

TO: Regional Transportation Commission
FROM: Luis Pavel Mendez, Deputy Director
REGARDING: Proposed Amendments to FY 06-07 Budget and Work Program

RECOMMENDATIONS

The Budget and Administration/Personnel (B&A/P) Committee and staff recommend that the Regional Transportation Commission (RTC):

1. Adopt the attached resolution (Attachment 2) Approve the proposed amendments to the FY 06-07 Budget (Attachment 3 - enclosed separately) and the Work Program (Attachment 4), including the following:
 - a. Increased Transportation Development Act (TDA) revenues;
 - b. Increased TDA funds allocations to the various recipients in accordance with the RTC's rules and regulations;
 - c. Increased TDA reserves to 7% and Commission Fund reserves to 8% based on the RTC rules and regulations;
 - d. Increased State Transit Assistance (STA) funds;
 - e. One time increase in Rural Planning Assistance (RPA) funds;
 - f. Decrease in Federal Highway Administration (FHWA) Planning funds;
 - g. Amended FY 06-07 Budget for the Transportation Funding Task Force including extension of a temporary transportation planner position to the end of FY 06-07; and
 - h. Funds for the production and printing of an RTC annual report.
 2. Adopt the attached resolution (Attachment 5) approving amending the Miller, Owen and Trost contract to increase hourly rates as shown.
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BACKGROUND

Each year the Commission amends its budget and Work Program in the fall in order to incorporate information on year end balances, carryovers from the previous fiscal year, any new projects or funds, updated revenue and costs estimates, and other necessary changes. The draft amended FY06-07 Budget and Work Program (Attachments 3 & 4 - enclosed separately) include updated information and other changes. The major budget and work program changes are discussed below. Explanations for specific line items in the budget are included as notes on the budget document.

DISCUSSION

TDA Revenues and Reserve Fund

For FY 05-06, the TDA revenues exceeded the Auditor Controller's estimate by \$404,755. This is primarily a result of December 2005 TDA revenues exceeding the estimate by \$451,946. The Auditor Controller's office indicated that this was an anomaly. The Auditor Controller's estimate for FY 06-07 TDA revenues (Attachment 1) is based on the actual revenues for FY 05-06 with an adjustment for the December 2005 anomaly and shows a slight increase (\$16,000) over the estimate provided in February 2006. The interest revenues for FY 05-06 exceeded the estimate (\$15,000) by \$51,354; therefore, staff increased the interest revenue estimate for FY 06-07 from \$20,000 to \$50,000. Therefore, there is a total increase of \$502,109 in TDA funds anticipated for FY 06-07 over the amount budgeted in March 2006.

The RTC rules and regulations, adopted in December 2004, establish the TDA Reserve Fund under Section III.E and state:

“The Commission shall maintain a Transportation Development Act Reserve Fund of at least 8% of the annual revenue estimate.

Should the reserve be depleted due to a deficit in TDA revenues or a special allocation in any fiscal year, new TDA revenues from subsequent years shall be allocated to the Reserve Fund as the first priority.”

In October 2005, at a meeting of the B&A/P Committee, the County Auditor Controller stated that the Government Finance Officers Association (GFOA) recommends that reserve funds be maintained at no less than 5% to 15% of annual operating revenues and added that the RTC reserve funds should be no less than 5%. Due to decreasing TDA revenues and other significant budget challenges over the past few years resulting from the recent economic down turn and the State budget crisis, it has been difficult for the RTC to maintain reserve funds at either 8% or 5%.

Due to the significant increase in TDA revenues available for FY 06-07 staff recommends that the increased funds be used both to help build up the TDA reserve fund toward the RTC established 8% target and to increase the allocations for all of the TDA recipients consistent with the RTC Rules and Regulation. Therefore, **staff recommends a TDA reserve of 7% for FY 06-07 and the distribution of \$333,333 to the various TDA funds recipients.**

During the budget challenges of the past few years, the RTC employed a number of cost cutting measures and maintained a lower level of reserve funds in order to minimize the impact to TDA recipients. Building up the reserves funds now that surplus revenues are available will help ensure that the RTC will be in a strong position to address any future financial challenges.

As shown in page 2 of the proposed budget (Attachment 3), the percentage increase for the Santa Cruz Metropolitan Transit District (SCMTD), Specialized Transit and the Volunteer Center are the same: 8.6% over the FY 05-06 amount and 4.85% over the amount in the FY 06-07 budget

adopted in March 2006. The percentage increase for the local jurisdictions is not uniform because their share is based on population and changes in the population distribution are reflected in the allocation. Staff is not recommending any additional TDA funds for the RTC because carryover funds, an increase in Rural Planning Assistance (RPA) funds and other unexpected revenues will cover any proposed increases in RTC planning and operations in this amendment.

