



February 6, 2019
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**

ITEM

RECOMMENDATION

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

RECEIVE COMMENTS

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.

4. APPROVAL OF MINUTES – JANUARY 9, 2019 COMMITTEE MEETING (P.4)

APPROVE

5. CASH FLOW PROJECTIONS (P.7)

RECEIVE AND FILE

6. QUARTERLY INVESTMENT REPORT (P.9)

RECEIVE AND FILE

7. QUARTERLY NATURAL GAS PROCUREMENT STATUS REPORT (P.11)

RECEIVE AND FILE

8. AUTHORIZATION TO REQUEST FUNDING ADVANCE FROM ALLOCATED UNCLAIMED WESTERN COUNTY BUS LOCAL TRANSPORTATION FUND (LTF) RESERVES HELD BY THE RIVERSIDE COUNTY TRANSPORTATION COMMISSION (RCTC) (P.18)

APPROVE

9. REQUEST AUTHORIZATION TO AMEND THE FISCAL YEAR 2018/2019 (FY19) SHORT RANGE TRANSIT PLAN (SRTP) AND OPERATING BUDGET (P.21)

APPROVE

10. BOARD MEMBER COMMENTS

11. ANNOUNCEMENTS

ITEM

RECOMMENDATION

12. NEXT MEETING

Wednesday, March 6, 2019
2:00 p.m.
Riverside Transit Agency
1825 Third Street
Riverside, CA 92507

13. MEETING ADJOURNMENT

RTA BOARD BUDGET AND FINANCE COMMITTEE MEETING
Minutes
January 9, 2019

1. CALL TO ORDER

Committee Chair Berwin Hanna called the Board Budget and Finance Committee meeting to order at 2:02 p.m., on January 9, 2019, in the RTA Board Room.

2. SELF INTRODUCTIONS

Self-introductions of those in attendance took place.

Committee Members Attending

1. Berwin Hanna, City of Norco
2. Linda Molina, City of Calimesa
3. Linda Krupa, City of Hemet
4. Anthony Kelly, Jr., City of Jurupa Valley
5. ¹Michelle DeArmond, County of Riverside, District III
6. ²Barry Busch, County of Riverside, District V

RTA Staff

1. Larry Rubio, Chief Executive Officer
2. Joan Hepworth, Executive Assistant
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. Rohan Kuruppu, Director of Planning
8. Adam Chavez, Director of Maintenance
9. Jim Kneepkens, Director of Marketing
10. Rick Kaczerowski, Director of IT
11. Rick Majors, Director of Risk Management
12. Natalie Zaragoza, Director of Contracts
13. Melissa Blankenship, Contracts Manager
14. Eric Ustation, Government Affairs Manager
15. Brad Weaver, Media & Public Relations Manager
16. Stephanie Sirls, Contract Operations Manager
17. Geovanny Calvopina, Fleet Analyst

Other Attendees

1. Ike Bootsma, Eastvale resident
2. Paul Vallandigham, Supervisor Hewitt's office
3. David Molina, Calimesa resident

¹Alternate for Chuck Washington, County of Riverside, District III

²Alternate for Jeff Hewitt, County of Riverside, District V

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

None.

4. **APPROVAL OF MINUTES – DECEMBER 5, 2018 COMMITTEE MEETING**

M/S/C (KRUPA/MOLINA) approving the December 5, 2018 committee meeting minutes.

The motion carried unanimously.

5. **CASH FLOW PROJECTIONS**

Mr. Fajnor presented the cash flow projections which were received and filed.

6. **AGENCY INVESTMENT POLICY – ANNUAL UPDATE**

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

- Adopt the Agency Investment Policy for 2019.

The motion carried unanimously.

7. **AUTHORIZATION TO AWARD AGREEMENT NO. 19-012 TO HARDY & HARPER, INC. FOR THE RIVERSIDE FACILITY ASPHALT PAVEMENT AND CONCRETE REPLACEMENT PROJECT**

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

- Authorize staff to award Agreement No. 19-012 to Hardy & Harper, Inc. for the replacement of asphalt and concrete pavement at the Riverside facility in the amount of \$443,429 with a ten-percent contingency of \$44,343 for a total project budget amount of \$487,772.

The motion carried unanimously.

8. **BOARD MEMBER COMMENTS**

Board member comments were made by Director Anthony Kelly, Jr., Director Linda Molina, Director Linda Krupa and Director Barry Busch.

9. **ANNOUNCEMENTS**

An announcement was made by Mr. Larry Rubio.

10. **NEXT MEETING**

Wednesday, February 6, 2019, 2:00 p.m.
Riverside Transit Agency
Board Room
1825 Third Street
Riverside, CA 92507

11. **MEETING ADJOURNMENT**

The meeting was adjourned at 2:17 p.m.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

February 6, 2019

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 January with projections through March. This reporting period covers the first nine months of FY19. There are no cash flow issues anticipated during this reporting period.

