



January 11, 2017
2:00 p.m.

AGENDA

**Board Budget and Finance Committee Meeting
Riverside Transit Agency – Board Room
1825 Third Street
Riverside, CA 92507**

Any person with a disability who requires a modification or accommodation in order to participate in this meeting, or any person with limited English proficiency (LEP) who requires language assistance to communicate with the Riverside Transit Agency Board of Directors during the meeting, should contact the Riverside Transit Agency Clerk of the Board, telephone number (951) 565-5044, no fewer than two business days prior to this meeting to enable the Riverside Transit Agency to make reasonable arrangements to assure accessibility or language assistance for this meeting.

Agenda item descriptions are intended to provide members of the public a general summary of business to be conducted or discussed. Posting of any recommended action on an agenda item does not indicate what action will be taken. The Board of Directors may take any action it believes is appropriate on the agenda item and is not limited in any way by the notice of any recommendation.

All documents related to any agenda item are available for public inspection at www.riversidetransit.com or through the Clerk of the Board's office at the Riverside Transit Agency, 1825 Third Street, Riverside, CA 92507.

ITEM

RECOMMENDATION

- 1. CALL TO ORDER**
- 2. SELF-INTRODUCTIONS**

<u>ITEM</u>	<u>RECOMMENDATION</u>
3. PUBLIC COMMENTS – NON-AGENDA ITEMS Members of the public may address the Board regarding any item within the subject matter jurisdiction of the Board; however, no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to matters not listed on the agenda. Members of the public may comment on any matter listed on the agenda at the time that the Board considers that matter. Each person's presentation is limited to a maximum of three (3) minutes.	RECEIVE COMMENTS
4. <u>APPROVAL OF MINUTES – DECEMBER 7, 2016 COMMITTEE MEETING (P.3)</u>	APPROVE
5. <u>CASH FLOW PROJECTIONS (P.6)</u>	RECEIVE AND FILE
6. <u>AGENCY INVESTMENT POLICY (P.8)</u>	APPROVE
7. <u>AUTHORIZATION TO AMEND THE FISCAL YEAR 2016/2017 (FY17) SHORT RANGE TRANSIT PLAN (SRTP) AND OPERATING AND CAPITAL BUDGETS (P.15)</u>	APPROVE
8. BOARD MEMBER COMMENTS	
9. ANNOUNCEMENTS	
10. NEXT MEETING Wednesday, February 1, 2017, 1:00 p.m. Riverside Transit Agency 1825 Third Street Riverside, CA 92507	
11. MEETING ADJOURNMENT	

RTA BOARD BUDGET AND FINANCE COMMITTEE MEETING
Minutes
December 7, 2016

1. **CALL TO ORDER**

Committee Chair Brenda Knight called the Board Budget and Finance Committee meeting to order at 2:00 p.m., on December 7, 2016, in the RTA Board Room.

2. **SELF INTRODUCTIONS**

Self-introductions of those in attendance took place.

Committee Members Attending

1. Committee Chair Brenda Knight, City of Beaumont
2. Chairman Frank Johnston, City of Jurupa Valley
3. Director Joyce McIntire, City of Calimesa
4. Director John Zaitz, City of Canyon Lake
5. Director Dick Haley, City of Corona
6. Director Linda Krupa, City of Hemet
7. Director Chuck Washington, County of Riverside, District III
8. Alternate Barry Busch, County of Riverside, District V

Committee Members Absent

1. Director Maryann Edwards, City of Temecula
2. Director Berwin Hanna, City of Norco

RTA Staff

1. Larry Rubio, Chief Executive Officer
2. Tammi Ford, Clerk of the Board of Directors
3. Tom Franklin, Chief Operating Officer
4. Craig Fajnor, Chief Financial Officer
5. Vince Rouzaud, Chief Procurement and Logistics Officer
6. Laura Camacho, Chief Administrative Services Officer
7. Bob Bach, Director of Maintenance
8. Adam Chavez, Deputy Director of Maintenance
9. Virginia Werly, Director of Operations
10. Jim Kneepkens, Director of Marketing
11. Rohan Kuruppu, Director of Planning
12. Natalie Zaragoza, Director of Contracts
13. Rick Kaczerowski, Director of Information Technologies
14. Eric Ustation, Government Affairs Manager
15. Lisa Almilli, Mobility Manager
16. Gabe Obregon, Contracts Manager

Other Attendees

1. Donna Johnston, City of Jurupa Valley
2. Jeff Comerchero, County of Riverside, District III

3. **PUBLIC COMMENTS – NON-AGENDA ITEMS**

None.

