

AGENDA ITEM 2 D  
Action Item

**MEMORANDUM**

**DATE:** June 4, 2020

**TO:** El Dorado County Transit Authority

**FROM:** Matthew Mauk, Executive Director

**SUBJECT:** Proposed Fiscal Year 2020/21 Operating and Capital Budgets

**REQUESTED ACTION:**  
**BY MOTION,**

- 1. Review and Approve the proposed Final Fiscal Year 2020/21 Operating Budget, including revisions**
- 2. Review and Approve the proposed Final Fiscal Year 2020/21 Capital Budget, including revisions**

**BACKGROUND**

The Bylaws of the El Dorado County Transit Authority (El Dorado Transit) require the Executive Director to propose final Operating and Capital budgets to the Board on or before June 15<sup>th</sup> of each year, with final Board adoption required by July 15<sup>th</sup>.

On March 5, 2020, the Fiscal Year (FY) 2020/21 Preliminary Operating Budget was presented for full Board review. At that time, the Board authorized the formation of an Ad Hoc Budget Review Committee (Committee) with the Chair and Vice Chair to engage in a more detailed review of both the proposed Operating and Capital budgets. The Committee met with staff on March 19, 2020, with an understanding that the recent economic developments related to the COVID-19 pandemic would likely have a significantly effect on expenses and the availability of traditional operating revenue streams. Given that it was still early in the crisis, the Committee agreed to take a status quo approach to the preliminary budget discussions until more information became available.

On the recommendation of the Ad Hoc Budget Review Committee, the full Board adopted a revised Preliminary Operating Budget and a Preliminary Capital Improvement Plan/Budget for Fiscal Year 2020/21 on April 2, 2020. Final drafts of the FY 2020/21 Operating Budget and Capital Budget (attached) are presented for review and approval. Per Board direction, a special meeting has been scheduled for July 9, 2020, for adoption of the final Operating Budget and Capital Improvement Plan/Budget by resolution.

## **DISCUSSION**

### **Operating Budget**

The most important revenue assumptions in the proposed FY 2020/21 Operating and Capital Budgets are related to the State Transportation Development Act (TDA) funds which make up approximately 72% of the operating revenues. TDA includes two sources of funding for both operating and capital projects, Local Transportation Funds (LTF) and State Transit Assistance Funds (STA). These funds are derived from retail and diesel fuel sales tax measures and under normal circumstances, these revenue sources are generally stable. However, due to the sudden and drastic economic shutdown that began in February, it is reasonable to assume the retail sales tax revenues available for transit will be greatly reduced for FY 2020/21. Exact projections are still not available at this time but given that the pandemic related economic downturn has persisted for a full three (3) months to date and is likely to continue, the TDA revenue projections have been revised down by forty percent (40%) from the preliminary budget figures. This is consistent with the analysis of State budget numbers in the Governor's May revisions.

The remaining revenue accounts are primarily made up of passenger fares and Federal, State, and local project specific operating grants. El Dorado Transit has experienced about a seventy-four percent (74%) reduction in ridership since Statewide shelter orders were issued and multiple support programs were closed in March. Accordingly, some commuter and demand-response services were suspended in March and El Dorado Transit completely suspended the collection of fares on the remaining services in April to facilitate physical distancing measures. The proposed budget assumes twenty-five percent (25%) of the fare revenue originally projected based on the current ridership trends and service levels. These estimates are also dependent on a reinstatement of fare collection in August as proposed elsewhere in this agenda. Federal grant funding amounts are generally formulaic allocations and are restricted to support certain types of service (i.e. rural or urban). These revenues assumptions remain generally flat from the preliminary budget.

Given the expected loss of revenues discussed above, expenditures within both major budget categories have been reduced from the preliminary budget. The salary and benefit accounts collectively represent approximately seventy-one percent (71%) of the total operating expenditures. Preliminary budget figures were conservatively estimated based on all formerly allocated positions being filled and accounted for routine salary adjustments. To meet the anticipated budgetary challenges and to appropriately staff the reduced services, significant reductions in salary and benefits categories are necessary. The proposed FY 2020/21 Operating Budget assumes a \$2.6 million reduction in salaries and benefits contingent on a significant reduction of the current workforce. If authorized, staff anticipates utilizing a combination of voluntary attrition and elimination of allocated positions to realize the needed thirty-six percent (36%) reduction in salary and benefit costs.

Most benefit account expenses in the proposed budget are projected based on a percentage of payroll in direct relation to the remaining allocated positions. Health insurance premium contributions change on a calendar year basis and budget projections are typically adjusted mid-fiscal year accordingly.