Changes in Other Revenues

The proposed budget also includes:

- Carryover of revenues not expended in FY 05-06.
- A \$2,914,190 increase in State Transit Assistance (STA) funds, to be allocated to SCMTD (shown on pages 1 and 2 of the budget).
- A one time increase of \$100,000 in Rural Planning Assistance (RPA) funds as approved in the State budget.
- A decrease of \$9,413 to the Federal Highway Administration (FHWA) Planning funds due to federal fuel tax revenues not meeting the projections used to establish funding levels under SAFETEA-LU. Caltrans has communicated that there will be additional decreases in the coming years.
- Payment of \$38,049 from the State for state mandated costs for fiscal years 1993-1994 to 2000-2001 under the Open Meetings/Brown Act Reform program.
- Estimated revenues (\$7,000) from the planned sale of the CNG van.
- \$41,000 increase in Freeway Service Patrol funds approved in the State budget.

Transportation Funding Task Force

At the August 3, 2006 RTC meeting, staff reported that for FY 05-06 expenditures for services and supplies and consultant services for the Transportation Funding Task Force (TFTF) project were expected to be \$48,000 below the budgeted amount. Staff also reported that for FY 05-06 staff expenditures were \$31,576 above the amount estimated for the project but did not affect the overall staff expenditures. In addition, staff reported that for FY 06-07:

- The project was not fully funded,
- The RTC was unsuccessful in securing a \$135,000 Caltrans planning grant to fully fund the project,
- Due to spending below budgeted amounts in FY 05-06 only \$85,000 in additional funds would be needed in FY 06-07 to complete the project,
- The project completion date was expected to be the end of FY 06-07 requiring an extension of a temporary transportation planner position for ½ of the year at an estimated cost of \$40,000 (included in the preceding bullet),
- There were sufficient funds in the adopted FY 06-07 budget to continue the project through the completion of the Fall budget amendment process, and
- Due to a surplus in FY 05-06 TDA revenues and other additional funds staff expected that there would be sufficient funds to fully fund the project without negatively affecting other areas of the RTC budget.

At the August 3rd meeting, the RTC approved the staff recommendation to continue the TFTF project and consider the project's budget in the context of the overall RTC Fall budget amendment.

As shown on pages 11 and 12 of the proposed FY 06-07 budget amendment, the final carryover amount from FY 05-06 is \$56,416; therefore, \$76,784 in additional funds is needed to fully fund the project. The RTC may fully fund and complete the TFTF project without negatively affecting other projects or areas of the RTC budget. Full funding of the project is achieved with the one time increase in RPA funds, carryover of funds previously budgeted to this project and funds available in the RTC Fund. Therefore, **staff recommends fully funding the TFTF project including the extension of a full time transportation planner position for six months to the end of the fiscal year.**

Other Proposed Budget Amendments

In addition to the amendments identified above, unspent funds from prior year projects have been carried over in the proposed amended budget, as explained by notes throughout the budget document. Several expenditure lines have also been updated to more accurately reflect current trends. Budget amendments approved by the RTC since adoption of the budget in March 2006 have also been incorporated into this document.

Administration Budget - Changes proposed for the Administration budget (page 4) include:

- Increases and decreases to reflect current expenditure trends and carryovers;
- Increase of \$5,000 for Transportation/Travel/Education, to fund additional computer trainings, training of new staff and participation in statewide forums addressing the challenges of ensuring compliance with the SAFETEA-LU and other funding requirements;
- \$30,000 for the purchase of a hybrid sedan to replace the CNG van;
- Increase of \$10,000 in the Office Expense line to make ergonomic improvements to workstations in order to minimize workers compensation liability and keep insurance premiums to a minimum;
- Decrease of \$3,000 for duplicating to reflect cost savings resulting from the recent implementation of electronic document and materials distribution via email;
- \$7,500 for the design production and printing of an annual report, which has not been produced in several years. There has been a significant increase in transportation activity, particularly over the past year;
- Carryover of \$5,000 in the Fixed Assets for computer purchases budgeted in FY 05-06; and
- \$3,000 for periodic consultation with the immediate past Executive Director as needed.

Rideshare Budget (page 5): The Rideshare budget has been updated to reflect programmed funding amounts, carryovers from last fiscal year and updated expenditure trends for Commute Solutions and its programs including the Highway 1/17 Transportation Demand Management Plan (TDM) and the Emergency Ride Home program.

Service Authority for Freeway Emergencies (SAFE) Budget (page 6): The SAFE budget includes \$290,000 carried over from prior years which will be used to fund digital callbox and TTY upgrades, and site accessibility improvements.

Freeway Service Patrol (FSP) Budget (page 7): The FSP budget has been updated to include increased State FSP grant revenues and carryovers.