4. **APPROVAL OF MINUTES – NOVEMBER 2, 2016 COMMITTEE MEETING**

M/S/C (ZAITZ/JOHNSTON) approving the November 2, 2016 committee meeting minutes.

The motion carried with seven affirmative votes and one abstention (WASHINGTON).

5. **CASH FLOW PROJECTIONS**

Mr. Fajnor presented the cash flow projections.

6. **QUARTERLY CAPITAL STATUS**

Mr. Fajnor presented the quarterly capital status report.

7. **QUARTERLY NATURAL GAS PROCUREMENT STATUS REPORT**

Mr. Fajnor presented the quarterly natural gas procurement status report.

8. **AUTHORIZATION TO AWARD INVITATION FOR BID NO. 16-050 TO FRITTS FORD FOR THE PURCHASE OF 10 MODEL YEAR 2017, FORD FOCUS VEHICLES**

M/S/C (ZAITZ/BUSCH) approving and recommending this item to the full Board of Directors for their consideration as follows:

- Authorize staff to award IFB No. 16-050 to Fritts Ford for the purchase of 10, model year 2017 Ford Focus vehicles in the amount of \$184,668.00.

The motion carried unanimously.

9. **AUTHORIZATION TO AMEND AGREEMENT NO. 10-038 WITH THE GOODYEAR TIRE AND RUBBER COMPANY FOR BUS TIRE LEASING SERVICES**

M/S/C (KRUPA/JOHNSTON) approving and recommending this item to the full Board of Directors for their consideration as follows:

- Authorize staff to amend Agreement No. 10-038 with The Goodyear Tire and Rubber Company in the amount of \$77,302 to complete the run-out provision on the existing tire inventory.

The motion carried unanimously.

10. **BOARD MEMBER COMMENTS**

Comments were made by: Director Dick Haley and Director Chuck Washington.

11. **ANNOUNCEMENTS**

None.

12. **MEETING ADJOURNMENT**

The meeting was adjourned at 2:25 p.m.

DRAFT

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

January 11, 2017

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer

SUBJECT: Cash Flow Projections

Summary: The Agency develops cash flow projections for the entire fiscal year representing weekly increments. Due to the size of the report, it is difficult to portray the entire fiscal year.

The attached report represents actual cash performance through late December 2016 with projections through late February 2017. This reporting period covers the first eight months of FY17.

There are no cash flow issues anticipated during this reporting period.

Recommendation:

Receive and file.

**Riverside Transit Agency
FY16/17 Cash Flow Projection**

	Actual										
1	General Account	12/23/2016	12/30/2016	1/6/2017	1/13/2017	1/20/2017	1/27/2017	2/3/2017	2/10/2017	2/17/2017	2/24/2017
2	Est. Cash, Beg Balance (Book)	449,606	372,121	375,841	50,000	50,000	50,000	50,000	50,000	50,000	50,000
3	Receipts:										
4	LTF Operating - recurring	4,661,024					4,454,167				
5	LTF OPEB	277,778					833,332				
6	FET Credit				84,236				84,000		
7	RIN's Credit				30,000				30,000		
8	LCFS										95,000
9	CalPERS CERBT Disbursement	82,049			84,734				85,000		
10	Farebox	98,196	100,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
11	Total Other Farebox	249,265		105,899	213,134	140,948	663	80,833	1,945	284,639	19,850
12	Total Other Local	23,669	5,000	5,000	5,000	5,000	5,000	5,000	9,500	5,000	5,000
13	FTA Operating			13,078	28,755				27,500		
14	Capital - Local, State	778,329			5,000	5,000	5,000	508,125	5,000	759,688	5,000
15	Echo - FTA Capital	2,408,779	88,288	49,850	35,000	35,000	1,544,375	35,000	2,299,062	35,000	263,669
16	Transfer from Investment to Gen Acct.	183,169		3,132,332		3,040,102	106,550	3,703,042	4,274,119		1,898,399
17	Disbursements:										
18	Payroll = Net+Tax	(844,664)	(737)	(850,000)		(1,000,000)		(850,000)		(850,000)	
19	A/P Wires	(80,077)	(188,830)	(2,692,000)	(198,050)	(17,000)	(316,000)	(3,392,000)	(198,050)	(17,000)	(293,450)
20	A/P Checks	(350,465)		(175,000)	(175,000)	(175,000)	(175,000)	(175,000)	(175,000)	(175,000)	(175,000)
21	Capital Expenditures	(3,314,536)		(55,000)	(55,000)	(2,174,050)	(55,000)	(55,000)	(6,499,077)	(55,000)	(1,958,468)
22	Transfer to Investment from Gen Acct.	(4,250,000)			(197,810)		(6,543,087)		(84,000)	(127,327)	
23	Transfer to OPEB Trust Acct.										
24	Actual Ending Book Balance / Targeted Minimum Balance	372,121	375,841	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

