

AGENDA: March 15, 2007

TO: Regional Transportation Commission (RTC)  
FROM: Luis Pavel Mendez, Deputy Director  
RE: DRAFT FY07-08 BUDGET AND WORK PROGRAM

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## RECOMMENDATIONS

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

1. Approve the attached resolution (Attachment 1) adopting the attached FY07-08 Budget (Attachment 2) and Work Program (Attachment 3); and
  2. Extend the current temporary planner position for one year through the end of FY 07-08 due to the additional work required for the Highway 1 HOV Lanes project, the Soquel to Morrissey Auxiliary Lanes project and other projects.
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## BACKGROUND

At the beginning of each calendar year, staff and the Budget and Administration/Personnel Committee prepare the draft RTC Budget and Work Program for the following fiscal year and forward it to the RTC for its consideration and adoption in March. This timing is consistent with the RTC's Rules and Regulations and with the need to coordinate with the Association for Monterey Bay Area Governments (AMBAG) who includes the full RTC Budget and Work Program in the Overall Work Program and Budget for the Monterey Bay Region. This early budget approval also allows the RTC to inform claimants of projected Transportation Development Act (TDA) funds for their use in developing their organizations' budgets for next fiscal year.

The proposed FY 07-08 Budget and Work Program were presented and discussed at the February 8, 2007 B&A/P Committee meeting. After questions, discussion and a couple of minor corrections the B&A/P Committee unanimously recommended approval of the proposed FY 07-08 Budget and Work Program.

## DISCUSSION

The proposed FY07-08 Budget (Attachment 2) is a balanced budget to implement the RTC's priority projects and on-going programs, as reflected in the proposed Work Program (Attachment 3).

### Transportation Development Act (TDA) Revenues (Pages 1 & 2 of the proposed budget)

As the RTC may recall, in December 2005 the amount of TDA revenues received was inexplicably high. The Auditor-Controller considered this an anomaly and discounted the December 2005 amount in developing the forecasted TDA revenues for FY 06-07. In FY 06-07 there has been some significant variation between the amount of funds received and the amount forecasted, including a variance in November of 2006 that was \$360,000 above the forecasted amount. Therefore, the RTC Fiscal Officer contacted the State regarding the variances and was told that the State's formula was inadvertently incorrect and that a correction would be made with the December 2006 TDA payment. The Santa Cruz Metropolitan Transit District (SCMTD) experienced similar discrepancies with sales tax revenues.

For the FY 07-08 TDA revenues estimate (Attachment 5), the Auditor-Controller did not discount any actual TDA payments received thus far and expects an increase of 3% over actual and estimated TDA revenues from FY 06-07. The total estimated amount for FY 07-08 is \$8,404,000, which translates into an increase of 7.14% or (\$560,000) over the amount estimated for FY 06-07 and adopted in the RTC FY 06-07 budget (page 1 of the proposed FY 07-08 budget).

After considering the surplus TDA revenues allocated in FY 06-07 and the estimated interest revenues, the estimated TDA revenues for FY 07-08 translate into a 3.52% increase over the total TDA revenues adopted in the FY 06-07 budget. It is too early to know whether there will be a surplus in TDA revenues by the end of the current fiscal year. Consistent with the RTC's Rules and Regulations, if there is a surplus of TDA revenue at the end of the fiscal year, the RTC can allocate those funds according to the TDA formulas or by special allocation.

### TDA Allocations in the draft FY07-08 Budget (Page 2 of the proposed budget)

The draft FY07-08 budget TDA fund allocations are provided in accordance with the TDA allocation priorities and formulas in the RTC's Rules and Regulations. The proposed FY 07-08 budget provides the RTC with \$58,189 (a 6% increase) in additional TDA funding compared to the current fiscal year. SCMTD is proposed to receive \$196,203 (a 3.18% increase) more than the total of the regular and surplus allocations in the current fiscal year. A 3.18% increase is also proposed for all of the other TDA recipients.

The allocation for the local jurisdictions is calculated using the January population figures provided by the California Department of Finance. Those numbers are typically released in May; therefore, last year's population figures are currently being used. The population numbers will be updated for the fall budget amendment and will likely affect the final allocations for the local jurisdictions.

