



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Staff Report
August 26, 2008

Honorable Mayor and
Members of the City Council

Title: Regional Transit Budget Update

Location/Council District: Citywide

Recommendation: Receive and file

Contact: Azadeh Doherty, Principal Planner, 808-3137

Presenters: Azadeh Doherty, Principal Planner; Mike Wiley, Regional Transit General Manager/CEO

Department: Transportation

Division: Planning & Policy

Organization No: 15001041

Description/Analysis

Issue: In June 2008, Regional Transit (RT) adopted a \$151 million preliminary operating budget. Based on the original State budget, RT expected a \$7 million decrease from its State Transportation Assistance (STA) funds. The Governor's "May Revise" introduced further reductions from the STA account. RT projects that its budget shortfall will range from \$4.8 million to \$11.3 million. In order to balance its Fiscal Year (FY) 2008-09 budget, RT is considering fare increases and major service reductions.

Policy Considerations: The inexorable rise in gas prices has motivated many people to use public transit. State budget cuts will result in a reduction of service and an increase in RT's fares which will discourage people from using an alternative mode of transportation. Therefore, the City of Sacramento supports RT's effort to ensure that the current State budget proposal does not pass.

Environmental Considerations: None as result of this presentation.

California Environmental Quality Act (CEQA): The presentation does not involve an activity that may cause a direct or indirect change in the environment and, therefore, do not require compliance with the California Environmental Quality Act (CEQA) (Public Resources Code Section 21065).

Sustainability Considerations: The City of Sacramento supports the ongoing operation and expansion of Regional Transit Services. All forms of public transit support the City's Sustainability policies.

Other: None.

Commission/Committee Action: None.

Rationale for Recommendation: None.

Financial Considerations: None

Emerging Small Business Development (ESBD): The actions considered in this report are not subject to the City's ESBD requirements.

Respectfully Submitted by: 
Francesca L. Halbakken
Operations Manager

Approved by: 
Jerry Way
Director of Transportation

Recommendation Approved:

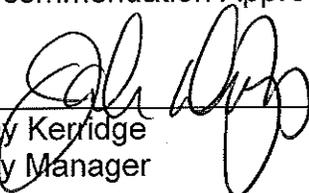

Ray Kerridge
City Manager

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Attachment 1**Background**

On June 9, 2008, RT adopted a \$151 million Preliminary Operating Budget (POB) for FY2008-09 based on the State budget allocations to the Public Transportation Account (PTA) – State Transportation Assistance (STA) Allocation in the FY2008-09 State budget released in January 2008. The January budget level of STA funding of \$743 million reflected a \$7 million cut in transportation funding to RT based on normal funding calculations for the PTA and RT's respective STA share.

Subsequently, the Governor released the "May Revise," an updated State budget proposal that further cut PTA funding representing an overall proposed \$1.4 billion reduction in transportation funding statewide that included a reduction in the STA allocation to \$306 million. The impact to RT was a reduction of \$11.3 million in planned operating revenue needed to meet budget requirements at the POB level.

Following the release of the May Revise, the Assembly and Senate Budget Subcommittees met and formulated separate budget proposals. STA operating revenue was restored to \$624 million in the Assembly proposal and to \$494 million in the Senate proposal. The Senate proposal directed additional funds to transportation infrastructure so that the total dollar amounts were the same within each proposal, but the flexibility of the allocations for operating purposes within the Senate proposal were limited. Each of these proposals would result in an additional operating revenue shortfall to RT. The Assembly proposal would result in a \$3.1 million shortfall, while the Senate proposal would mean a \$6.4 million shortfall from the adopted POB.

A joint Budget Conference Committee was formed and on July 8, 2008, voted for a "conference compromise" between the two proposals that raised total transportation funding to \$594 million, with STA funding at \$559 million. Much may occur between now and adoption of a final State budget to change the budget funding level for transportation, but if the compromise budget is approved as written, RT will experience an operating shortfall of \$4.8 million in STA revenue in FY2008-09.

After the State budget is adopted and the final level of transportation funding from the State is known, RT will have a Revised Operating Budget.

Rebalancing the operating budget following adoption of the State budget is not new to RT. In Fiscal Year 2007-2008, RT faced a \$14 million loss due to unanticipated cuts in transportation funds that year. Significant cost cutting measures were undertaken to meet the budget shortfall. Included in those measures was a reduction in service equal to \$3.2 million in annual cost savings. Other measures included reprogramming flexible funds from capital projects to operating uses and continuing to refine and implement cost saving measures developed through the "List of 51." Many of those measures have evolved into routine, best-practices at RT and are reflected in lower operating expenditures in many

categories throughout the POB. In addition to expenditure reductions, revenue was enhanced through the CNG Federal rebate program.

