

TO: Regional Transportation Commission/Transportation Policy Workshop

FROM: Luis Pavel Mendez, Deputy Director

RE: Draft FY 08-09 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) adopt the attached resolution (Attachment 1) approving the draft FY08-09 Budget (Exhibit A to Attachment 1) and Work Program (Exhibit B to Attachment 1).

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## **BACKGROUND**

At the beginning of each calendar year, staff and the Budget and Administration/Personnel (B&A/P) 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 the next fiscal year.

At its February 14, 2008 meeting, the B&A/P Committee reviewed the draft FY 08-09 Budget and Work Program and recommended approval. Minor changes have been made to the draft FY 08-09 Budget since it was reviewed by the B&A/P Committee.

## **DISCUSSION**

The proposed FY08-09 Budget (Exhibit A of Attachment 1) is a balanced budget to implement the RTC's priority projects and on-going programs, as reflected in the proposed Work Program (Exhibit B of Attachment 1).

### Transportation Development Act (TDA) Revenues and Allocations

One of the main sources of funding for transportation in Santa Cruz County is through the TDA, which established that ¼% of the 7¼% State sales tax would go to transportation. As shown on Attachment 2, the amount of actual TDA revenues received thus far for FY 07-08 is below projections by \$229,365. This is credited to the current economic situation nationwide and

affects the TDA revenue projections for FY 08-09. It is hoped that the economic stimulus package recently approved at the national level will minimize the economic downturn.

Attachment 3 is the Santa Cruz County Auditor Controller's projection for TDA revenues in FY 08-09. The projection escalates by 3% the actual revenues received from June 07 through December 07 and escalates by 1% the projected revenues for January 08 through June 08. The projected revenues for FY 08-09 are \$25,000 (0.3%) below the revenues projected in December 2007 for FY 07-08.

The TDA revenues allocated to the Santa Cruz Metropolitan Transit District (SCMTD), Community Bridges, the Volunteer Center and the local jurisdictions (page 2 of the proposed FY 08-09 budget) are 2.12% below the FY 07-08 allocations. This is due to the fact that, for FY 07-08, in addition to an allocation of projected FY 07-08 TDA revenues, the TDA funds recipients were also allocated surplus TDA revenues from FY 06-07. Currently, it is not expected that surplus revenues will be available at the end of FY 07-08. 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 and RTC Reserve Balances

The TDA Reserve balance is the same as the balance in the amended FY07-08 budget, \$663,201 or 8% of TDA revenues estimated for FY 07-08 as established in the RTC Rules and Regulations. Since the TDA revenues for FY 08-09 are expected to be slightly below the estimated FY 07-08 revenues, the required TDA reserve is slightly lower. In order to cover the FY 07-08 allocations, the RTC may have to use the TDA reserve fund; therefore, staff does not recommend adjusting the FY 08-09 reserve fund at this time. When the RTC considers the major FY 08-09 budget amendment in the fall of 2008, the RTC may adjust the reserve fund as necessary.

The target for reserves in the RTC Fund is 8%, consistent with the reserves target for TDA funds. For FY 08-09 that is an amount of \$154,791 and it is included in the proposed budget.

#### State Transit Assistance (STA)

For FY 07-08 the State Controller's estimate of State Transit Assistance (STA) funds for Santa Cruz County was \$2,270,825 after the State budget was approved. These funds pass through the RTC budget to the Santa Cruz Metropolitan Transit District (SCMTD). This amount was originally estimated to be higher but was affected by the diversion of Public Transportation Account (PTA) spillover funds to the State's general fund. Based on the Governor's preliminary state budget for FY 08-09, the STA funds estimate for Santa Cruz County for FY 08-09 is \$5,340,804. This is an increase of 135% over FY 07-08. The increase in STA funds is due to recent legislative changes which divert 50% of the PTA spillover funds to the state general fund and revised the allocation formula to transit agencies from 50% to 75%. The estimate is based on the Governors proposed budget and the final amount will be known when the budget is adopted.