However, despite the recent 3-week re-opening of the federal government, uncertainty regarding Federal funding (levels and timing) remains. As such, the Board is being asked in a separate staff report to authorize requesting an advance of Local Transportation Funds from the Riverside County Transportation Commission to cover anticipated cash flow shortages in late FY19 and into early FY20.

Recommendation:

Receive and file.

**Riverside Transit Agency
FY18/19 Cash Flow Projection**

	Actual									
	1/25/2019	2/1/2019	2/8/2019	2/15/2019	2/22/2019	3/1/2019	3/8/2019	3/15/2019	3/22/2019	3/29/2019
1 Wells Fargo General Account										
2 Est. Cash, Beg Balance (Book)	665,891	517,185	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
3 Receipts:										
4 LTF Operating	-	5,221,982	-	-	4,948,085	-	-	-	-	-
5 LTF OPEB	-	-	-	-	-	-	-	-	-	-
7 RIN's Credit				71,000				65,000		
8 LCFS						211,980				
9 CalPERS CERBT Disbursement					93,912				90,000	
10 Farebox	104,137	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
11 Total Other Farebox	74,780	392,915	74,757	126,875	331,086			156,875	275,658	
12 Total Other Local	8,201	7,496	5,000	5,000	10,464	5,000	5,000	5,000	10,464	5,000
13 FTA Operating		76,515	25,600	26,043					30,000	
14 Capital - Local, State						104,488				
15 FTA Capital		79,838								
16 Transfer from Investment Accounts to Wells Fargo General Account	11,322	211	3,242,773	936,082		3,680,233	1,040,000	938,125		1,195,000
17 Disbursements:										
18 Payroll = Net+Tax	(127)	(1,075,000)		(1,075,000)		(1,075,000)		(1,075,000)		(1,075,000)
19 A/P Wires	(235,529)	(26,038)	(3,278,130)	(20,000)	(215,000)	(2,513,000)	(975,000)	(20,000)	(215,000)	(55,000)
20 A/P Checks	(111,490)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
21 Capital Expenditures		(446,397)				(343,701)				
22 Transfer to Investment Accounts from Wells Fargo General Account		(4,628,706)			(5,098,547)				(121,121)	
23 Transfer to CERBT OPEB Trust Account										
24 Actual Ending Wells Fargo General Account Book Balance / Targeted Minimum Balance	517,185	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

25 LAIF Account:										
26 Beginning balance	108,267	108,267	108,267	108,267	108,267	108,267	108,267	108,267	108,267	108,267
27 Quarterly Interest Income										
28 Transfers to/from Gen Acct.	-	-	-	-	-	-	-	-	-	-
29 Ending balance	108,267	108,267	108,267	108,267	108,267	108,267	108,267	108,267	108,267	108,267

30 County Pool Account:										
31 Beginning balance	3,059,982	3,059,982	3,059,982	3,059,982	3,059,982	3,059,982	3,059,982	3,059,982	3,077,963	3,077,963
32 Quarterly Interest Income								17,981		
33 Transfers to/from Gen Acct.	-	-	-	-	-	-	-	-	-	-
34 Ending balance	3,059,982	3,059,982	3,059,982	3,059,982	3,059,982	3,059,982	3,059,982	3,077,963	3,077,963	3,077,963

35 CalTrust Account:										
36 Beginning balance	49,171,065	49,084,964	53,803,459	50,560,687	49,514,605	54,613,151	51,022,918	49,982,918	48,934,793	49,055,914
37 Quarterly Interest Income		85,000				85,000				75,000
38 Transfers to/from Gen Acct.	(86,101)	4,628,495	(3,242,773)	(1,046,082)	5,098,547	(3,680,233)	(1,040,000)	(1,048,125)	121,121	(1,195,000)
39 Ending balance	49,084,964	53,798,459	50,560,687	49,514,605	54,613,151	51,017,918	49,982,918	48,934,793	49,055,914	47,935,914

Restricted Capital Balance >>>	40,336,175	40,360,964	40,360,964	40,360,964	40,360,964	40,385,964	40,385,964	40,403,945	40,403,945	40,428,945
Funding for CERBT OPEB Trust >>>	895,000	895,000	895,000	895,000	895,000	895,000	895,000	895,000	895,000	895,000
Restricted Operating Balance >>>	2,468,338	2,473,338	2,473,338	2,363,338	2,363,338	2,368,338	2,368,338	2,258,338	2,258,338	2,262,838
Unrestricted Operating Balance >>>	9,070,885	13,292,407	10,049,634	9,113,552	14,212,099	10,591,866	9,551,866	8,613,741	8,734,862	7,589,862

Avg Operating expenses per month =>	7,165,000	7,165,000	7,165,000	7,165,000	7,165,000	7,165,000	7,165,000	7,165,000	7,165,000	7,165,000
No. of months Oper Cash On Hand =>	1.27	1.86	1.40	1.27	1.98	1.48	1.33	1.20	1.22	1.06

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

February 6, 2019

TO: BOARD BUDGET AND FINANCE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer

SUBJECT: Quarterly Investment Report

Summary: The Agency currently has three (3) investment vehicles for its operating and capital funds' cash balances above and beyond immediate need.

