



STRUCTURAL DEFICIT WORKSHOP
II of V
Define the Challenges: Part II of II

Santa Cruz METRO Board of Directors

September 12, 2014

Alex Clifford, CEO

Overview of Today's Presentation

◦ **Recap Slides from August 8, 2014 BOD Meeting**

- Definition of a Structural Deficit
- Estimated Sales Tax Loss (FY08 – FY14)
- Major Budget Drivers
- Traditional Recurring Operating Revenue Components
- Total Expenses % Change vs. CPI % Change (FY07 – FY14)
- Capital Eligible Funds (Used to Backfill the Structural Deficit)
- Estimated Operating Reserves as of: 06/30/16
- SAFETEA-LU to MAP-21 (Moving Ahead for Progress in the 21st Century Act)

◦ **Follow-up Slides from August 8, 2014 BOD Meeting**

- Employee Seniority:
 - Total Organization
 - By Labor Group
 - Additional Employee Seniority Information
- Capital Eligible Funds: Sales Tax – 2%, 5%, 7%, 8.5% increase scenarios
- Grant Awards (By Source) FY07-FY14
- Grant Awards Batting Average

◦ **New Slides for August 12, 2014 BOD Meeting**

- PEPRA
- MAP - 21
- STA

◦ **Follow-up Slides – Future Presentations**

- Expense % Change:
 - Personnel, Non-Personnel vs. CPI
 - Mgmt, PC, FR, SEIU (Personnel), Non-Personnel vs. CPI
- Farebox Recovery Ratio Comparison to Peers (coming in October 2014)

Define the Challenges: Part I of II:

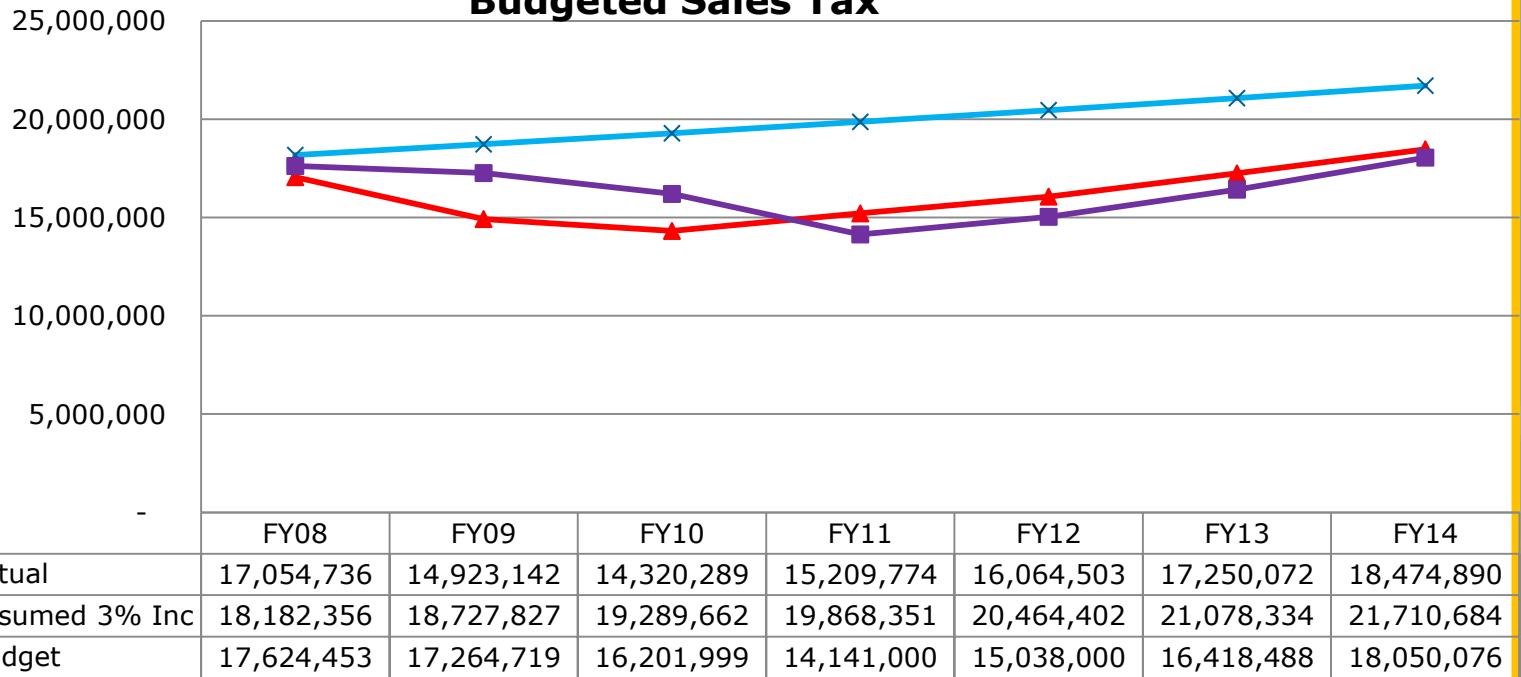
- Recap Slides from August 8, 2014 BOD Meeting