Many fiscally sound business decisions have been made by RT that have resulted in reduced operating costs. One of those was the decision to go with Compressed Natural Gas (CNG) buses. Annual savings in diesel fuel costs are now estimated at \$8 - \$9 Million. In addition, RT has deferred filling positions as long as possible to reduce labor and fringe benefit expenditures. RT also settled three labor contracts at minimal added costs and within existing fiscal constraints. The POB is 3% higher than expenditures in Fiscal Year 2007-2008, while the CPI for June, 2008 over June, 2007 was 4.9%.

FY2008-2009 presents unique budgeting challenges for RT. A fiscally conservative approach was undertaken in budget planning that started with expected revenues and distributed revenues throughout the District based on expenditure trends and known required outflows.

After three rounds of reprogramming, flexible funds on capital projects are not available for transfer to operations; reductions in service and related staffing reductions are less achievable through attrition and normal retirements; service was reduced; and internal expenditure reductions have been maximized. In short, all normal means of producing a fiscally conservative budget have been taken and meeting an additional revenue shortfall will be painful. Significant expenditure cuts were already identified and are included in the POB. Reductions in travel expenditures; delayed hiring on position vacancies; and reduced participation in community events are already in the budget.

 Regional Transit

The State of Sacramento Regional Transit District

August 26, 2008
Mike Wiley, General Manager/CEO

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CGG Projects #92 - August 2008 - PP - State of RT - Sacramento City Council Presentation.ppt

 Regional Transit

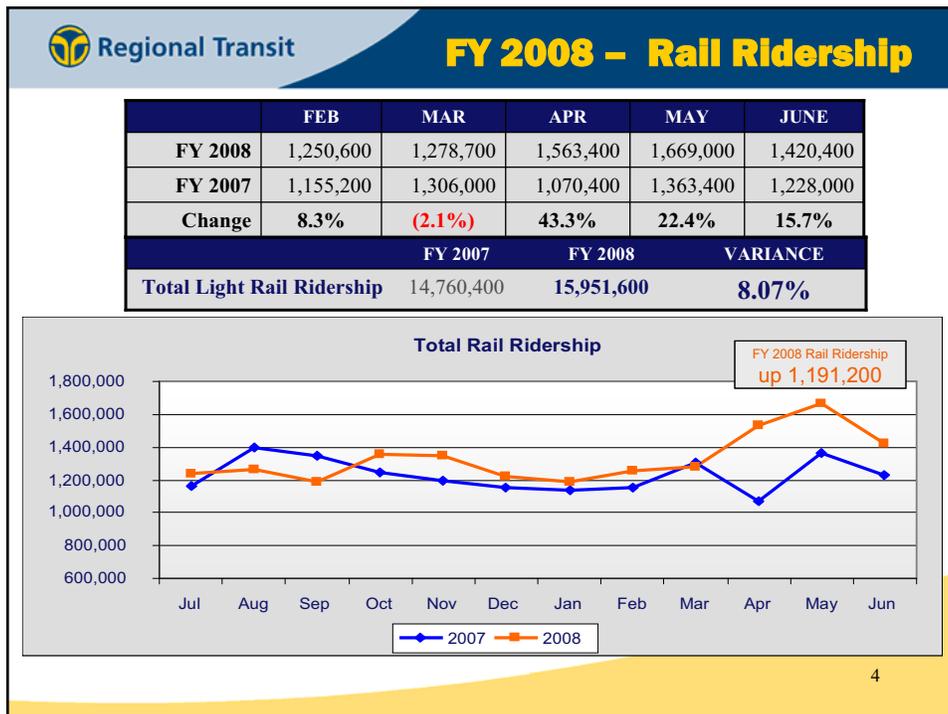
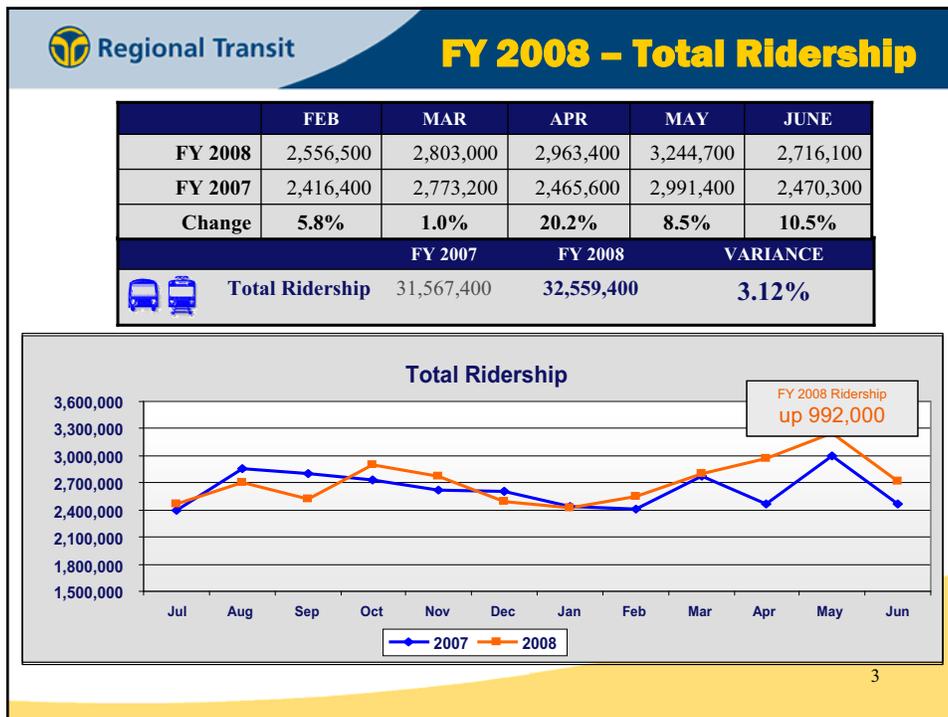
Ridership