25 LAIF Account:

26	Beginning balance	104,522	104,522	104,522	104,522	104,652	104,652	104,652	104,652	104,652	104,652
27	Quarterly Interest Income				130						
28	Transfers to/from Gen Acct.	-	-	-	-	-	-	-	-	-	-
29	Ending balance	104,522	104,522	104,522	104,652	104,652	104,652	104,652	104,652	104,652	104,652

30 County Pool Account:

31	Beginning balance	6,768,828	6,586,404	6,586,404	6,587,347	6,587,347	6,587,347	6,480,797	6,480,797	3,055,470	3,055,470
32	Quarterly Interest Income			943							
33	Transfers to/from Gen Acct.	(182,424)	-	-	-	-	(106,550)	-	(3,425,327)	-	(1,609,469)
34	Ending balance	6,586,404	6,586,404	6,587,347	6,587,347	6,587,347	6,480,797	6,480,797	3,055,470	3,055,470	1,446,001

35 CalTrust Account:

36	Beginning balance	37,776,426	42,025,682	42,025,682	38,916,620	39,114,430	36,074,327	42,617,414	38,937,220	38,172,427	38,299,754
37	Quarterly Interest Income			23,270				22,847			
38	Transfers to/from Gen Acct.	4,249,255	-	(3,132,332)	197,810	(3,040,102)	6,543,087	(3,703,042)	(764,793)	127,327	(288,930)
39	Ending balance	42,025,682	42,025,682	38,916,620	39,114,430	36,074,327	42,617,414	38,937,220	38,172,427	38,299,754	38,010,823

<i>Restricted</i>	30,091,861	30,091,861	30,104,668	30,188,904	30,188,904	30,915,686	30,928,561	27,587,235	27,587,235	25,977,766
<i>Available for Operating</i>	18,996,867	19,000,587	15,553,820	15,667,524	12,627,422	18,337,177	14,644,107	13,795,315	13,922,641	13,633,711
Avg Operating expenses per month =>	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000
No. of months Oper Cash On Hand =>	3.04	3.04	2.49	2.51	2.02	2.93	2.34	2.21	2.23	2.18

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

January 11, 2017

TO: BOARD BUDGET AND FINANCE COMMITTEE
THRU: Larry Rubio, Chief Executive Officer
FROM: Craig Fajnor, Chief Financial Officer
SUBJECT: Agency Investment Policy – Annual Update

Summary: The Agency's Board of Directors must adopt an Investment Policy on an annual basis. Doing so ensures that the investment policy remains consistent with overall Agency goals and objectives. All policy changes must be approved by the Board of Directors prior to implementation.

The current policy includes the following objectives – in order of priority:

1. Preservation of principal
2. Maintain liquidity
3. Rate of Return consistent with the first two objectives

There is one change recommended to the current policy for the coming year. The provider of the Agency's deferred compensation services changed its name from Great West Retirement Services to Empower Retirement.

Attached to this staff report is the draft 2017 Agency Investment Policy with the recommended change identified in bold italics and underlined.