The first is the Local Agency Investment Fund (LAIF) which is managed by the Treasurer of the State of California. While the balance earns interest on a daily basis, investment results are only published and available on a quarterly basis – fifteen (15) days after the end of each calendar quarter.

The second is the Riverside County Treasurer's Pooled Investment Fund (County Pool) which is managed by the Treasurer of the County of Riverside. While the balance earns interest on a daily basis, investment results are provided on a quarterly basis as well. However, different from LAIF, County Pool results are provided as follows: approximately 10% fifteen (15) days after the end of the quarter and the remaining 90% seventy-five (75) days after the end of the quarter.

The third is the CalTRUST Short-term Fund which is managed by the CSAC Finance Corporation. The balance earns interest daily and investment results are provided monthly on the last day of each month.

The attached report presents investment performance for the 2nd quarter of FY19 (as of December 31, 2018).

Recommendation:

Receive and file.

RIVERSIDE TRANSIT AGENCY
Investment Report
For the Quarter Ended December 31, 2018

Investment Type	Institution	Amount of Investment at 9/30/18	Current Market Value at 9/30/18	Quarter to Date Average Rate of Interest Earned	Effective Interest Rate for the Quarter	Quarter to Date Interest Earned
Local Agency Investment Fund (LAIF)	State of California	\$107,616.33	\$107,514.22	2.21%	2.40%	\$650.30
Riverside County Treasurer Pooled Investment Fund	County of Riverside	\$3,050,117.50	\$3,050,117.50	2.00%	2.00%	\$18,540.01
CalTrust Short Term Fund	CalTrust	\$54,311,363.74	\$54,311,363.74	2.26%	2.06%	\$257,684.55

Note: Sufficient funds are available to meet the next 60 days' operating and 90 days' capital obligations. Additionally, the above portfolio conforms with the Agency's Investment Policy.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

February 6, 2019

TO: BOARD BUDGET AND FINANCE COMMITTEE
THRU: Larry Rubio, Chief Executive Officer
FROM: Craig Fajnor, Chief Financial Officer
SUBJECT: Quarterly Natural Gas Procurement Status Report

Summary: Prior to August 1, 2013, the Agency had always purchased its natural gas requirements (converted to compressed natural gas or CNG) for fueling revenue and non-revenue vehicles from the Southern California Gas Company (SoCalGas). The cost of the gas from SoCalGas included the commodity cost of the gas as well as the transmission costs and related taxes/fees.

In February 2018, the Board authorized staff to enter into a second multi-year contract with GHI LLC (GHI) for the Agency's natural gas commodity requirements for conversion to CNG. The new contract commenced July 1, 2018. As part of the agreement, GHI continues to manage the agency's participation in the State of California's Low Carbon Fuel Standards (LCFS) Credit program. Highlights of the new contract with GHI are as follows:

- GHI provides a fixed 10% discount off the SoCalGas commodity cost from July 2018 through June 2021 (the first 3 years of the new contract)
- GHI provides a fixed 11% discount off the SoCalGas commodity cost from July 2021 through June 2023 (the last 2 years of the new contract)
- GHI provides the Agency with 12% of the total Renewable Identification Number (RINs) Credit earned from July 2018 through June 2023 (all 5 years of the new contract)
- GHI will continue to opt-in on the Agency's behalf for the California Air Resources Board (CARB) LCFS Credit program and financially administer the Agency's LCFS Credits
- GHI provides the Agency with 100% of the LCFS Credits value earned

The current Board approved Agency Investment Policy includes language regarding the purchase of natural gas requirements for conversion to CNG. The natural gas purchase language outlines the acceptable ways staff can purchase natural gas requirements for use in fueling Agency vehicles. The policy includes language describing the discipline to purchase a long-term fixed price-per-therm contract provided certain parameters are met. The policy also states that, if the Agency buys its natural gas requirements from an entity other than SoCalGas, staff would prepare a quarterly report for the Board regarding the performance results under the new purchase arrangement and provide a performance comparison to the prior purchase arrangement.

Attachment A to this staff report identifies the savings the Agency has experienced by purchasing natural gas from GHI versus purchasing it from SoCalGas. The savings are depicted for both the trailing quarter and cumulative-to-date basis.

Attachment B to this staff report identifies the RINs Credits earned by the Agency under its natural gas purchase arrangement with GHI. RINs credits are earned and paid monthly. RINs revenue is depicted for both the trailing quarter and cumulative-to-date basis.

Attachment C to this staff report identifies the LCFS Credits earned by the Agency under its natural gas purchase arrangement with GHI. LCFS credits are earned monthly but paid quarterly. LCFS revenue is depicted for both the trailing quarter and cumulative-to-date basis.

Attachment D to this staff report indicates the key statistics being measured and tracked to determine whether the Agency should convert from the current monthly floating index cost per therm purchase arrangement to a longer-term fixed price per therm purchase arrangement per the Investment Policy. The statistics represent the discipline installed as part of the annual investment policy.

