

Attachment 5:

Challenges for the FY04-05 Budget

Financial challenges for developing next fiscal year's budget are detailed below. Major cost and funding categories are discussed.

1. Staff Costs: The proposed budget includes maintaining the existing vacancy of one Transportation Planner position through FY04-05. Staff costs are also affected by recent increases in costs for Workers' Compensation and unemployment insurances as well as step and COLA increases. The net savings over the current fiscal year budget is \$41,000.

2. State Transportation Improvement Program (STIP) funding for three operational aspects of the RTC work program, Rideshare, Freeway Service Patrol and the Planning program, will not be available during FY04-05, due to the on-going state budget crisis.

Rideshare: The Commission was programmed to receive \$163,000 in FY04-05 STIP funds which will not be available. The draft FY04-05 budget (Attachment 1, page 12) includes reduction in costs as much as possible, including reducing staff time for the general rideshare program, and reprogramming one year of CMAQ funds in the amount of \$150,000 from the Don't Drive One in Five project to the general Rideshare program.

With these actions, the general rideshare program can proceed, although somewhat scaled back. The reprogramming of FY03-04 CMAQ funds from Don't Drive One in Five to the general Rideshare program can be accomplished in the 2004 Regional Transportation Improvement Program (RTIP) process this spring. Local funds are needed to match CMAQ funds. Therefore, Commission Reserve funds have been included in the draft as matching funds. The reprogramming of Rideshare funds is a one-year fix. (Regarding Phase II of the Don't Drive One in Five campaign, it is not included in the draft budget and work program because it will be discussed by the Commission at a later date. After implementation of the recommended reprogramming of CMAQ funds, the Don't Drive One in Five campaign will still have future year CMAQ funds which could be used for Phase II of the campaign through all or part of next fiscal year, if the Commission decides to pursue Phase II at a later date.)

Freeway Service Patrol: \$78,000 in STIP funds programmed for FSP service on Highway 1 will not be available in FY04-05. Also, state FSP funds are \$10,000 less than the current fiscal year. The draft FY04-05 budget (Attachment 1, page 24) includes using SAFE Reserve funds to fund the same service package as today. FSP service is discussed in a separate agenda item,

and a decrease in FSP service may be recommended at a later date in order to decrease costs.

Planning: \$76,000 of programmed STIP funds for Planning, Programming and Monitoring activities (PPM funds) will probably not be available. Unlike the current fiscal year, there are no surplus Commission Reserve funds to substitute for the unavailability of PPM funds next fiscal year.

For the draft FY04-05 budget (Attachment 1, pages 17 through 20), staff reduced Service and Supplies costs dramatically from the current fiscal year. Staff will also continue to work with the RTPA Group and CALCOG to request that the California Transportation Commission allocate at least some PPM funds next fiscal year.

Despite the reduction in expenditures, input of additional TDA funds in the Planning Program is necessary. This is not news because staff had alerted the Budget and Administration/Personnel Committee and the Commission to the fact that recent Commission budgets were balanced with significant inputs of surplus and non-surplus Commission Reserve funds. At the time, it was noted that the Commission Reserve account would be exhausted soon and that the input of additional TDA funds would be needed for Commission operations sometime in the future. Staff has increased the amount of TDA funds allocated to the Planning Program accordingly while still keeping with Budget and Administration/Personnel Committee direction to not decrease allocation to the other TDA claimants from the current fiscal year allocations (page 8 of the preliminary budget).

3. Administration Program: For the current fiscal year budget, \$175,000 in Commission Reserve funds was used to balance the budget. This level of Commission Reserve funds is not available for the upcoming fiscal year.

For the draft FY04-05 budget (Attachment 1, page 11), staff reduced Services and Supplies costs drastically from the current budget, including decreased to on-going line items and the Sponsorships line item. The cost increase accorded to rent and property taxes is estimated since negotiations with the RTC's landlord for renewal of the lease are on-going. To balance the FY04-05 budget, TDA funding was added.

4. Commission Reserve Fund Status: Only \$31,000 was left in Commission Reserves after the October amendment to the FY03-04 budget, \$139,000 less than the target for the Reserve fund. In a separate agenda item, the current proposed amendment to the FY03-04 budget adds some additional funds to the Commission Reserve account, but the balance is still less than recommended by the Auditor-Controller. For the revised draft FY04-05 budget, \$53,000 in Commission Reserves is budgeted as follows:

- a. \$23,500 to match CMAQ funds in the Rideshare program
- b. \$30,000 in the Planning program, most of which (\$26,000) is a one-time cost to fund an additional poll for the sales tax expenditure plan

With these actions, the Commission Reserve fund for the FY04-05 budget will be only \$41,000, less than half of the level recommended by the Auditor-Controller.

The Commission usually realizes some input of funds to the Commission Reserve account during the fall budget amendment from line items that did not expend their complete budget during the prior year and are not being carried over. Staff continues to limit discretionary spending. For the fall budget amendment, staff will reassess the state of Commission Reserves after the close of this fiscal year's books.

5. Highway 1 Widening/HOV Project Oversight: For the FY03-04 RTC budget and work program, the RTC is the oversight agency for the Highway 1 Widening/HOV Project. As shown in a separate agenda item, \$216,000 in staff time is accorded to this project in the recommended amendment to the current fiscal year budget, divided between the Project Approval/ Environmental Document (PA/ED) and the Planning programs. The \$156,000 in the PA/ED program is covered by CMAQ and STP Exchange funds.

For the budget for next fiscal year, the PA/ED will be transitioned to the Joint Powers Authority (JPA) for the Highway 1 Construction Authority after the JPA contracts for its staff, expected to be completed in July. The tasks and funds for PA/ED oversight need to be included in the RTC's budgets and work programs until such a time as the tasks can be transitioned over to the JPA. The revised draft FY04-05 budget includes \$50,000 in RTC staff time for transitioning the PA/ED tasks, agreements and funds, and \$71,000 for continuing Highway 1 tasks including serving on the Project Development Teams (PDTs) for both the Highway 1/17 Merge Lanes project and the Highway 1 Widening/HOV project, and working with the project sponsors on programming, funding, and project development issues.

6. Continuation of CMAQ funds: Due to new federal regulations, Santa Cruz and Monterey Counties may lose availability of CMAQ funds, possibly as early as April 2005, three-quarters of the way into FY04-05. Santa Barbara County is also affected by this change, and the San Francisco Bay Area was almost affected by this change. Staff is working with our federal legislators, our federal legislative assistant, CALCOG and the other areas affected to ensure that the federal reauthorization bill includes continued access to CMAQ funds.

The draft budget assumes continuation of CMAQ funds. Two projects in the RTC's operating program utilize CMAQ funds, the Rideshare program (as proposed in item 1.a. above) and the Don't Drive One in Five Campaign – Phase

II (which will be discussed by the Commission at a later date). The two Transportation Management Associations (TMAs) also receive CMAQ funds. Most importantly, the Highway 1 PA/ED includes the use of CMAQ funds. Staff will keep the Commission informed of developments regarding continued access to CMAQ funds.