Fiscal Impact:

None.

Recommendation:

Recommend this item to the full Board of Directors for their consideration as follows:

- Adopt the Agency Investment Policy for 2017.



INVESTMENT POLICY

SCOPE

This investment policy applies to the Operating and Capital cash funds of Riverside Transit Agency, except for its employees' retirement system fund and its retiree medical fund, both of which are administered by the California Public Employees Retirement System (CalPERS). Separate Section 401 and 457 Deferred Compensation Funds are administered by Great West Retirement Services (Great West) Empower Retirement (Empower).

OBJECTIVE

Investable funds shall be invested to the maximum extent feasible. The primary goal of the investment program is to maintain safety and liquidity of principal and interest while maximizing returns, minimizing risks and ensuring that funds are available to meet anticipated cash flow requirements.

In the investment of its funds, Riverside Transit Agency will be guided by the following principles in order of importance:

1. The primary objective of the investment program is to safeguard the principal of the funds.
2. The secondary objective is to meet the liquidity needs of the Agency.
3. The third objective is to achieve a maximum return while assuming minimal risk on Agency investments.

AUTHORIZED INVESTMENT OFFICERS

The Chief Financial Officer is designated as the Investment Officer for the Agency and is responsible for investment decisions and activities, under the direction of the Chief Executive Officer. Cash management and investment transactions are the responsibility of the Investment Officer. In the absence of the Chief Financial Officer, the Chief Executive Officer will designate a temporary Investment Officer.

The authority to execute investment transactions on behalf of the Riverside Transit Agency will be limited to the:

- Chief Executive Officer
- Chief Financial Officer
- Chief Operating Officer
- Chairman of the Board

Two authorized signatures will be required for all investment transactions and wire transfers as delineated in Resolution 98-04 adopted on May 28, 1998, or any revision thereafter subsequently approved by the Board of Directors.

ETHICS AND CONFLICT OF INTEREST

Officers and employees who are directly involved in the investment program shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair the ability to make impartial investment decisions.

PRUDENCE

The standard to be used by investment officials shall be that of a “prudent person” and shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as probable income to be derived.

The Agency realized that market prices of securities would vary depending on economic and interest rate conditions at any point in time. It is further recognized, that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit risk. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

The Investment Officer and other individuals assigned to manage the investment portfolio, acting in accordance within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall not be held personally responsible for security credit risk or market price changes, provided that deviations from expectations are reported immediately to the Chief Executive Officer and that appropriate action is taken to control adverse developments.

SAFEKEEPING

Agency cash and investment securities, if any, shall be held in safekeeping by a designated institution. The institution shall issue a safekeeping receipt to the Agency listing the specific instrument, rate, maturity and other pertinent information as applicable. The independent auditors should review safekeeping procedures annually along with internal controls.

MONITORING AND ADJUSTING THE PORTFOLIO

The Investment Officer will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio accordingly.

INTERNAL CONTROL

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis.

Internal controls shall be reviewed annually by the independent auditor. The controls shall be designed to prevent a loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

REPORTING

The Investment Officer shall render a quarterly report to the Chief Executive Officer and the Board of Directors within 30 days following the end of the quarter covered by the report. The report will include the following information:

- Type of Investment
- Name of Issuing Institution
- Date of Maturity, if applicable
- Amount of Deposit (Investment)
- Rate of Interest Earned
- Current Market Value of the Investment as of the Date of the report
- Sufficient Funds Statement for Next 30-90 Days' Obligations for Operating Costs
- State compliance of the portfolio to the Statement of Investment Policy

AUTHORIZED INVESTMENTS

Investment of the Agency funds is governed by the California Government Sections 53600 et seq. Within the context of these limitations, the following investments are authorized, as further limited herein:

1. Passbook Savings and Account Demand Deposits with commercial banks or savings and loan banks insured by the Federal Deposit Insurance Corporation and/or collateralized in accordance with the California Government Code. These accounts are liquid; therefore, there is no percentage limitation of the portfolio, which can be invested in this category.
2. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool and may be used to the maximum permitted by the California State Law.
3. U.S. Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio which can be invested in this category. Maturity is not to exceed the projected dates of the Agency's cash needs or two years, whichever is less.
4. County of Riverside Treasurer's Pooled Investment Fund (Riverside County Pool) which is a County of Riverside managed investment pool.