In FY 06-07, surplus TDA revenues were not allocated to the RTC. For FY 07-08, it is expected that the RTC will receive \$100,000 less in Rural Planning Assistance funds and will receive \$45,967 less in Federal Highway Administration (FHWA) Planning (PL) funds. Therefore, it is

necessary for the RTC to have a more significant allocation of TDA funds than last year to cover administrative and planning expenses.

TDA Reserve Balance (Page 14 of the proposed budget)

The TDA Reserve balance is the same as the balance in the amended FY06-07 budget, \$547,375 or 6.5% of TDA revenues. The target is 8% as established in the RTC Rules and Regulations and the Auditor-Controller has recommended a reserve of at least 5%. In FY 06-07 during the fall budget amendment, the RTC added some surplus TDA revenues to the TDA reserve fund to work towards meeting the 8% target. Some members of the B&A/P Committee expressed interest in adding further to the TDA reserve fund should there be surplus TDA revenues at the end of FY 06-07.

State Transit Assistance (STA) (Pages 1 & 2 of the proposed budget)

For FY 06-07 the State allocated \$4,720,782 in State Transit Assistance (STA) to Santa Cruz County, which pass through the RTC budget to the SCMTD. This was a \$2,914,190 increase over the original State estimate of \$1,806,592.

The State estimate provided by the State Controller for FY 07-08 is \$5,881,242. This is an increase of \$1,160,460. The increase is due to the passage of Proposition 1B in November of 2006, which allocated additional funds to STA. However, this estimate is based on the Governor's proposed budget which according to the California Transit Association (CTA) does not include full funding for the STA program. The final amount for STA may differ after the State budget is approved and staff will return with any necessary amendments, if that is the case.

Proposed Commission Operating Budget Summary (Page 1, 2 & 3 of the proposed budget)

The proposed budget includes the RTC's anticipated new revenues and budgeted unappropriated revenues from FY06-07 which come from a variety of sources. Several projects and programs, such as the Freeway Service Patrol, Rideshare, and the Highway 1/HOV Lane Project PA/ED, receive funds specifically designated for those projects. Other projects and programs are funded by general planning revenues such as Federal Planning (PL) and State Rural Planning Assistance (RPA). The FY07/08 budget assumes funds currently programmed to specific projects as well as estimated revenues from other sources. All numbers are preliminary estimates that will be updated as additional information becomes available. The expenditures shown match the anticipated revenues, though for many projects, funds currently budgeted in FY06-07 will be carried over at the start of next fiscal year to cover ongoing expenses in FY0-08. This is especially true of the Highway 1/HOV lane and Highway 1 Soquel-Morrissey Auxiliary Lanes projects PA/ED, where much of the funding budgeted in FY06/07 for consultant work will be carried over to cover consultant work on the project in FY07/08, and the Rail Line Acquisition project, where acquisition funds are shown in the current fiscal year budget while the acquisition itself is not expected to occur until next fiscal year.

### Highway 1 HOV and Auxiliary Lanes Projects (Page 9 of the proposed budget)

The RTC has been working on the Highway 1 HOV Lanes Project Approval/Environmental Documentation (PA/ED) project for a few years and it is expected that the administrative draft and draft environmental document will be produced in FY 07-08. This will add to the staff workload and will require that additional staffing resources be allocated to the project. In addition, in FY 06-07 the RTC approved a contract for the Highway 1 Soquel – Morrissey Auxiliary Lanes PA/ED project. The goal is to have the project ready for construction as the Highway 1/17 Merge Lanes project is completed and minimize motorist frustration with construction; therefore, it will be necessary to work diligently to ensure that the goal is met. This also will require the dedication of additional staff resources.

The budget for these projects includes a total increase of \$30,000 for staff resources to \$240,000. \$190,000 is for the HOV Lanes project and \$50,000 is for the Auxiliary Lanes project. There are sufficient funds programmed to the HOV Lanes project to cover the staffing costs of the project in FY 07-08. There are no programmed funds available for anything other than the consultant contract for the Auxiliary Lanes project. Therefore, the proposed budget assumes that \$60,000 in additional funds will be programmed in FY 07-08 to the Auxiliary Lanes project through the 2006 State Transportation Improvement Program (STIP) augmentation process to cover staffing and other costs associated with the Auxiliary Lanes project.