The Rail/Trail Authority budget and Rates for Negotiations Contract (page 8) has been updated to reflect carryovers from last fiscal year and the addition of a general inspection as approved by the RTC in June 2006. When the FY06-07 budget was initially adopted it was assumed that acquisition of the Santa Cruz Branch Rail Line would close at the end of calendar year 2006. It is now estimated that the acquisition will close at the end of FY 06-07; therefore, the RTC would not realize any revenues and/or incur any expenses related to ownership of the property and the short line rail operation until FY 07-08.

Recently staff received a letter from Miller, Owen and Trost requesting an increase to the rates established in the contract for rail line acquisition negotiation services. Attachment 5 shows the initial contract rates, the current rates and the requested new rates. Attachment 5 also shows hourly rates for other legal firms which the RTC has engaged for other legal services. About 95% of the services provided by Miller, Owen and Trost are provided by Kirk Trost and Paul Chrisman. Since the rates requested by Miller, Owen and Trost are in the lower end of other legal services used by the RTC, **the Budget and Administration/Personnel Committee and staff recommend adopting the attached resolution (Attachment 6) amending the Miller, Owen and Trost contract to increase the hourly rates as shown.** This contract amendment does not affect the currently proposed budget.

Highway 1 Budget (page 9): The Highway 1 budget has been updated to reflect programmed funding amounts and carryovers from FY 05-06. As you know, the California Transportation Commission (CTC) did not approve programming \$200,000 in State Transportation Improvement Program (STIP) funds for the Highway 1 Soquel to Morrissey Auxiliary Lanes project. Therefore, in order to move forward with the project, the RTC shifted \$200,000 in Regional Surface Transportation Program (RSTP) Exchange funds from the Highway 1 Widening HOV Lanes project to the Highway 1 Soquel to Morrissey Auxiliary Lanes project. This is reflected in the proposed budget amendment. Before the environmental document (PA/ED) for the Highway 1 HOV lanes project can be completed, the RTC will need to program additional funds to the project. The cost of the Highway 1 Auxiliary Lanes PA/ED consultant contract has been increased. The budget now includes the total anticipated contract amount. In order to accommodate this increase in the consultant contract, \$34,000 is proposed to be transferred from the RTC Fund to the Highway 1 Fund and the budget for the on-call consultant and for public information is proposed to be reduced.

Planning Program Budget (pages 10 and 12): The budget for the Planning Program includes carryovers from FY 05-06 and full funding for the Transportation Funding Task Force (TFTF) as recommended above. The Planning Program includes some reallocation of staff resources between work elements to more accurately reflect the expected work in FY 06-07.

County Overhead Charge: The proposed budget amendment includes the updated cost estimate provided by the County Auditor Controller's office for County overhead for this fiscal year (\$50,000). This is a decrease from the estimate of \$74,246 originally included in the budget. Overhead charges are spread through all the RTC operating pages (pages 4-12).

Overall Staff Costs (page 3 and pages 4-12): Staff costs known to date were recalculated for this amendment and allocation of staff resources to various projects was updated relative to the Work Program. There is an overall proposed increase in staff costs of \$97,757 over the FY 06-07 budget adopted in March 2006. The increase results from the payout of remaining vacation and sick leave time to the previous Executive Director being carried over to this fiscal year, the proposed extension of a full time transportation planner position through the end of the fiscal year as recommended above under the TTF project budget, a \$30,000 salary savings assumed in FY 06-07 budget adopted in March 2006 and the inclusion of the benefits costs related to autonomy which were previously uncertain. Staff does not anticipate any salary savings. The increased staff costs are covered by additional Rural Planning Assistance (RPA) funds received this year, funds carried over from FY 05-06, and the reduction in County overhead costs.

RTC Reserve Fund Status: The status of the RTC's operating funds is shown on page 14 of the budget. Since carryover funds and unexpected revenues are available in the RTC fund, staff recommends that the RTC reserve fund be built up to 8%, as established for the TDA reserve in the RTC Rules and Regulations. As discussed above, the Government Finance Officers Association (GFOA) recommends a reserve fund of not less than 5% to 15%. Building up the reserve will not negatively impact any RTC programs or projects and will put the RTC in a stronger position to address any special projects and/or financial challenges that may arise.

The Budget and Administration/Personnel Committee and staff recommend that the RTC adopt the attached resolution (Attachment 2) approving the proposed amended FY 06-07 budget (Attachment 3).

Proposed Amended SCCRTC Work Program

Most of the proposed changes to the FY 06-07 Work Program are meant to clarify work and/or add work already being done as part of existing work program elements. Recommended changes are shown in underline and ~~strikeout~~ in Attachment 4. Some of the more significant proposed elements include:

1. Annual Report: The latest annual report produced by the RTC in 2003 was for calendar year 2002 and FY 01-02. The annual report is used to provide information to the community and transportation partners regarding:
 - a. what the RTC does and the services that it provides for the community,
 - b. the accomplishments of the RTC during the year, and
 - c. revenues and expenditures during the fiscal year.