## Proposed Commission Operating Budget

The proposed budget includes the RTC's anticipated new revenues and budgeted unappropriated revenues from FY07-08. All numbers are preliminary estimates that will be updated as additional information becomes available. The expenditures shown match the anticipated revenues, though for some projects, funds currently budgeted in FY07-08 will be carried over at the start of the next fiscal year to cover ongoing expenses in FY08-09. This is true of the Highway 1/HOV Lanes and Highway 1 Soquel-Morrissey Auxiliary Lanes projects PA/ED, where funding budgeted in FY07/08 for consultant work will be carried over to cover consultant work on the project in FY08/09, and the Rail Line Acquisition project, where acquisition funds are shown in the current fiscal year budget while the acquisition itself may not occur in this fiscal year.

Funding for the Commission's work program comes from a variety of sources. Several projects and programs, such as the Freeway Service Patrol, Rideshare, and the Highway 1/HOV Lanes Project PA/ED, receive funds specifically designated for those projects. Other projects and programs are funded by general planning revenues such as Federal Highway Administration (FHWA) Planning (PL) funds and State Rural Planning Assistance (RPA) funds. The federal gasoline tax revenues have not been meeting projections; therefore, the amount of FHWA PL funds allocated to the regions has been decreasing. The FY08/09 budget assumes funds currently programmed to specific projects as well as estimated revenues from other sources.

## Proposed Commission Work Program

For next fiscal year, the proposed SCCRTC Work Program (Exhibit B of Attachment 1) includes state-mandated responsibilities and Commission priorities, including:

- continued project management of the Highway 1/HOV Lanes and Soquel to Morrissey Auxiliary Lanes Projects Approval/ Environmental Documents (PA/ED)
- coordination with Caltrans and City of Santa Cruz staff on public information during 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
- work to develop potential new transportation revenues to help meet continuously increasing funding shortfalls
- 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 Monterey Bay Sanctuary Scenic Trail (MBSST) Network
- tasks associated with ensuring that the RTC operates as effectively and efficiently as possible as an independent agency
- initiate the work to update the 2005 Regional Transportation Plan by 2010
- monitor and participate in local, state and federal efforts to address global warming

- participate in statewide efforts to reauthorize the federal transportation law and ensure that California and its regional agencies receive their fair share of federal transportation funds

The proposed work program includes more details on these priorities and other on-going RTC projects. Funding and expenditure considerations for some significant projects are discussed below.

### Highway 1 HOV and Auxiliary Lanes Projects

The RTC has been working on the Highway 1 HOV Lanes Project Approval/Environmental Documentation (PA/ED) for a few years. The administrative draft was completed in FY 07-08. The draft is expected to be completed and released in mid summer 2008. The draft environmental documents for the Highway 1 Auxiliary Lanes project are also expected to be completed and released in the same timeframe. This means that in FY 08-09 consultants and staff will continue to provide public information on the projects, receive public comments, develop comment responses and work on finalizing the environmental studies and documents for two major projects. In addition, on the Highway 1 Auxiliary Lanes project the consultant has proposed that the design phase (PS&E) of the project be advanced. This will add to the staff workload and will require that additional staffing resources be allocated to the project.

The budget for these projects (budget page 9) includes a total increase of \$40,000 for staff resources to \$280,000. \$200,000 is for the HOV Lanes project and \$80,000 is for the Auxiliary Lanes project. There are sufficient funds programmed to the projects to cover the staffing costs of the project in FY 08-09.

### Santa Cruz Branch Rail Line Acquisition

The RTC has been working to acquire the Santa Cruz Branch Rail Line to ensure continuation of existing freight rail service and preserve the right-of-way for future transportation purposes, including potential segments of the Monterey Bay Sanctuary Scenic Trail (MBSST) Network. Negotiations and due diligence work, including environmental site assessment, appraisals, lease investigation, and financial analysis, will continue to prepare for an acquisition in FY 08-09. The budget and work program also includes the work necessary to manage and improve the property after the RTC acquires it.