Based on the investment policy discipline and market conditions, the Agency does not currently have any executed contract purchases.

Fiscal Impact:

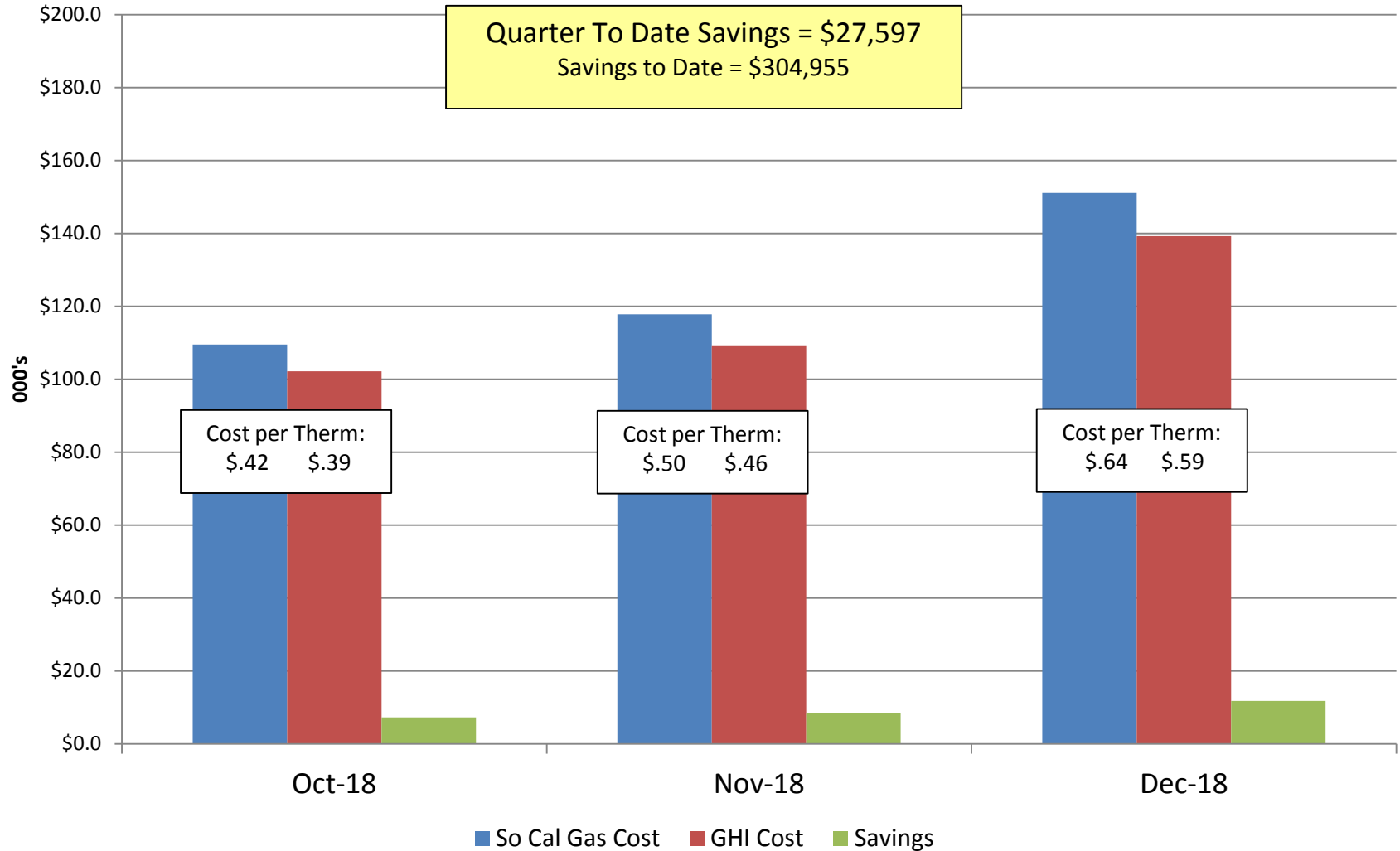
Under the current purchase arrangement with GHI, the Agency experienced \$27,597 of savings in the quarter covering October - December 2018 for its natural gas commodity requirements versus buying directly from SoCalGas.

The Agency also earned a total of \$437,035 of combined revenue from the Federal RINs and State LCFS Credits' programs due to its natural gas consumption for use as CNG.

