DATE: June 25, 2013

TO: BOARD OF DIRECTORS

SUBJECT: Approval of Proposed FY14 Business Plan and Short Range Transit Plan

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RECOMMENDATION

That the Board of Directors adopt the Proposed FY14 Business Plan and Short Range Transit Plan.

FISCAL IMPACT

The proposed FY14 Business Plan includes the key elements listed below:

- A balanced operating budget of $23.2 million for both revenue and expenditures.
- A $0.5 million year-end operating reserve balance, funded from unspecified revenues, and dependent upon cash flow needs.
- A capital spending plan of $8.3 million, supported by a projected carryover of $8.1 million from FY13 to FY14, plus new FY14 funding of $8.7 million under the auspices of MAP-21.
- An ending capital reserve balance of $2.3 million after draws supporting the planned FY14 fleet replacement.

Please refer to Attachment A for more FY14 Business Plan Highlights.

BACKGROUND

Staff has worked steadily since December 2012 to develop the Proposed FY14 Businesss Plan and Short Range Transit Plan. Staff sought out Board guidance on a regular basis, beginning with the Strategic Planning meeting that took place on January 23, 2013, and continuing as budget assumptions and supporting documents were shared with TAC and the Board since that time.

The presentation, discussion and adoption of the Proposed FY14 Business Plan and Short Range Transit Plan comply with the requirements of the Bylaws while ensuring best practices and the fiduciary responsibilities of the Authority's budget function.

Operating Expenses

While most costs have increased by normal inflationary pressures from FY13 to FY14, it should be noted that several costs that were reflected in the capital budget in past years have been reclassified as operating expenses for FY14.
Under a special exemption allowed only for FY13, AVTA was allowed to partially capitalize fuel expenses of $785,800; for FY14, fuel is reflected as a 100% operating expense.

Consulting projects funded by federal grant funds that were reflected as capital expenses in prior years have now been properly classified as operating expenses. The budget for FY14 for these projects is $510,000.

Thus, of the $2.6 million increase in operating expenses in FY14, $1.3 million is attributable to changes in conditional funding and the adherence to GAAP accounting rules. The balance of $1.3 million includes $0.5 million for contractual increases in purchased transportation and $.8 million from various effects that include projected fuel expenses, wages and benefits, and risk assumptions.

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Attachment: FY14 Business Plan Highlights

ATTACHMENT A
FY14 Business Plan Highlights

FY14 BUDGET HIGHLIGHTS

Operating Plan

- A balanced Operating Budget of $23.16 million for both revenue and expenditures.
- Current Operating Reserve balance is $250,000 initially designated from FY12 results. An addition of $250,000 for FY13 is assumed, once the Audited Financial Statements have been finalized and available net cash flows have been determined.
- Operating support provided by the 5307 Formula Grant includes $3.3 million for preventive maintenance and a $2.8 million operating subsidies.
- Personnel assumptions include the creation of a staff level general counsel position using existing funds, and the conversion of one groundskeeper position from part-time to full-time.
- Adding two CSR's through the contract with Veolia to improve coverage statistics.
- Wage & benefit information now budgeted for each operating department.
- Executive consulting includes $609K in projects: Mobility Management, Short Range Transit Planning, Comprehensive Operational Analysis and JARC Voucher Program.

Capital Program

- A projected carryover of federal funds from FY13 to FY14 of $8.1 million, plus new FY14 funding of $13.3 million under the auspices of MAP-21, supports a Capital Spending Plan of $8.3 million in FY14. As previously noted, a total of $6.1 million of 5307 Funds are being for operating support.
- No change in capital reserve contributions assumed from FY12 levels.
- An ending capital reserve balance of $3.6 million as of June 2014. Draws of $1.5 million on the reserve balance are planned for FY14 to fund the local match requirements for bus replacements.

Major Projects

- $3.4 million for fleet replacement and refurbishments. 6 replacements in the bus fleet are planned, 3 for local transit and 3 for commuter service. No expansion buses are planned unless funding can be identified to add 2 electric buses for a demonstration project.

- $2.5 million for the Intelligent Transportation System.

- $1.4 million for Regional Partnership Projects in FY14, with additional commitments of $1.4 million planned in the out-years of the Five-Year Capital Improvement Plan.

- $1.1 million for major bus components, facilities and equipment, data infrastructure and bus & facility security.

- Out year commitments from FY15 to FY18 include:

    - $17.6 million in bus purchases and refurbishments;
    - $0.3 million in major bus components;
    - $0.7 million in facilities;
    - $0.1 million for Digital Signage
    - $0.4 million for data and communications infrastructure;
    - $0.4 million in bus & facility security.

Five Year Projections

- Two five-year scenarios were created for the Proposed FY14 Business Plan and Short Range Transit Plan.

    1. Scenario 1 continues TRANSporter Service for FY15 and beyond.
    2. Scenario 2 discontinues TRANSporter Service for FY15 and beyond.

Assumptions:

- Fare revenues: Local/fixed route assume a 2% ridership increase per year with no change in average fare. Commuter assumes a 2% ridership increase per year and a 1% increase in average fare per year. Dial-A-Ride is capped at 33,000 trips per year with no change in fares.
- No change in jurisdictional operating contributions assumed.

- FTA Section 5307 Operating Assistance inflows held constant with no change; 5307 Preventive Maintenance increased by 3.0%. Use of 5307 funds in out years with the twin goals of meeting capital spending requirements and a balanced operating budget.
- Auxiliary Revenue increased 1.5% per year.
- Fuel is assumed at $5 per gallon every year of the projections.
- Wages & Salaries increased 3% per year; operating expenses increased an average of 1% per year.
- For FY15 and thereafter, the federal funds are assumed to cover 85% of bus replacement costs and 80% of other capital purchases. Bus replacement matches provided by the Capital Reserve; for all other capital expenditures, 75% of local match is assumed to be covered by Toll Credits.
- FY14 is the final year for TRANSporter subsidies from Los Angeles County.

Results:

- Both scenarios show modes net positive cash flows that would support annual additions to the Operating Reserve account, but the favorable cash flows will not support the goal of 3 a reserve equivalent to 3 months of operating expenses.
- 10 months of operations show that the TRANSporter Service operates at an annualized loss of approximately $14,000.
- Discontinuing the TRANSporter Service adds approximately $84,000 in net cash flow for the 5 year analysis period, in addition to other effects.