Service and supply accounts include insurance premiums, maintenance expenses, fuel, professional services, and project specific expenses. Budget assumptions in these accounts are generally based on experience, specific contract terms, or published rates and assigned an annual escalator of 3% to 10% depending on the classification and price volatility of certain commodities. Fuel is the most volatile within these categories and although the expenditure projections have been revised down based on reduced service levels, further adjustments may be necessary later in the year.

Staff has reevaluated each additional service and supply account expenditure line item and revised downward from the preliminary budget, where feasible, with the intent of realizing the maximum overall cost savings. However, other than fuel, the largest expenses within the category are annual premiums for public liability, vehicle physical damage, commercial and employment practices insurance. These costs are still anticipated to increase as much or more than previously projected.

### Capital Budget

State Transit Assistance (STA) funds are derived from diesel fuel taxes and El Dorado Transit typically applies for STA funds each year. The application process allows for STA to be used with minimal restrictions for operating or capital and these funds have historically been used as the primary source or matching funds for capital projects. The annual Financial and Compliance audit at the end of each fiscal year determines if any funds are needed for operating, the remaining balance is then allocated for capital use.

The Capital Improvement Plan is made up of projects that are either active or planned to begin within a three-year period. With the potential impact on operating funding due to COVID-19, the following projects have been postponed:

- 14-03 Metal Fabrication Tools
- 15-08 Park and Ride Parking Lot Maintenance
- 17-05 Maintenance Facility – Safety Equipment
- 18-02 Bus Shelter Amenities
- 19-01 IT Upgrade and Replacement Plan
- 19-03 Administration Building Safety Improvements
- 20-01 Facility Surveillance Upgrade
- 20-03 Administration / Maintenance Facility Equipment
- 20-04 Maintenance Facility Swamp Cooler and Steam Cleaner Modifications
- 21-01 On-Board Camera System Power Supply Upgrade
- 21-02 Vehicle Replacement – Maintenance Truck
- 21-03 Administration / Maintenance Facility Equipment

This action allows for the reallocation of STA funds back to operating in the amount of \$1,416,927.

Attached for Board review and approval are the draft Final FY 2020/21 Operating Budget and Capital Budget. Staff will be prepared to discuss the final draft budgets and the changing financial conditions related to the COVID-19 public health emergency at this meeting.

### **FISCAL IMPACT**

Due to the ongoing operating and financial impacts of the COVID-19 pandemic, the proposed FY 2020/21 Operating Budget has been revised significantly from the preliminary versions presented in March and April. The draft Final Operating Budget, as proposed, is balanced and now includes operating expenses of \$7,207,928 for FY 2020/21 which is \$2,933,239, or twenty-nine percent (29%) less than what was last presented.

The proposed FY 2020/21 Capital Budget is unchanged from the preliminary version but reflects a suspension of planned projects allowing for the reallocation of \$1,416,927 to cover projected operating expenses.