Recommendation:

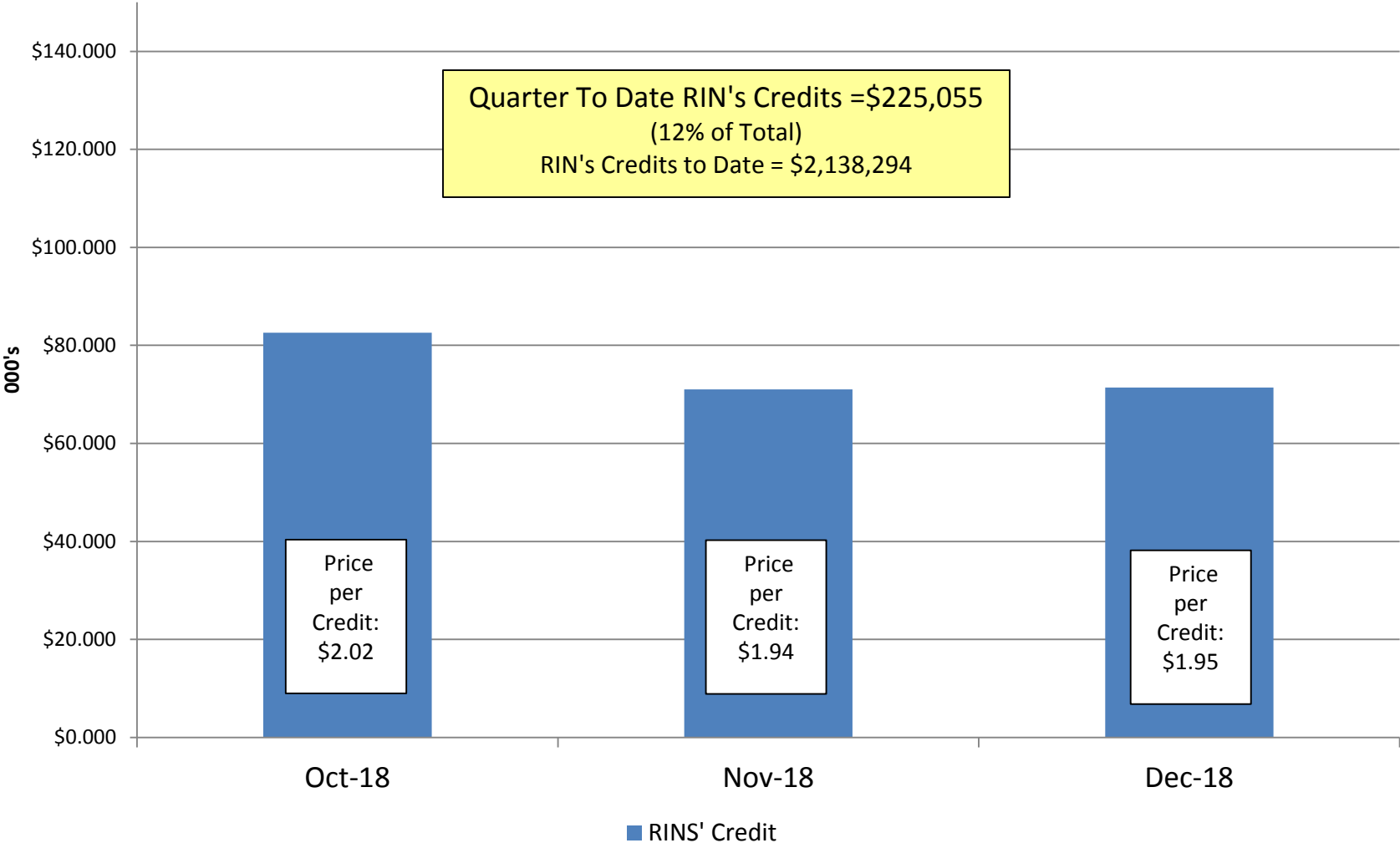
Receive and file.