5. CalTRUST (Short-term) which is Joint Powers Authority investment administered by CSAC Finance Corporation and advised by Wells Capital Management.

MATURITY SCHEDULED

Investment maturities shall be scheduled, as applicable, to coincide with projected cash flow needs, taking into account large routine expenditures such as payroll, accounts payable and capital purchases along with receipt of projected revenues.

INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be accrued monthly to various fund accounts based on the cash balances in each fund as a percentage of the entire pooled portfolio.

LEGISLATIVE CHANGES

Any State of California legislative action, that further restricts allowable maturities, investment type or percentage allocations, will be incorporated into the Riverside Transit Agency's Investment Policy and supersede any and all previous applicable language.

NATURAL GAS FUEL PROCUREMENT POLICY

The objective of Natural Gas Fuel Procurement Policy is to lower the operating cost of natural gas by implementing a policy that takes advantage of below average natural gas prices with the purchase of a natural gas fixed price contract. The goal of the Natural Gas Fuel Procurement Policy is to reduce the cost of natural gas for an extended period of time and to protect from any upside risk in the market price of natural gas. This policy is initiated in order to increase the predictability of the cost per therm of Agency natural gas fuel, thereby improving the Agency's ability to anticipate and project overall compressed natural gas (CNG) costs.

Due to the nature of its business, the Agency is subject to the risk arising from an interruption in the supply of natural gas through the vast pipeline infrastructure. This risk exists whether the Agency's natural gas requirements are purchased through Southern California Gas Company (SoCalGas) or a designated third party.

Due to the nature of its business, the Agency is also subject to the risk arising from unfavorable movements in natural gas fuel prices due to volatility in the natural gas commodity market. This risk can be managed through the long-term purchase of natural gas by means of a fixed price or indexed price over a time period greater than one year. The Agency's aim is to reduce the uncertainty in the cost of natural gas fuel which is a component of its operating cost.

Pursuant to this policy, the Agency is authorized to purchase natural gas at a fixed or indexed price per therm when certain conditions exist in order to more accurately predict operational costs and create reliable budgets. Having the option to purchase fixed price natural gas from

other than SoCalGas limits the downside risk of unfavorable price movement in the commodity cost of the gas. Having the option to purchase natural gas on an index price from other than SoCalGas could potentially save the Agency money.

To that end, this section of the Investment Policy provides guidelines on the implementation of an alternative purchase method to buying natural gas from SoCalGas. This alternative process involves entering into a contract with an energy service provider (ESP; currently GHI Energy LLC) for the purchase of natural gas. Natural gas can be purchased on either a fixed rate per therm or an indexed rate per therm basis. Should the Agency execute a purchase agreement with an ESP and depart from its former practice of buying from SoCalGas, it is understood that the Agency will still be paying SoCalGas for transmission and related fees.

The Chief Executive Officer (CEO) of the Agency is hereby authorized to approve purchasing natural gas from an ESP.

The Chief Procurement and Logistics Officer (CPLO) is designated as the buyer of the Agency and is responsible for entering into a natural gas purchasing arrangement with a designated ESP, under the direction of the CEO. In the absence of the CPLO, the CEO will designate the temporary replacement buyer.

The CEO, CPLO and CFO will routinely evaluate natural gas commodity price performance to ensure proactive management of this natural gas investment policy.

The Finance Department will be responsible for establishing the natural gas price point to implement an extended period purchase of natural gas from a designated ESP per this natural gas investment policy.

The target, or strike, price and period/amount of the fixed price contract at which the Agency could enter into a natural gas fuel purchase agreement for an extended period of time, outside of SoCalGas, would be based on the following:

- An evaluation of the trailing three (3) years of actual commodity cost history to be enacted per below;
- When the cost of the natural gas commodity, inclusive of any administrative costs of the designated ESP, is one standard deviation less than the trailing 3-year average cost, then the Agency should purchase a three month supply of natural gas at the market price per therm for a contract of that duration
- When the cost of the natural gas commodity, inclusive of any administrative costs of the designated ESP, is two standard deviations less than the trailing 3-year average cost, then the Agency should purchase a one year supply of natural gas at the market price per therm for a contract of that duration

There are two acceptable types of contracts for the purchase of natural gas if not purchased through SoCalGas.