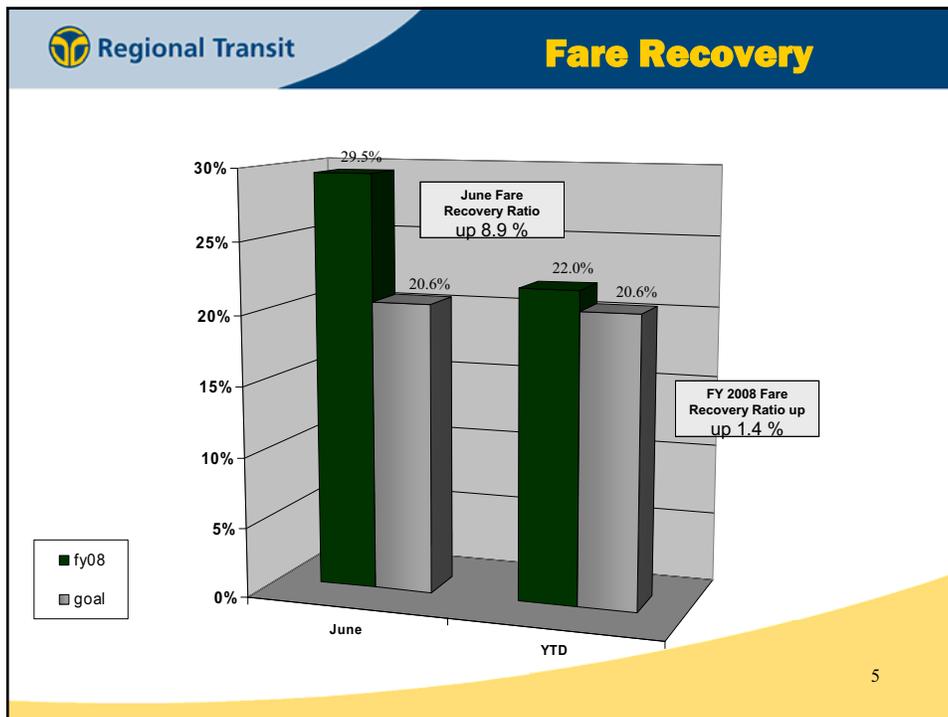
THE GOOD NEWS . . .

- ⌘ **People are using public transportation more than ever and ridership on RT is Up!**
- ☒ **Light rail service showed highest ridership increases**
 - ☒ Record setting, double-digit percentage increases
- ⌘ **Continued trend**
 - ☒ **Five to ten percent ridership increase in FY 09**
 - ☒ **Positive increases in fare recovery ratio**



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Regional Transit

RT's Balanced FY 09 Operating Budget

- No Fare Increases or Service Cuts
- Overall Budget Only 3% Higher than FY 2008 Actual Expenditures while the Consumer Price Index is 4.9%
- Sales Tax Receipts Off by \$24 Million
- 3 Labor Contracts Settled
- 100% CNG Bus Fleet Saves \$8-11 Million per Year in Diesel Fuel at Current California Prices
- Deferring Hiring as Long as Possible
- Significantly Limited Non-Essential Expenditures⁶



THE NOT SO GOOD NEWS . . .