Definition of a Structural Deficit:

-Recurring Expenses Exceed Recurring Revenues

Estimated Sales Tax Loss (FY08 – FY14)

Actual Sales Tax Received vs. Assumed 3% Increase with added Budgeted Sales Tax



FY08 – FY14 Assumed Total Loss -

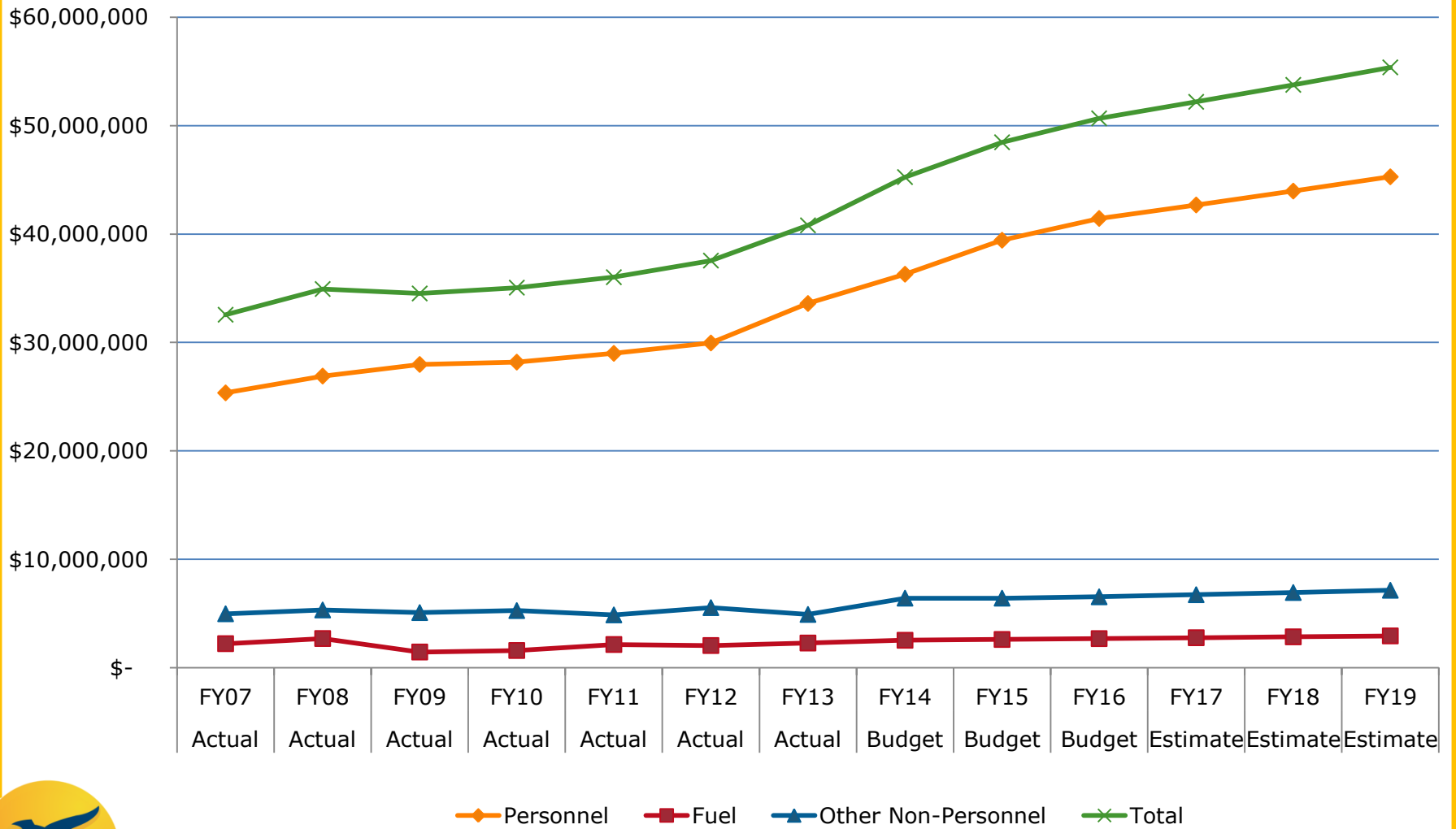