# EL DORADO COUNTY TRANSIT AUTHORITY

## PROPOSED FINAL OPERATING BUDGET 2020/2021

OPERATING BUDGET		FY 2020/2021 Preliminary Adopted 04/02/2020	FY 2020/2021 Final Proposed 06/04/2020	Difference
<b>REVENUE ACCOUNTS</b>				
4000.00	Transportation Development Act (TDA/LTF)	\$5,430,343	\$3,258,206	-\$2,172,137
4270.00	State Transit Assistance (TDA/STA)	\$1,585,839	\$951,503	-\$634,336
4270.00	State Transit Assistance (TDA/STA) From Capital	\$101,818	\$1,416,927	\$1,315,109
4270.01	State Transit Assistance (TDA/STA)/State of Good Repair (SGR)	\$253,381	\$152,029	-\$101,352
4970.00	Interest Income	\$58,000	\$10,000	-\$48,000
4100.00	Federal Transit Administration (FTA) Section 5311 Grant	\$538,231	\$538,231	\$0
4300.00	Cash Fares	\$175,000	\$43,750	-\$131,250
4310.00	Contract Services	\$462,000	\$115,500	-\$346,500
4320.00	Charter Services	\$5,000	\$0	-\$5,000
4330.00	Commuter Route Fare Media	\$786,000	\$196,500	-\$589,500
4350.00	Local Route Fare Media	\$76,000	\$19,000	-\$57,000
4360.00	Paper Scrip	\$28,000	\$7,000	-\$21,000
4400.00	Advertising Revenue	\$16,000	\$8,000	-\$8,000
4990.00	Misc. Revenue	\$1,000	\$400	-\$600
4107.03	Fair Shuttle AB2766 Grant	\$32,000	\$32,000	\$0
4109.04	Low Carbon Transit Operations Program (LCTOP) Grant	\$334,181	\$200,509	-\$133,672
4112.00	FTA Section 5307 Grant Income - Preventative Maintenance (PM)	\$250,000	\$250,000	\$0
5060.00	Offset Reserve Fund - CalTIP (restricted)	\$8,374	\$8,374	\$0
<b>TOTAL REVENUES</b>		<b>\$10,141,167</b>	<b>\$7,207,928</b>	<b>-\$2,933,239</b>
<b>SALARY &amp; BENEFIT ACCOUNTS</b>				
5010.00	Regular Employees	\$4,057,043	\$2,270,000	-\$1,787,043
5010.02	Temporary Employees	\$100,000	\$60,000	-\$40,000
5010.07	Overtime	\$100,000	\$50,000	-\$50,000
5010.08	On Call Pay	\$7,000	\$7,000	\$0
5010.09	CRDI and Shift Pay	\$20,000	\$15,000	-\$5,000
5020.01	Employee Retirement	\$680,000	\$511,000	-\$169,000
5070.01	(OASDI - Payroll Tax) FICA	\$7,000	\$3,800	-\$3,200
5070.02	MEDICARE - Payroll Tax	\$56,000	\$34,000	-\$22,000
5020.02	Health Insurance	\$1,722,000	\$1,052,200	-\$669,800
5020.03	Unemployment Insurance	\$10,000	\$175,000	\$165,000
5020.04	LT Disability/Life Ins	\$39,000	\$29,000	-\$10,000
5020.05	Worker's Comp	\$354,000	\$388,493	\$34,493
<b>TOTAL SALARY &amp; BENEFITS</b>		<b>\$7,152,043</b>	<b>\$4,595,493</b>	<b>-\$2,556,550</b>
<b>SERVICE &amp; SUPPLY ACCOUNTS</b>				
5090.02	Clothing & Supplies	\$3,600	\$3,240	-\$360
5090.05	Uniforms - Other	\$16,000	\$10,000	-\$6,000
5050.01	Communications - Phone	\$32,000	\$28,800	-\$3,200
5090.20	Communications - Radio	\$1,000	\$900	-\$100
5090.01	Household Expenses	\$15,750	\$14,175	-\$1,575
5060.01	Insurance Premiums/Public Liability	\$588,000	\$620,000	\$32,000
5060.02	Insurance Premiums/Physical Damage	\$25,000	\$25,000	\$0
5060.03	Insurance Premiums/Commercial	\$14,000	\$14,000	\$0
5060.04	Insurance Premium EPLI Package	\$18,000	\$18,000	\$0
5090.06	Service Contracts/Equipment	\$170,000	\$170,000	\$0
5160.07	Park and Ride Maintenance	\$13,000	\$13,000	\$0
5160.01	Maintenance/Buildings	\$6,200	\$6,200	\$0
5160.03	Maintenance/Equipment	\$3,000	\$3,000	\$0
5160.05	Maintenance/Grounds	\$5,500	\$5,500	\$0
5160.09	Maintenance/Bus Stop	\$2,000	\$2,000	\$0
5160.00	Maintenance/Other	\$2,500	\$2,500	\$0
5040.00	Vehicle Maintenance (In-House)	\$380,000	\$342,000	-\$38,000
5040.02	Vehicle Maintenance/Tires & Tubes	\$100,000	\$90,000	-\$10,000
5040.03	Vehicle Maintenance/Lubricants	\$31,000	\$27,900	-\$3,100
5040.04	Vehicle Maintenance/Small Tools - Shop	\$4,300	\$3,870	-\$430
5040.80	Vehicle Maintenance/Sales Tax/ Fuel & Lub.	\$43,000	\$38,700	-\$4,300
5090.50	Safety Equipment/Training	\$10,000	\$20,000	\$10,000
5090.40	Memberships	\$4,000	\$3,600	-\$400
5090.70	Office Expense	\$15,000	\$13,500	-\$1,500
5090.80	Postage	\$4,000	\$3,600	-\$400
5090.00	Operating Expense - Other	\$1,500	\$1,350	-\$150
5030.00	Professional Services	\$270,000	\$220,000	-\$50,000
5030.10	Employee Medical Exams	\$9,000	\$8,100	-\$900
5030.30	Background Checks	\$2,000	\$1,800	-\$200
5090.08	Pubs/Legal Notices	\$2,000	\$2,000	\$0
5090.75	Printing	\$15,000	\$13,500	-\$1,500
5120.02	Rents/Leases - Equipment	\$21,000	\$21,000	\$0
5120.03	Rents/Leases Park and Rides	\$9,000	\$9,000	\$0
5140.01	Equipment Purchase - Data Processing	\$1,000	\$1,000	\$0
5140.05	Equipment Purchase - Office	\$2,000	\$1,800	-\$200
5150.00	Special Department Expense	\$1,500	\$1,500	\$0
5150.01	Marketing	\$10,000	\$9,000	-\$1,000
5090.30	Staff Development/Travel	\$25,000	\$15,000	-\$10,000
5040.01	Fuel Purchase	\$700,000	\$500,000	-\$200,000
5090.72	Bank Charges	\$400	\$400	\$0
5090.73	Credit Card Charge Fees	\$3,500	\$3,500	\$0
5090.74	Connect Card Administration Expenses	\$40,000	\$40,000	\$0
5050.02	Utilities	\$54,000	\$54,000	\$0
5050.03	Utilities/ Park & Rides	\$20,000	\$20,000	\$0
4108.03	Fair Shuttle AB2766 Grant	Pending	\$0	\$0
6270.00	Contingency	\$295,374	\$210,000	-\$85,374
<b>TOTAL SERVICES AND SUPPLIES</b>		<b>\$2,989,124</b>	<b>\$2,612,435</b>	<b>-\$376,689</b>
<b>TOTAL OPERATING EXPENSES</b>		<b>\$10,141,167</b>	<b>\$7,207,928</b>	<b>-\$2,933,239</b>