### Coastal Trail Master Plan

The approved Work Program for the current fiscal year includes preparation of a Master Plan for the Monterey Bay Sanctuary Scenic Trail (MBSST) Network. A consultant is expected to be selected in late summer 2008 and the master plan work is expected to be initiated in FY 08-09. The work will include analysis of potential alignments, environmental work and public information and participation.

## Freeway Service Patrol (FSP)

The FSP program is funded through a combination of State FSP funds and State Transportation Improvement Program (STIP) funds. The State FSP funds are part of the annual Caltrans budget and can be affected by the State's continuous budget crisis. STIP funds are programmed for the project through FY 07-08. The \$100,000 in STIP funds budgeted for the program in FY 08-09 were approved for programming by the RTC at its February 7, 2008 meeting and will be considered by the California Transportation Commission (CTC) at its May 29, 2008 meeting. If the STIP funds are not approved by the CTC, the RTC may use Service Authority for Freeway Emergencies (SAFE) funds to temporarily continue the existing level of FSP service. However, the service cannot be sustained indefinitely at the current level with SAFE funds.

## Staff Resources

The proposed budget assumes no new staff and that all positions currently filled, with the exception of a temporary planner position, will remain filled through the fiscal year. A vacant and unbudgeted transportation planner position was budgeted and filled when the RTC established the Transportation Funding Task Force (TFTF) due to the additional work required for that effort. Since the RTC decided recently not to continue with placing a transportation sales tax measure on the November ballot, the position is no longer necessary.

The budget includes all costs associated with the recently negotiated labor agreements. These include cost of living adjustments, salary parity adjustments, benefits rates increases etc. The budget also includes estimated cost increases for benefits, and an increased set-aside for the cost of potential unemployment insurance claims. In addition, the staffing budget includes an estimated carryover of grant funds for the Rotational Transit Intern, who was hired in March 2008. In this proposed budget, the total estimated cost for staffing and overhead for FY08-09 is approximately 0.8% higher than FY07-08.

## Minor Changes Since Budget and Administration/Personnel Committee Meeting

Since the draft FY 08-09 Budget was reviewed by the B&A/P Committee there have been some slight changes. Staff met with the Association of Monterey Bay Area Governments and received the official estimate for FHWA PL funds, which is \$2,942 higher than estimated by staff. Since staff will be required to issue a new Request for Proposals in FY 08-09 for fiscal auditing services, staff increased the estimate for these services by \$2,000 to meet inflation over the existing contract. Also an estimated carryover of FTA 5305 funds for the Rotational Transit Intern was added, since the intern was hired only recently. These changes reduced slightly the amount of TDA funds needed by the RTC and slightly increased the allocations for the recipients of TDA funds. In addition, the changes approved by the RTC for the FY 07-08 budget at its March 6, 2008 meeting were included for comparison with the proposed FY 08-09 budget.

## **SUMMARY**

The proposed FY 08-09 budget and work program for the RTC includes continued oversight of the Highway 1 PA/ED projects, completion of the rail line acquisition, MBSST Network

planning and implementation of on-going services and programs. TDA funds in FY 07-08 are lower than estimated; therefore, the projection for TDA funds in FY 08-09 is slightly lower than the estimate for Y 07-08. **The B&A/P Committee recommended approval of the proposed FY 08-09 budget and work program at its February 14, 2008 meeting.** There have been some minor modifications to the draft FY 08-09 Budget since it was reviewed by the B&A/P Committee. **Staff recommends adoption of the attached resolution (Attachment 1) approving the proposed FY 08-09 Budget (Exhibit A of Attachment 1) and Work Program (Exhibit B of Attachment 1).**

Attachment 1: Resolution Approving the FY 08-09 Budget and Work Program

Exhibit A: Draft FY08-09 Budget

Exhibit B: Draft Work Program

Attachment 2: February 2008 TDA Revenues Report

Attachment 3: Auditor-Controller's TDA Revenue Estimate for FY08-09

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