\$26M

FY08 – FY14 Non-Recurring Revenue Used -

\$21.8M

- Reserves, STIC, STA

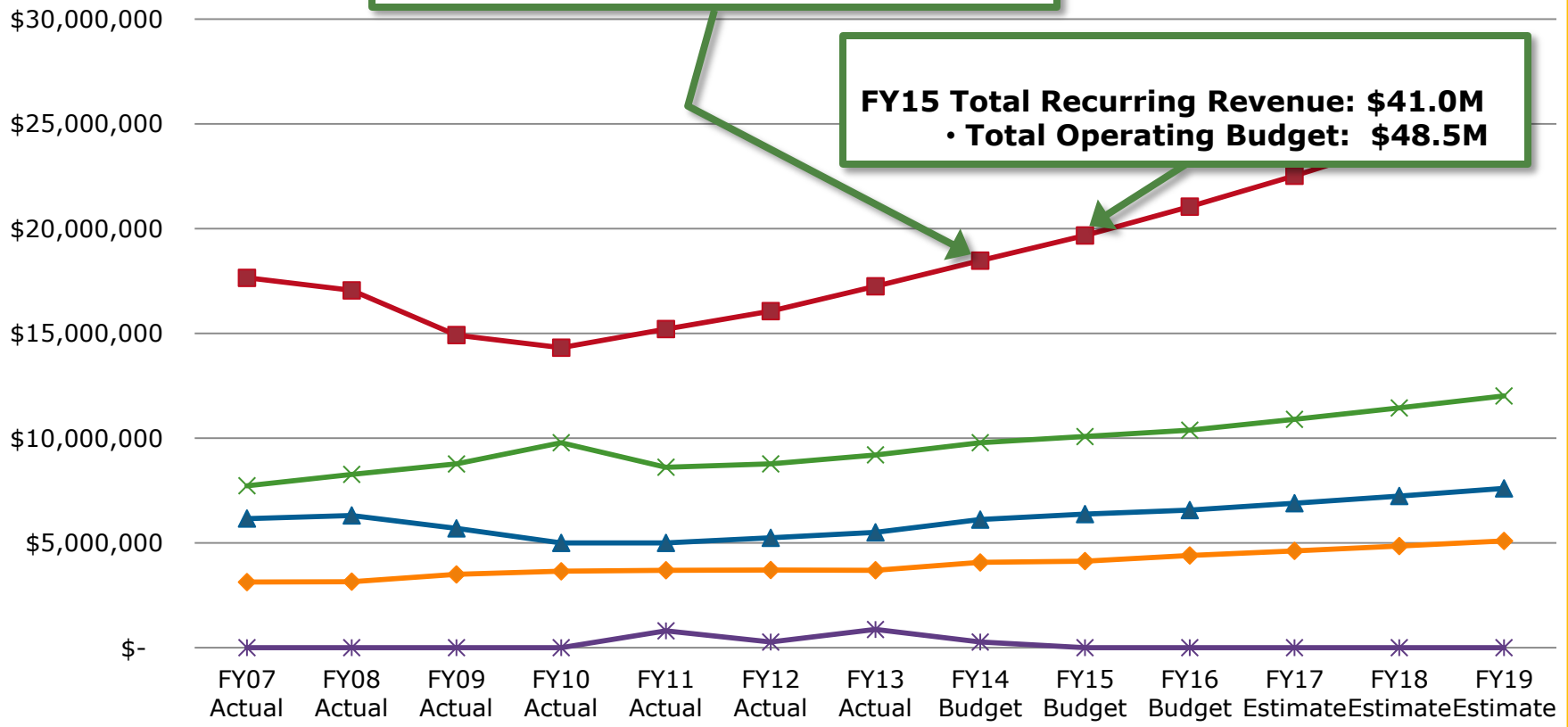
Major Budget Drivers



Traditional Recurring Operating Revenue Components

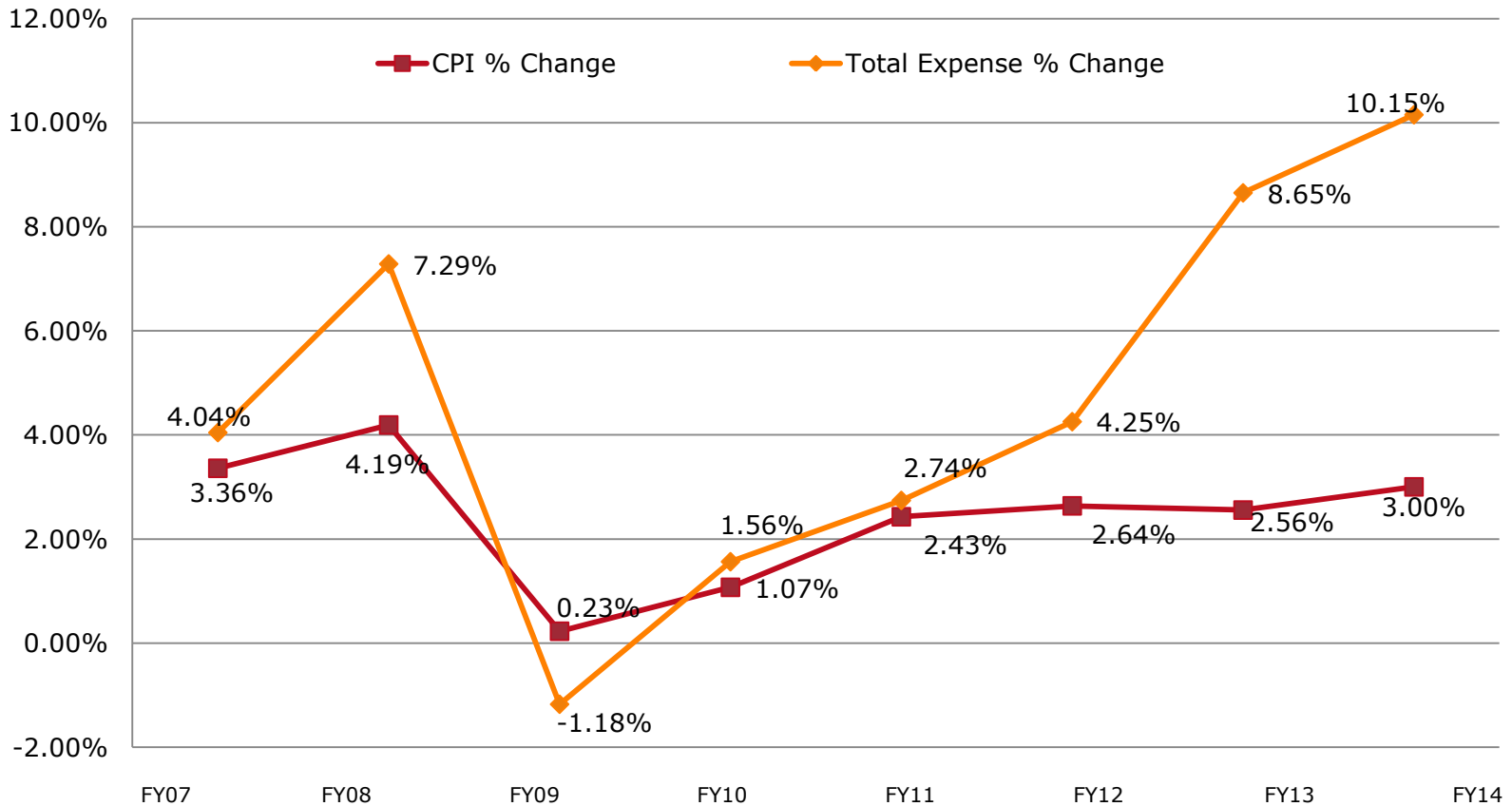
FY14 Total Recurring Revenue: \$36.4M
• Total Operating Budget: \$45.3M

FY15 Total Recurring Revenue: \$41.0M
• Total Operating Budget: \$48.5M



◆ 5307
 ■ Sales Tax
 ▲ TDA
 ✕ Passenger Fares
 ✱ Fuel Tax Credit

Total Expenses % Change vs. CPI % Change (FY07 – FY14)

