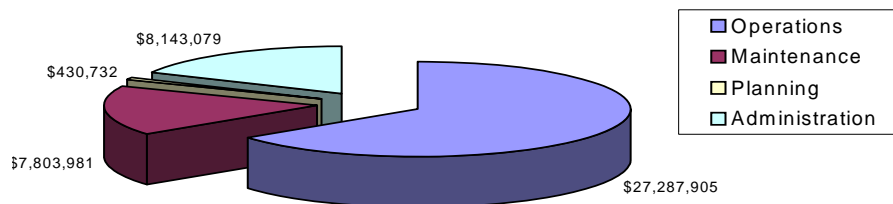
Capital revenues consist of Federal Section 5307, 5309, and 5311f funds, State Transportation Assistance (STA), and Transportation Uniform Mitigation Fund (TUMF). Projected Federal funds constitute 80 percent of the total. STA (14%), TUMF (5%), and City of Calexico match (1%) make up the remainder of Capital revenues.



Service Modifications

Fiscal year 2007 will feature the implementation of the following service modifications: expanded Route 1 service, implementation of the Harveston Shuttle, a 15% reduction in Route 18A, and the termination of Routes 36, 61, and 204. All changes are scheduled for January 2007. In addition, the transition to DAR contractor Southland Transit is expected to yield service efficiencies on those routes and allow for a 30% reduction in taxi overflow.

Operating Budget - Functional Profile



Operations, at 62% percent, constitute the largest component of the proposed budget. Maintenance makes up the next 18 percent of the total. Thus, combined Operations and Maintenance equate to 80 percent of the Agency budget.

Planning and Administration combine for the remaining 20 percent of the operating budget.

Functional Operating budget highlights:

- Labor
- Staffing budgeted at current levels
- Completion of the COA Study
- Continued use of scheduling consultant
- Provision for increases in fuel costs – CNG, Unleaded Gas – and utilities
- Additional advertising and training

Operating Budget - Cost Element Profile

The operating budget contains five (5) major cost elements. The elements are:

Salaries and Benefits, which are made up of wages and fringe benefits

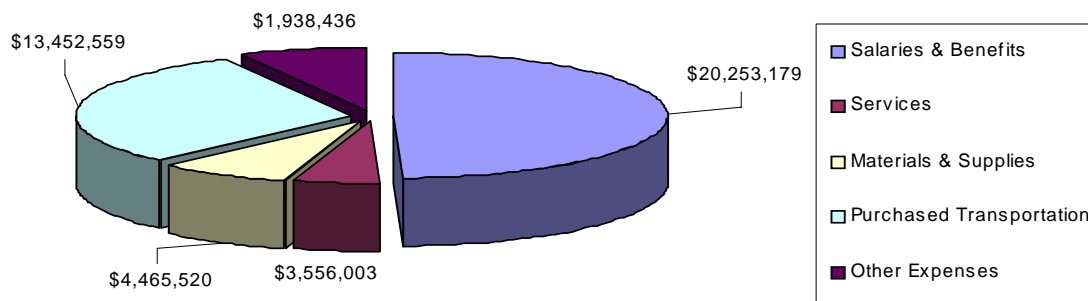
Purchased Transportation, which represent the resources required for contracted transportation services such as dial-a-ride and fixed-route services

Materials and Supplies, made up primarily of operating supplies, postage, oil, tires, parts for the repair and maintenance of Agency vehicles, and fuel.

Services, such as accounting, audit, legal, marketing, temporary labor, outside maintenance, custodial, armored transport, actuarial services, trustee fees, and towing

Other Expenses, which provide for property and liability insurance, utilities, printing and publication, advertising and promotion, dues and subscriptions, training, board members' per diem, employee activities, tuition assistance, and other miscellaneous expenses.

A profile of proposed expenditures by cost element is shown below:



Farebox Recovery Ratio and Productivity Improvement Plan (PIP)

RTA meets or exceeds all proposed FY2007 PIP targets except Operating Cost Per Revenue Hour. In order to achieve that metric target, the agency would have to reduce operating costs of approximately \$1,800,000 per year – mostly via service reduction. In the short run, a reduction of that magnitude is not practical.

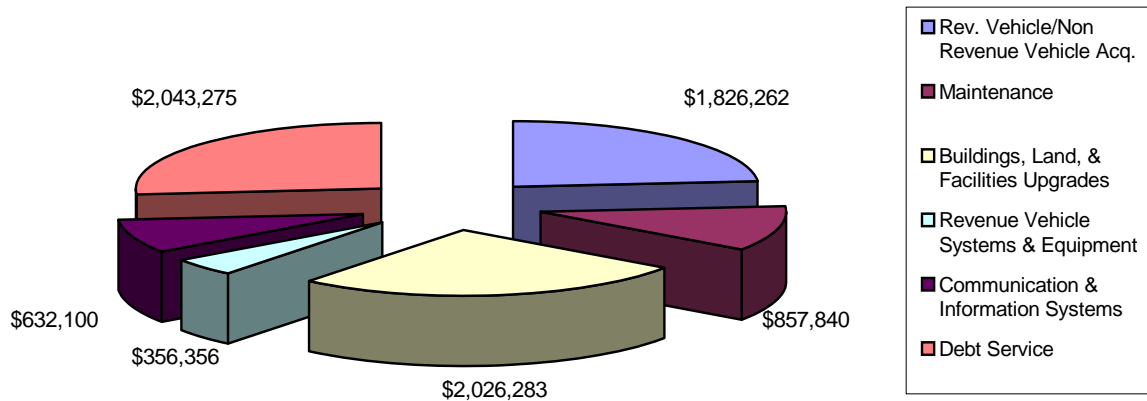
More importantly, the agency does achieve the Farebox Recovery Ratio target for FY2007. Based on a target of 17.65%, the agency estimate of 18.13% exceeds target by .48%. It should be noted that additional allowable non-farebox revenues are necessary to achieve the required ratio.

Capital Budget

The proposed fiscal year 2007 Capital budget totals \$7,742,116. These funds will be used for facility improvements, Transit Center development, and purchase of critical capital equipment that is needed to provide the highest quality and safest service to the Western Riverside County citizens. The Capital budget is a component of an Agency’s comprehensive five-year Capital Improvement Plan including equipment replacement and upgrade of agency infrastructure. Particular emphasis is being placed on projects that contribute to future cost containment. Examples are Scheduling & Run-cutting Software, Daily TransTrack, and facility lighting retro-fits.

Because of delays in the authorization of the Transportation Equity Act of the 21st Century (TEA-21), Federal grant funding requests for capital projects that were adopted in prior fiscal years have been delayed. This has created a “backlog” of projects that are awaiting implementation. Because of this backlog, the proposed FY2007 capital budget request is limited to rolling stock replacement, maintenance items, information system upgrades, and other commitments that are critical to maintain infrastructure and safety initiatives. Transit centers funded with Federal Section 5309 appropriations are also included.

A Capital budget profile by project element is shown below:



Notable capital projects included in the proposed fiscal year 2007 Budget include:

- Purchase or lease of (23) replacement DAR vans and (7) support vehicles
- Annual debt service payment for 57 CNG buses
- Funding for the potential purchase of land and preliminary engineering/design of the Corona, Riverside and **Temecula** Transit Centers
- Bus stop (urban and rural) amenities and enhancements
- Purchase of spare parts and equipment for vehicle maintenance
- Tire lease for vehicle maintenance
- Information systems upgrade and integration
- Purchase of additional GFI fareboxes and extension of APC lease
- Facility improvements – Riverside and Hemet sites