The annual report is a useful outreach tool when making presentations to community groups and organizations on specific RTC projects or the RTC as a whole. While some of the information in the 2002 annual report is still relevant, there is a significant amount of new information that the RTC could include in a new annual report. Some of that information includes recently realized funding for highway and transit projects, construction of the Highway 1/17 Merge Lanes project and a number of smaller projects, and RTC staffing changes.

Production and distribution of the annual report was suspended as a cost cutting measure due to budget challenges resulting from reduced revenues and the State budget crisis. Since there are sufficient funds available this year to produce an annual report and there is a fair amount of new information to include, staff proposes producing a 2006 annual report. The report should be an especially useful tool for TFTF meetings and workshops.

2. Analysis and Evaluation of TDM Program Needs: In coordination with the Santa Cruz Area and Pajaro Transportation Management Associations (TMA) and as directed by the RTC, staff provided a report on the financial situation of the TMAs in light of the elimination of Congestion Mitigation and Air Quality (CMAQ) Improvement Program funds for our region. As recommended by staff and approved by the RTC, RTC will continue the discussion with the TMAs and produce an analysis of Transportation Demand Management (TDM) program benefits and needs for the community as part of the Rideshare program.
3. Coordinated Public Transit-Human Services Transportation Plan: The recently enacted federal Safe, Accountable, Flexible and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) requires regions to develop a Coordinated Public Transit Human Services Transportation Plan. The plan will be used to help determine fund allocations for projects under the federal 5310 grant program and the newly established Federal Transit Administration Job Access/Reverse Commute (JARC) and New Freedom grant programs. Therefore staff will work with AMBAG, SCMTD, the Elderly and Disable Transportation Advisory Committee (E&D TAC) and other entities to produce the required plan.

The Budget and Administration/Personnel Committee and staff recommend that the RTC adopt the attached resolution (Attachment 2) approving the proposed amended FY 06-07 Work Program (Attachment 4).

Potential Future Revenues

As staff has reported, there are some expected additional revenues and the possibility for other additional transportation revenues to the Santa Cruz County region in the future:

1. Congestion Mitigation and Air Quality (CMAQ) Improvement Program Phase Out: As has been reported by staff the region is no longer eligible for federal CMAQ funds and a bill was passed by the State Legislature and signed by the Governor to provide phase out funds. Staff expects about \$800,000 in phase out funds for FY 06-07 and \$400,000 for

FY 07-08. Some of these funds have already been committed by the RTC through past programming actions but the remaining funds will be available for new programming.

2. State Transportation Infrastructure Bond Measure – A \$19.9 billion bond measure will be before the voters on November 7th which would provide a significant amount of new funding to the region. Staff has participated in statewide forums and is engaged in conversations with Caltrans and other transportation partners, to ensure that if the bond passes, the Santa Cruz County region will be in a strong position to maximize any new funding opportunities. Staff will continue to keep the RTC apprised of any new developments.
3. STIP – The RTC may program up to 5% of the region’s State Transportation Improvement Program (STIP) funds for planning, programming, and project monitoring (PPM) activities. Currently, the RTC programs \$150,000 per year to this function and uses RPA and FHWA Planning funds to cover the balance of these expenses. In the future the RTC could program more STIP funds to this function thus reducing the RTC reliance on other funding sources, but it would also reduce the amount of STIP funds available for programming to projects. PPM funds help to support RTC’s role as project manager on significant STIP projects such as the Hwy 1 HOV Lanes Project.

SUMMARY

The Commission annually amends its budget and Work Program in the fall to incorporate carryovers of unfinished projects, new projects, and updated revenues and costs. The proposed budget and work program includes full funding for all of the RTC projects and programs, allocation of surplus TDA revenues and build up of reserve funds. The Budget and Administration/Personnel Committee and staff recommend that the RTC adopt the attached resolutions approving the proposed budget and work program amendment for FY 06-07 and the hourly rates for the Miller, Owen and Trost contract.

Attachment 1: Updated TDA Revenue Estimate from the County Auditor-Controller

Attachment 2: Resolution Approving the Proposed Budget and Work Program

Attachment 3: Draft FY06-07 Budget (enclosed separately for Commissioners)

Attachment 4: Draft FY 06-07 Work Program (enclosed separately for Commissioners)

Attachment 5: Resolution Approving New Rates for Miller, Owen and Trost Contract

Attachment 6: Rates for Miller, Owen and Trost Contract and Other Legal Services

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