The first is a **FIXED FORWARD PURCHASE PRICE** where an agreed price per therm of the natural gas commodity is locked in for a pre-determined amount of time. This price will include the cost of the natural gas commodity and the administrative fee charged by the designated ESP. The Agency will still pay SoCalGas directly for transmission and related fees. It must be understood and agreed that buying natural gas from an ESP under this arrangement creates the possibility of buying natural gas at a price per therm greater than would be if purchased through SoCalGas.

The second is an **INDEXED PRICE** which is the wholesale price of gas in any particular month. The index price changes monthly. The Agency is currently in an arrangement where an agreed percentage per therm below the current SoCalGas commodity price, which is based on an indexed price, will be charged. This price will include the cost of the natural gas commodity and the administrative fee charged by the designated ESP. The Agency will still pay SoCalGas directly for transmission and related fees.

Reporting will be provided to the Board of Directors on a quarterly basis. The report will include a comparison of the SoCalGas index cost per therm (benchmark) with the discounted index cost per therm purchased through an ESP and/or any fixed forward purchase price per therm (if purchased and as applicable). The report will also include historical and statistical data about the cost of the natural gas based on the benchmark.

POLICY REVIEW

The Board of Directors on an annual basis shall adopt the Riverside Transit Agency's investment policy. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to the Board of Directors for approval.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

January 11, 2017

TO: BOARD BUDGET AND FINANCE COMMITTEE
THRU: Larry Rubio, Chief Executive Officer
FROM: Craig Fajnor, Chief Financial Officer
SUBJECT: Authorization to Amend the Fiscal Year 2016/2017 (FY17) Short Range Transit Plan (SRTP) and Operating and Capital Budgets

Background: At their May 26, 2016 meeting, the Agency Board of Directors adopted the original FY17 Operating budget, Capital budget, and SRTP. Since that time, two amendments to the FY17 Operating Budget have been approved by the Board. These amendments are related to the Route 54 implementation. As of this writing, the current FY17 Operating Budget is \$76,263,710 and the current FY17 Capital budget is \$11,284,466. These budgets, as an integral part of the SRTP, support the Agency mission and goals of providing safe, reliable, and cost effective transportation while increasing ridership and being fiscally responsible with taxpayer funds.

Summary: Since the November 2016 Board of Directors Meeting, a number of items have presented themselves for consideration to adjust both of the current Board-approved budgets.

Operating Budget

The following items are requested for inclusion in an amendment of the current Board-approved Operating Budget:

Service Changes

No significant service changes are contemplated for the remainder of the fiscal year. As such, the FY17 Revenue Service Hours (RSH) budget of 845,517 is unchanged.

Salaries and Benefits

Staff is recommending the addition of a total of seven positions to the FY17 budget.

Two of the positions are the reinstatement of positions that were removed prior to requesting approval of the original FY17 budget. These positions were removed due to funding constraints. These positions are:

- Risk Management Specialist – this position will support the Risk Management department in processing worker's compensation and liability claims. The budgeted cost for the remainder of FY17 for this position (including fringe benefits) is \$29,000.
- Training Instructor - this position will support the Operations department in preparing new coach operators for service delivery as well as providing existing coach operators' ongoing training needs. The budgeted cost for the remainder of FY17 for this position (including fringe benefits) is \$50,100.

Five additional positions are required due to evolving business needs. These positions are:

- Assistant Operations Manager – this position will assist with the ongoing management of the Operations Department with the retirement of the Director of Operations (discussed later in this report). The budgeted cost for the remainder of FY17 for this position (including fringe benefits) is \$88,100. Savings from the remainder of the Director of Operations position not being filled will help offset this amount.
- Operations Supervisor – this position will assist with the expanding workload as a result of increased service and resultant staffing. The budgeted cost for the remainder of FY17 for this position (including fringe benefits) is \$15,500.