### Local Transportation Expenditure and Funding Plan (Pages 11 & 12 of the proposed budget)

The proposed budget includes funding for anticipated expenses associated with implementation of the plan expected to be developed by the Transportation Funding Task Force and approved by the RTC. This includes communicating with the public, business, agencies, organizations and other members of the community to provide information on the approved plan and the need to deliver the projects listed in the approved plan. It also includes coordinating and working with local jurisdictions, agencies, groups, organizations and individuals taking the lead on implementation of any individual or combined elements of the approved plan. It will also likely be necessary to develop additional and more defined information about specific projects as funding packages for individual and/or combined projects are being developed. Some of the additional information may be developed by RTC and for some projects it will likely be necessary to hire consultants. Communication with the community will likely be done through various means and will require the development and production of informational materials.

### Coastal Trail Master Plan (Pages 11 & 12 of the proposed budget)

The approved Work Program for the current fiscal year includes preparation of a Master Plan for the Coastal Trail Network/Monterey Bay Sanctuary Scenic Trail (MBSST). A consultant is expected to be selected in FY 06-07 and the master plan work is expected to be initiated at the beginning of FY 07-08.

CTSC and Bike to Work Programs (Pages 11 & 12 of the proposed budget)

The proposed budget once again includes \$100,000 for the County's Community Traffic Safety Coalition (CTSC) from TDA funds. Since FY 01-02 the RTC has approved \$40,000 for Bike to Work also from TDA funds. Bike to Work has requested a 3% cost of living increase or a total of \$41,200 for FY 07-08 and it is included in the proposed budget.

Staff Resources (various pages of the proposed budget & summary on Pages 3 & 15)

The proposed budget assumes no new staff and that all positions currently filled will remain filled through the fiscal year. This includes the continuation of a temporary full-time transportation planner position through FY 07-08. The staff person currently filling this position is also a professional engineer whose expertise has been very useful on the existing highway projects (Highway 1 HOV Lanes and the Highway 1 Auxiliary Lanes), the development of proposals for funding new projects, project management of the traffic monitoring program and the recently initiated coordination with AMBAG and TAMC on the travel demand model. This staff person's engineering expertise has enabled the RTC to rely less on on-call engineering consultants and as a result the budget for the on-call consultant engineering services on the highway projects has been reduced by \$25,000.

The continuation of the temporary full time transportation planner position is necessary because additional staff work is required:

- On the PA/ED phase of the Highway 1 HOV Lanes project to complete and then fully review the preliminary draft environmental documents and then release the draft to the public
- On the Highway 1 Auxiliary Lanes project as the consultant work on the PA/ED document begins in earnest to ensure that the project is ready to construct as the Highway 17 Merge Lanes project is completed
- For increasing coordination of the RTC highway projects with other projects in the region
- For coordination with the Transportation Agency for Monterey County and AMBAG on traffic data gathering and necessary updates and improvements to the regional travel demand model through AMBAG's recently secured Blueprint grant.

The proposed budget also includes a potential reclassification of the current administrative support staff as proposed by the Administrative Services Officer and currently being considered by the B&A/P Committee. Also included are expected salary step increases, forecasted increases in the benefits rates, and a contingency for potential staffing cost increases resulting from contract negotiations, forecasted benefits costs being higher than expected and the potential for unemployment insurance claims against the RTC. In this proposed budget, the total estimated cost for staffing for FY07-08 is approximately 4% higher than the staffing cost for FY06-07.

### RTC Autonomy (various pages of the proposed budget)

As part of the RTC Autonomy project completed in FY 06-07, staff provided the RTC with information on expected costs and savings associated with being an independent government agency. The costs such as liability insurance and benefits administration are included in the FY 07-08 budget. In addition, the FY 07-08 budget shows a significantly reduced amount of county overhead costs. The RTC now pays the County directly for any services provided and there are no overhead costs. However, County overhead costs are estimated from the actual costs of two years before. The County overhead cost of \$4,138 included in the proposed FY 07-08 budget is the difference between the estimate paid by the RTC in FY 05-06 and the actual costs allocated to the RTC for that year.

Related to the fact that RTC is now an independent governmental entity, the RTC staff will complete the necessary policies, procedures and systems to operate effectively as an independent agency. Also most of the social security election process, certification and implementation will take place in FY 07-08. In addition, for the first time ever the RTC will be involved in direct contract negotiations with bargaining units.