Attachment A CNG Cost Savings - So Cal Gas vs. GHI



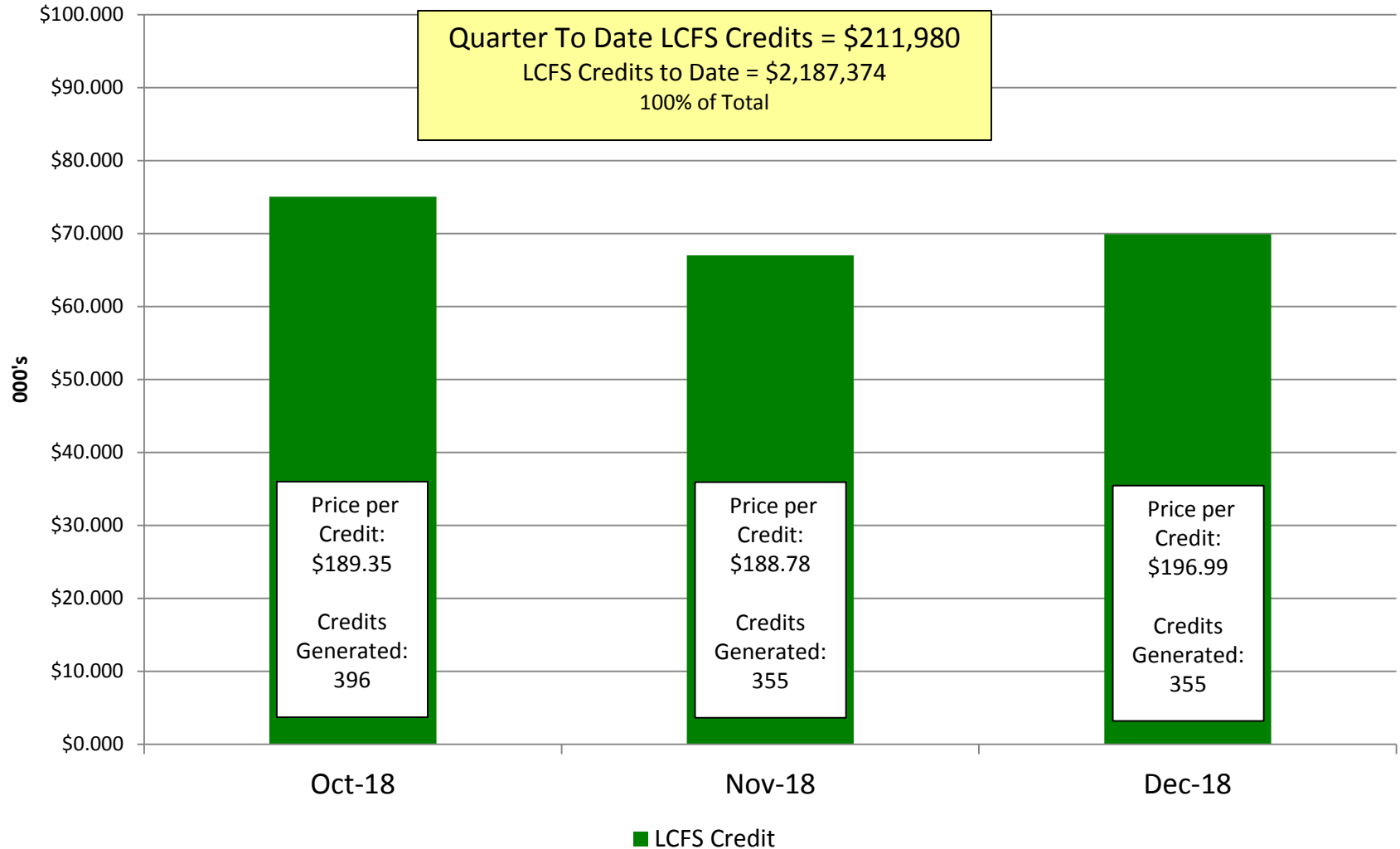
Attachment B

Renewable Identification Number (RIN's) Credit



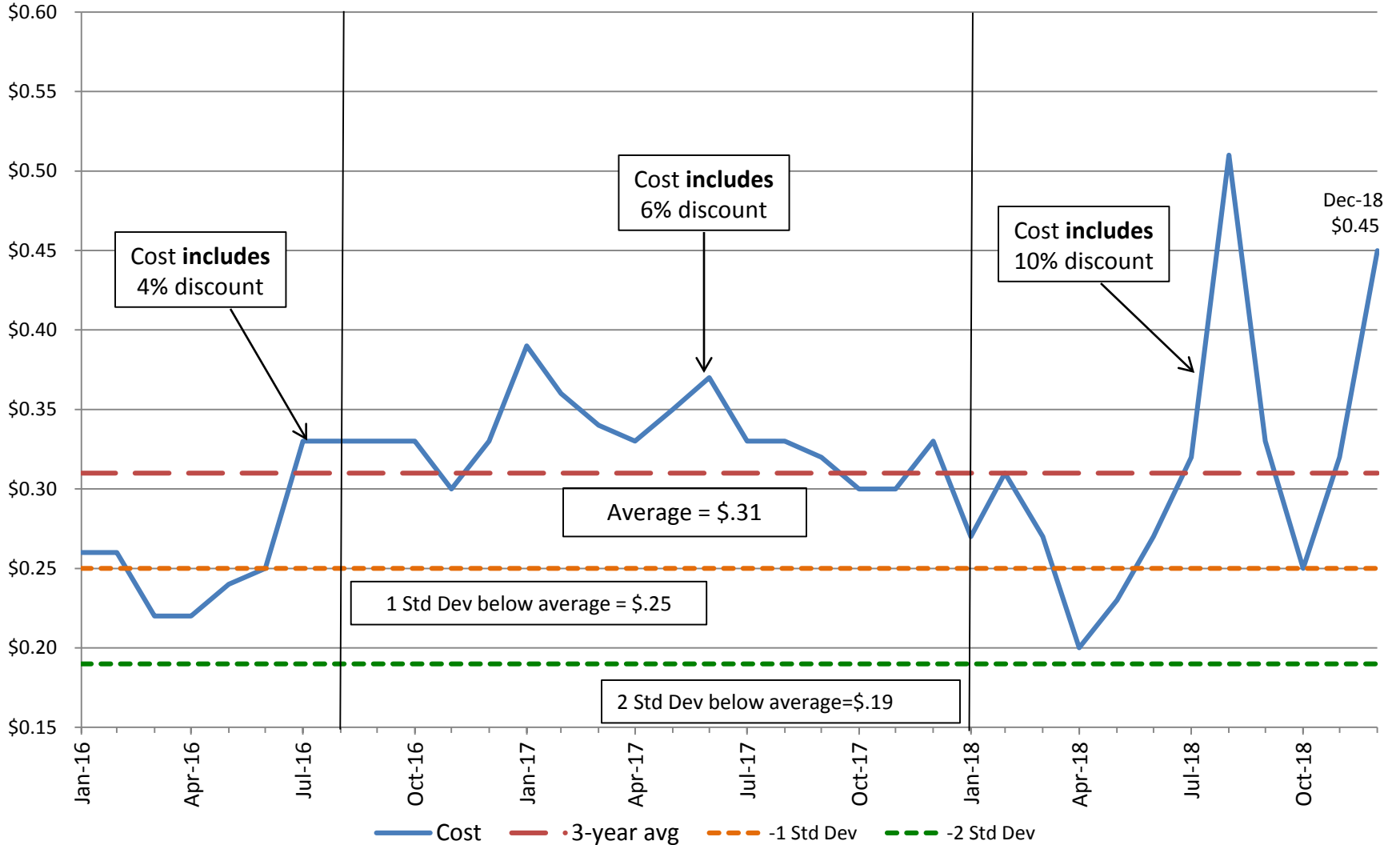
Attachment C

Low Carbon Fuel Standards (LCFS) Credit



Attachment D

CNG Cost per Therm Trailing 3 Years (commodity cost only)



RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

February 6, 2019

TO: BOARD BUDGET AND FINANCE COMMITTEE
THRU: Larry Rubio, Chief Executive Officer
FROM: Craig Fajnor, Chief Financial Officer
SUBJECT: Authorization to Request Funding Advance From Allocated Unclaimed Western County Bus Local Transportation Fund (LTF) Reserves Held by the Riverside County Transportation Commission (RCTC)

Summary: The Agency utilizes federal funding for portions of both its operating expenses and capital expenditures. Primarily, the Agency uses Federal Transit Administration (FTA) Section 5307 (5307) formula revenues to fund a significant portion of its annual operating expenses and capital improvements. The Agency also utilizes other FTA section funds such as 5310 and 5311 funds for operating expenses and 5339 for capital improvements. Federal funds are available for reimbursement - or draw down - after award of a Federal grant and actual expenditure of eligible costs.

On December 4, 2015, President Obama signed the Fixing America's Surface Transportation (FAST) Act into law. The FAST Act authorized \$305 billion over federal fiscal years 2016 through 2020 for highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs. However, full-year FY19 funding has not yet been authorized by Congress. Continuing resolutions passed to date have not triggered authorization of a percentage of FY19 federal funds which, in turn, has also not triggered publication of any authorized funds in the Federal Register. The FTA recognizes requests for federal funds under the various sections only after the publication of the Federal Register.

Recently, the vast majority of the federal government was shut down for over a month due to an impasse between the President and Congress over funding priorities. The FTA is one of the federal agencies that was negatively impacted by the shutdown. In turn, so were FTA grantees such as RTA. While the federal government and FTA were recently re-opened, they are currently only open until February 15, 2019. Whether or not they remain open beyond that point is still to be determined.