- Contracts Administrator - this position will assist with the expanding workload as a result of growing procurement requirements including the transition of the current Dial-A-Ride (DAR) service provider. Our current DAR service provider has expressed their interest to not continue beyond FY17. Staff is rapidly working on a new procurement to secure a new contractor commencing in FY18. The budgeted cost for the remainder of FY17 for this position (including fringe benefits) is \$36,800.
- Receptionist - this position will assist with the expanding workload in Human Resources. The budgeted cost for the remainder of FY17 for this position (including fringe benefits) is \$13,300.
- Planning & Programming Specialist to Planning & Scheduling Technician – reassignment of a position that was budgeted to be eliminated as of January 1, 2017. This addition is requested in order to assist the Planning department with increased scheduling demands. The FY17 cost impact of this position change is \$29,100.

In addition to the seven additional positions identified above, staff is requesting approval to modify two positions. These position modifications are:

- Travel Training Supervisor to Mobility Manager – this upgrade is requested due to the realignment of functions between the Operations, Procurement and Marketing departments. The FY17 cost impact of this position upgrade is \$4,900.
- Director of Operations – currently on leave and will be retiring February 1. This position will not be replaced in FY17. Resultant savings for the remainder of FY17 is \$75,000.

The current Board approved number of budgeted positions is 445. Should this item be approved by the Board, budgeted positions would increase by seven to 452.

Purchased Transportation

Contractor liquidated damages have been higher than expected, incentives have been less than expected, and fuel costs have been lower than expected. The sum of these changes allows for a reduction of \$646,800. Savings in this area will be used to offset the addition of seven positions discussed above and increased fuel and parts costs discussed below.

Services

No budget change, in aggregate, is required for this family of cost objectives.

Materials and Supplies

As FY17 has unfolded, multiple negative cost drivers with respect to Compressed Natural Gas (CNG) have developed greater than anticipated. These are:

- Miles driven have been greater than anticipated
- Fuel economy has been less than anticipated
- Cost per therm has been greater than anticipated

As a whole, the cost for CNG is expected to be \$300,000 greater than originally budgeted. The Agency recently completed multiple 3-month contract purchases of natural gas requirements from its natural gas supplier. Based on current and projected market conditions, and the Board-approved policy to purchase volume beyond daily use, another contract is not anticipated this fiscal year and costs will be greater than originally estimated.

The Agency accounts for the cost of CNG as an expense. As a reminder, the Agency is also earning revenue from its use of natural gas converted to CNG. CNG-related revenue is generated from:

- the State Low Carbon Fuel Standards (LCFS) program
- the Federal Renewable Identification Number (RIN) program
- the Federal Excise Tax Credit (FET Credit) on Alternative Fuel Use (currently expired on December 31, 2016)
- sales to the public at the Hemet Division

We do not account for these funds as offsets to expense. Rather, we account for the LCFS, RINs, and public sales as other operating revenue that is credited toward the calculation of Farebox Recovery Ratio (FRR) as approved by the Riverside County Transportation Commission (RCTC).

Treating these funds as revenue versus a reduction in expense helps ensure we achieve or exceed the mandatory FRR target in a given fiscal year. Achieving or exceeding this target ensures continued eligibility of State Transportation Development Act funds – namely Local Transportation Funds (LTF) – which is the Agency’s largest operating funds source. Also important about this treatment is the fact that achieving/exceeding FRR with a given fare structure allows us to retain that structure longer and not increase it.

Currently, we are accounting for any FET Credit funds received as deferred capital revenue to support the development of the future Central Operations and Maintenance Facility. This has been done due to historical stop/start (lack of certainty) of the Federal legislation creating these funds. As mentioned above, the latest legislation creating this funds source expired December 31, 2016.

To help offset the increased CNG cost, staff has lowered the unleaded gasoline budget by \$36,000. This is due to the actual and projected unleaded gasoline costs for the fiscal year. With this offset, staff expects the overall Agency fuel costs to be \$264,000 greater than the current FY17 budget.

With respect to parts costs, the original Gillig fleet is now out of warranty. Thus, parts costs per mile have been greater than anticipated. A re-projection of parts cost indicates a need for an additional \$191,000 over the original FY17 budget.