What Brought Us Here?

- The State is facing a \$15 billion budget gap and is seriously considering appropriating dedicated transit funding to fill the gap
- \$1.4 billion in transportation funding identified as component of FY 2009 state budget solution
- RT depends on these funding allocations for both operating and capital purposes

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State Budget Effect

☒ State budget proposal changes since January 2008

	RT's Share of PTA Allocation	RT's Operating Budget Shortfall
January State Budget	\$19.3 Million	\$ 0
Governor's May Revise	\$ 7.8 Million	< \$11.3 M >
Assembly Budget Proposal	\$16.2 Million	< \$ 3.1 M >
Senate Budget Proposal	\$12.8 Million	< \$ 6.5 M >
Compromise Budget (CB)	\$14.5 Million	< \$ 4.8 M >

☒ RT's budget re-balancing philosophy

☒ "Regional Transit is in the business of providing service and not cutting service, therefore all other means of re-balancing the budget are offered before consideration of service reductions."

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 Regional Transit

RT HAS FEW OPTIONS to CONSIDER...

RT Budget Re-Balancing Strategies

- ☒ Fare Revenue Adjustment at current POB levels
- ☒ Elimination of Paratransit Group Pass – 9 month impact
- ☒ Reduced Staffing Levels
- ☒ Increase Pension Amortization Levels to 25 years
- ☒ Fare Increase by 10-20% – 6 month impact
- ☒ Implement Parking Fee at Park & Ride Lots

⌘ Next Steps

⌘ Service Reduction LAST OPTION

August 25, 2008 – Continue Public Hearing
 – Updates on State Budget – Adoption of Re-Balancing Strategies 9

 Regional Transit

⌘ Transit Master Plan Survey Results

- ☒ 1st phase community outreach wrapped up – over 2,100 surveys completed and close to 80 percent of those surveyed preferred an extensive transit network, which includes a major increase in transit service
 - Frequent, reliable quality service
 - Extended light rail
 - Additional bus service – 250% increase – BRT – Neighborhood Ride
 - Use of streetcars
 - Complete streets with signage
 - Additional safety and security

Regional Transit Master Plan 

⌘ TMP Next Steps

- ☒ 2nd phase region-wide outreach – Fall 2008
 - Feedback on combined scenarios and willingness to pay
- ☒ Draft plan – January 2009
- ☒ Board approval & adoption – April 2009

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 **Regional Transit**

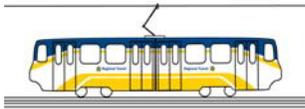
FUTURE FOCUS...

- Continued focus on providing cost effective service
 - Complete critical capital projects on schedule and within budget
- Maximize ability to attract federal and state funding for regional transit improvements
 - Prepare to face future funding fluctuations by working with local partners to identify and strategize for longer term financial stability
- Improve operational efficiency
 - Advance introduction of new technologies
 - Plentiful and frequent travel options
 - Reliable mobility and mode balance

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 **Regional Transit**

FUTURE FOCUS...



Timing of South Line Phase 2

South Line Light Rail Extension

- New Starts – September 2008
- Record of Decision – October 2008
- Complete Final Design – November 2008
- Full Funding Grant Agreement – June 2009
- Begin Construction – September 2009
- Operational 2012

Timing of DNA MOS-1

Downtown Natomas Airport Light Rail Extension

- Transitional Study – Started
- Complete Environmental Report – January/February 2009
- Complete Final Design – June 2009
- Initiate Construction – September 2009
- Operates to Richards – Late 2010

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 Regional Transit

FUTURE FOCUS...

- ⌘ Focus on transit service sustainability and encourage public support for increased local transit funding**
- Balance system operations
 Preservation and system growth
- Align future expansion with dedicated funding mechanism
 Measure B - 2010

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 Regional Transit

Prop 42 Funding Stripped...

- ⌘ Loss of Prop 42 funding severely impacts local governments and transit agencies in California**
- ⊠ RT would have potential delays advancing light rail extensions for SLII, DNA MOS-1 and other major capital projects**

RT remains committed to maintaining existing transit service levels, planning expanded service and providing safe, reliable transportation throughout the region

Preserve dedicated transit funding - Help your local, state and federal elected representatives understand the region's priority to protect transit service and transportation financing

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Thank You!

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