Staff prepared its initial application for FY19 5307 grant funding in September 2018. The initial application only included identified prior-year funds to be used only for operating expenses. However, the grant was not awarded prior to the partial federal government shutdown. Had it been, approximately \$12.5 million (70%) of the Agency's FY19 programmed 5307 operating funding would have been available. The remaining programmed 5307 funding of \$17.3 million, covering both operating expenses and capital projects, requires congressional and presidential approval and subsequent publication in the Federal Register before a formal grant application (or amendment) can be made.

Historically, it can take from 3 to 6 months from initial submission of a grant application to actual grant award. Once the grant is awarded, it is available for drawdown (reimbursement) against eligible expenses. Again, until our programmed 5307 funding in the Board-approved FY19 Short-Range Transit Plan (SRTP) and Budget are awarded in a grant, we are unable to drawdown these funds.

Further, during the shutdown, we did not have access to any previously-awarded federal grants' funds. We now have access to previously-awarded federal funds until February 15th and are seeking reimbursement as necessary. What happens after February 15th is to be determined.

As of this report, seven months of FY19 5307 eligible operating expenses have been incurred without reimbursement. Additional eligible expenses will continue to be incurred through the remaining five months of the fiscal year. Without availability of and access to the programmed funding, staff's current cash flow forecast for both operating and capital revenue receipts and expense disbursements indicates a shortage beginning in late-April and growing to \$22,000,000 by the end of August. The yet-to-be created and approved FY20 Budget could be impacted as well. Covering this cash shortfall requires an advance of funds from RCTC.

The advanced funding is anticipated to be provided from allocated unclaimed Western County Bus LTF reserves held at the RCTC and, thus, would require RCTC approval. Staff has communicated this issue to RCTC staff. RCTC staff has agreed to present this request to the Commission for consideration after RTA Board approval.