Other Expenses

Other expenses include, but are not limited to, Services, Utilities, Insurance, Taxes, Advertising, and Training. No budget change, in aggregate, is required for this family of cost objectives.

Operating Budget Summary

The current FY17 approved Operating budget is \$76,263,710. The recommended changes discussed above have no net impact on the FY17 Operating Budget. Thus, the FY17 Operating Budget would remain at \$76,263,710.

An Operating Budget comparison is shown below. The comparison depicts the change in cost elements from the current FY17 approved Operating Budget to the proposed FY17 mid-year Operating Budget.

	FY17 Approved	FY17 Midyear	Change Incr.+/ (Decr.)	Comment
Salaries and Benefits	\$ 37,475,544	\$ 37,667,344	191,800	plus 7 positions/1 upgrade
Services	2,821,181	2,821,181	-	
Materials & Supplies	3,143,267	3,598,267	455,000	CNG/unleaded gas, parts
Purchased Transportation	27,773,994	27,127,194	(646,800)	Liquidated damages, fuel
Other Expenses	5,049,724	5,049,724	-	
Total Operating Expenses	<u>\$ 76,263,710</u>	<u>\$ 76,263,710</u>	<u>\$ -</u>	

Operating Revenues

The current board-approved and budgeted operating revenues are unchanged.

Farebox Recovery Ratio Impact

A predetermined farebox ratio target of 17.48 percent was developed by Agency staff and approved by both the RCTC and Caltrans for FY17. Once the target is established, it cannot be revised. The proposed FY17 mid-year Operating Budget is still compliant with the established target.

Capital Budget

The following items are requested for inclusion in an amendment to the current Board-approved Capital Budget:

Federal Section 5339 and State Transit Assistance (STA; as Local Match)

The FY14 and FY15 apportionments of Hemet UZA Federal Section 5339 and required local match funds are being programmed for Hemet Facility Maintenance. The total is \$860,713.

Low Carbon Transit Operations Program (LCTOP)

LCTOP funds have been awarded and received for the UCR Mobility Hub. Amount being programmed is \$1,492,532.

Reprogramming of Local Transportation Funds (LTF)

In the FY13 SRTP, \$2,400,000 of LTF was programmed for the Twin Cities Transit Center project. This project will now be located at the Temecula Promenade Mall. Existing funding will be sufficient to complete the Temecula Promenade Mobility Hub project. This

LTF is being reprogrammed from the Twin Cities Transit Center project to the Central Operations and Maintenance Facility project. The table below summarizes the capital revenue source changes discussed above:

Capital Revenue	LTF	STA	Federal	LCTOP	Bond Proceeds	Total
Adopted SRTP Capital Revenue	(\$3,698,701)	\$1,992,429	\$9,292,037	\$0	\$3,698,701	\$11,284,466
Hemet Facility Maintenance		\$172,143	\$688,570			\$860,713
UCR Mobility Hub				\$1,492,532		\$1,492,532
Twin Cities Transit Center	(\$2,400,000)					(\$2,400,000)
Central Operations & Maintenance Facility	\$2,400,000					\$2,400,000
Proposed SRTP Capital Revenue	(\$3,698,701)	\$2,164,572	\$9,980,607	\$1,492,532	\$3,698,701	\$13,637,711

Fiscal Impact:

The adopted FY17 Operating Budget will remain unchanged at \$76,263,710. This amount is fully funded with Federal, State, local and other revenue sources. Further, with these changes, the Agency will meet or exceed the mandatory Farebox Recovery Ratio target of 17.48% for FY17.

The current board-adopted FY17 Capital Budget is \$11,284,466. The changes discussed above represent an increase of \$2,353,245. Thus, the revised FY17 Capital Budget would be \$13,637,711. This amount is fully funded with Federal, State, and local revenue sources.

Recommendation:

Approve and recommend this item to the full Board of Directors for their consideration as follows:

- Authorize the proposed mid-year changes to the FY17 Operating and Capital Budgets
- Direct staff to seek full RCTC approval of the requested changes identified in this report
- Direct staff to prepare appropriate amendments to the FY17 SRTP as a result of this action
- Direct staff to modify all procurement documentation impacted by the changes identified in this request