### Status of Commission Reserve Fund (Page 14 of proposed budget)

Overall, the proposed budget depends significantly on Commission Reserve funds to balance the budget. The Auditor-Controller recommends that the RTC keep 5% of the cost of its operating budget in the Commission's reserve fund and the RTC target for reserves is 8%. For this budget, the reserve target is \$160,554. However, the draft budget shows a balance of only \$57,125. It will be important for the RTC to address any deficit in the Commission Reserve funds during the fall budget amendment after all unspent carryover funds are known.

### Possible Additional Revenues

There are three potential sources of additional revenues for the fall amendment of the RTC's operating budget. Other expenses may become apparent over the next six months. When the budget and work program are amended in October, the RTC will have a much better handle on both costs and revenues for its operating budget and adjustments can be made accordingly.

Potential sources of additional funding for amendment into the budget are as follows:

1. Corridor Mobility Improvement Account: The RTC submitted three applications for funding of auxiliary lanes projects on Highway 1. The California Transportation Commission (CTC) approved \$16.19 million for the construction of the Highway 1 Soquel to Morrissey Auxiliary Lanes project. Staff will analyze the project timeline and needs to determine whether any of these funds must be included in the FY 07-08 budget and include them in the fall budget amendment.
2. Rural Planning Assistance (RPA) funds: In FY 06-07 the approved State budget included an increase of \$100,000 for RPA funds allocated to Santa Cruz County. It was

communicated that this would be a one time increase and funds would go to their previous level in FY 07-08. The Governor's proposed FY 07-08 budget includes this \$100,000 increase but because it was considered to be a one time increase in FY 06-07, it is uncertain whether this will remain in the State budget. It is too early to know whether the Legislature will endorse the Governor's January budget proposal. Since the potential increase is speculative, it has not been included in the draft budget. After the state budget is adopted this summer, the RTC will be informed of the actual amount of RPA funds it can budget.

3. 2006 STIP Augmentation: The RTC is currently going through the 2006 STIP augmentation process which could include additional funding for RTC projects and other regional and local projects. After the CTC approves the 2006 STIP Augmentation, staff will return with the necessary budget amendment to include any funds programmed to RTC projects.

### Proposed Commission Work Program

For next fiscal year, the proposed SCCRTC Work Program (Attachment 3) includes state-mandated responsibilities and Commission priorities, including:

- continued oversight of the Highway 1/HOV Lane and Soquel to Morrissey Auxiliary Lanes Projects Approval/ Environmental Document (PA/ED)
- coordination with Caltrans and City of Santa Cruz staff on public information for construction of the Highway 1/17 Merge Lanes project
- continued work to complete purchase of the Santa Cruz Branch Rail Line
- work associated with ownership of the rail line
- implementation of the local transportation expenditure and funding plan developed by the Transportation Funding Task Force (TFTF)
- continued work with project sponsors and funding agencies on securing funds for high priority projects from all modes of transportation
- continued work on the Master Plan for the Coastal Trail Network/Monterey Bay Sanctuary Scenic Trail (MBSST)
- tasks associated with ensuring that the RTC operates as effectively and efficiently as possible as an independent agency

The proposed work program includes more details on these priorities and other on-going RTC projects.

### SUMMARY

The proposed FY 07-08 Budget includes a 7.14% increase in TDA funds which is allocated to the Commission, SCMTD and other TDA claimants according to the RTC's Rules and Regulations. The proposed work program for the Commission features continued oversight of the Highway 1 PA/ED projects by the Commission, completion of the rail line acquisition, trail planning, and implementation of the expenditure and funding plan developed by the

Transportation Funding Task Force. The Budget and Administration/Personnel Committee and staff recommend approval of the proposed FY 07-08 Budget and Work Program. Staff will continue to monitor whether CMIA and STIP funds are programmed to RTC projects and return with recommendations for necessary budget amendments.

Attachment 1: Resolution Adopting the FY 07-08 Budget and Work Program

Attachment 2: Draft FY07-08 Budget

Attachment 3: Draft Work Program

Attachment 4: FY 06-07 TDA Revenue Report

Attachment 5: Auditor-Controller's TDA Revenue Estimate for FY07-08

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