As stated previously, staff has submitted its initial FY19 5307 grant request. With the federal government now open until at least February 15th, staff is hopeful federal funding will be approved, a Federal Register with funding levels will be published, and the FTA will move rapidly to award our 5307 grant. When awarded, these grant funds will be accessible for draw down. Thus, there is potential the Agency would not consume any or all of the advanced funds. If so, staff will discontinue pursuing this action and/or will remit back to RCTC all advanced funds.

In addition, with the federal government currently open, staff has access to existing awarded federal funding until February 15th. If the federal government closes again, access to previously awarded grants will cease. If inaccessible funds become accessible for draw down before the Agency consumes any or all of the advanced funds, staff will discontinue pursuing this action and/or will remit back to RCTC all advanced funds.

Fiscal Impact:

If no cash sources beyond the current forecast are made available prior to having access to our programmed FY19 5307 funds and those in previously-approved grants, the Agency projects to have a cash flow shortage of \$22,000,000 starting in mid-April 2019 and going through August 2019. Staff will continue to monitor the Agency's cash flow status and mitigate the issue to the greatest extent possible.

Recommendation:

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

- Authorize staff to seek an advance of funds from RCTC in the amount of \$22,000,000 to cover the projected deficit from mid-April 2019 through August 2019 in the event the Agency's FY19 5307 programmed federal funding is not awarded and available for drawdown, as well as not having access to previously-awarded federal funding.
- Direct staff to discontinue pursuing this request in the event the aforementioned federal funding becomes available.
- Direct staff to remit all advanced funds to RCTC within 10 days after all of the aforementioned federal funds are made accessible to the Agency.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

February 6, 2019

TO: BOARD BUDGET AND FINANCE COMMITTEE
THRU: Larry Rubio, Chief Executive Officer
FROM: Craig Fajnor, Chief Financial Officer
SUBJECT: Request Authorization to Amend the Fiscal Year 2018/2019 (FY19)
Short Range Transit Plan (SRTP) and Operating Budget

Summary: At their May 24, 2018 meeting, the Agency Board of Directors adopted the original FY19 Operating Budget, Capital Budget, and SRTP. The FY19 Operating Budget is \$87,666,909 and the FY19 Capital Budget is \$36,092,951. 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. Since the May 2018 Board of Directors Meeting and the start of the FY19, one item requires consideration to adjust the Board-approved FY19 Operating budget – with a net zero impact.

Swapping Measure A funds for Local Transportation Funds (LTF)

As background, the FY19 SRTP and Board-approved Operating Budget includes both LTF and Measure A funding for a significant portion (60%) of the approved operating budget. LTF (54%) and Measure A (6%) funding is programmed in the amounts of \$46,997,836 and \$5,633,457, respectively.

While both funding sources “pay the bills,” an important distinction between the two is Farebox Recovery Ratio (FRR) allowability. As a reminder, the state’s Transportation Development Act (TDA) requires public transportation operators to achieve or exceed a minimum ratio of farebox revenues to total operating expenses to be eligible for TDA funds (i.e. – LTF and State Transit Assistance or STA). Minimum FRR requirements are as follows:

- 20% for service in an urban area
- 10% for service in a rural area
- 10% for demand response service

As the Agency provides all three of these services, we are subject to a blended target of these three ratios based on the budgeted costs of these services in a given fiscal year.

LTF is the Agency's largest operating revenue source, but it does not count toward farebox recovery. However, Measure A funds do count. While Measure A usually constitutes a very small percentage of operating revenue, due to counting toward FRR, any amount is considered precious.

For FY19, the Agency's FRR target is 16.72%. Based on the Board-approved FY19 Operating Budget, our budgeted FY19 FRR is 22.57%. Through the month of December 2018, our actual FRR is 27.57%. With meeting or exceeding the FRR target for FY19 very likely, staff recommends swapping a portion of its programmed Measure A for an equivalent amount of LTF. Doing so serves several important purposes:

- Keeps the FY19 budget fully funded
- Improves cash flow
- Preserves valuable Measure A for future fiscal years as a farebox-allowable revenue source
- As the Agency maximizes the use of non-LTF revenues every fiscal year, any operating budget underrun is returned to RCTC for future use

For the FY19, staff is recommending swapping \$1,600,000 of Measure A for an equivalent amount of LTF.

RCTC staff supports this request.

Fiscal Impact:

The current board-adopted FY19 Operating Budget is \$87,666,909. The changes discussed above represent a net impact of \$0. Thus, the revised FY19 Operating Budget remains unchanged at \$87,666,909. This amount is fully funded with Federal, State, local and other revenue sources. Further, the Agency will meet or exceed the mandatory Farebox Recovery Ratio target of 16.72% for FY19.

FY19 Capital Budget remains unchanged at \$36,092,951. 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 change to the FY19 Operating Budget.
- Direct staff to seek full RCTC approval of the requested change identified in this report.
- Direct staff to prepare appropriate amendments to the FY19 SRTP as a result of this action.
- Direct staff to modify all procurement documentation impacted by the changes identified in this request.