# El Dorado County Transit Authority

## Proposed Capital Improvement Plan Budget FY 2020/21

Status	CIP Project Number	Project Description	Budget	Deferred STA* \$3,053,113	FTA Section 5307 \$276,756	FTA Section 5310 \$666,000	FTA Section 5339 \$1,355,747	PTMISEA 10/11 \$1,430,620	CTSGP-CTAF \$110,231	CMAQ \$1,100,000
ACTIVE	12-06	Western Placerville Interchange (WPI) Park and Ride	\$2,865,620	\$335,000				\$1,430,620		\$1,100,000
POSTPONED	14-03	Metal Fabrication Tools	\$11,942							
POSTPONED	15-08	Park-and-Ride Parking Lot Maintenance	\$250,000							
ACTIVE	17-03	Bus Stop Improvements - Upper Broadway	\$392,550	\$392,550						
POSTPONED	17-05	Maintenance Facility - Safety and Equipment	\$52,000							
POSTPONED	18-02	Bus Shelter Amenities	\$165,000							
ACTIVE	18-04	Vehicle Replacement - Local Fixed Route - Gillig	\$2,135,404	\$583,404	\$196,253		\$1,355,747			
ACTIVE	18-06	Radio System	\$110,231						\$110,231	
POSTPONED	19-01	IT Upgrade and Replacement 5 Year Plan	\$140,635							
POSTPONED	19-03	Administration Building Safety Improvements	\$24,150							
ACTIVE	19-04	Vehicle Replacement - Demand Response	\$846,163	\$236,163		\$610,000				
POSTPONED	20-01	Facility Surveillance Upgrade	\$16,500							
PLANNED	20-02	Automatic Bus Washer Retrofit	\$110,000	\$29,497	\$80,503					
POSTPONED	20-03	Administration / Maintenance Facility Equipment	\$40,000							
POSTPONED	20-04	Maintenance Facility Swamp Cooler and Steam Cleaner Modifications	\$151,335							
PLANNED	20-05	Vehicle Replacement - Local Fixed Route	\$1,078,000							
ACTIVE	20-06	Vehicle Replacement - Demand Response - Transit Van	\$86,900	\$30,900		\$56,000				
POSTPONED	21-01	On-Board Camera System Power Supply Upgrades	\$31,441							
POSTPONED	21-02	Vehicle Replacement - Maintenance Truck	\$31,095							
POSTPONED	21-03	Administration / Maintenance Facility Equipment	\$40,000							
<b>Project Totals</b>			\$8,578,966	\$1,607,514	\$276,756	\$666,000	\$1,355,747	\$1,430,620	\$110,231	\$1,100,000
<b>Remaining Funds Available</b>				\$1,445,599	\$0	\$0	\$0	\$0	\$0	\$0

**\*Balance Per FY 2018/19 Audited Financials**