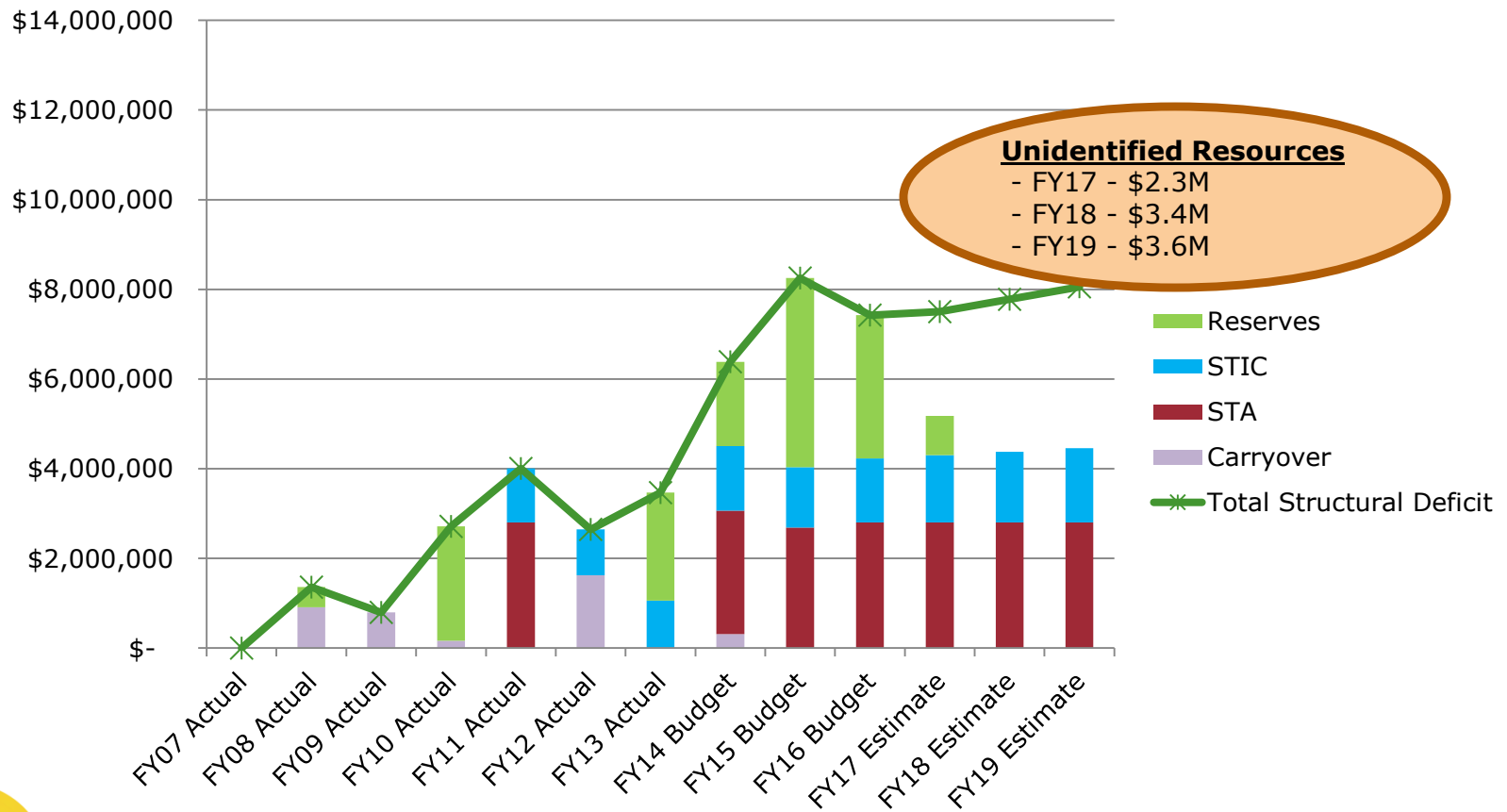


Consumer Price Index Source: Pacific Cities and US City Average

- All Urban Consumers (CPI-U)
- San Francisco-Oakland-San Jose (June of every year)

Capital Eligible Funds

**Used to Backfill the Structural Deficit
(at 7% Sales Tax in FY15 & FY16 Budgeted Year Over Year)**



Estimated Operating Reserves as of 06/30/16

Based on Santa Cruz METRO Board adoption of a 2 year budget (FY15 & FY16)



Target: \$662K



Target: \$3.0M



Target: \$6.1M



Target: \$3.3M



SAFETEA-LU to MAP-21 (Moving Ahead for Progress in the 21st Century Act)

Authorization Extended through May 2015

	SAFETEA-LU		CR *	CR *	CR *	----MAP-21----		CR * <i>est.</i>
<u>Program</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
5307 Ops.	\$3.5M	\$3.6M	\$4.9M	\$4.7M	\$4.7M	\$5.5M	\$5.5M	\$5.5M ?
5309 Cap.	\$490K	-	-	\$2.8M	\$5.8M	\$454K	\$458K	\$462K ?
5311 Ops.	\$162k	\$170K	\$157K	\$156K	\$156K	\$208K	\$212K	\$214K ?
Total	\$4.2M	\$3.8M	\$5.1M	\$7.7M	\$10.7M	\$6.2M	\$6.2M	\$6.2M

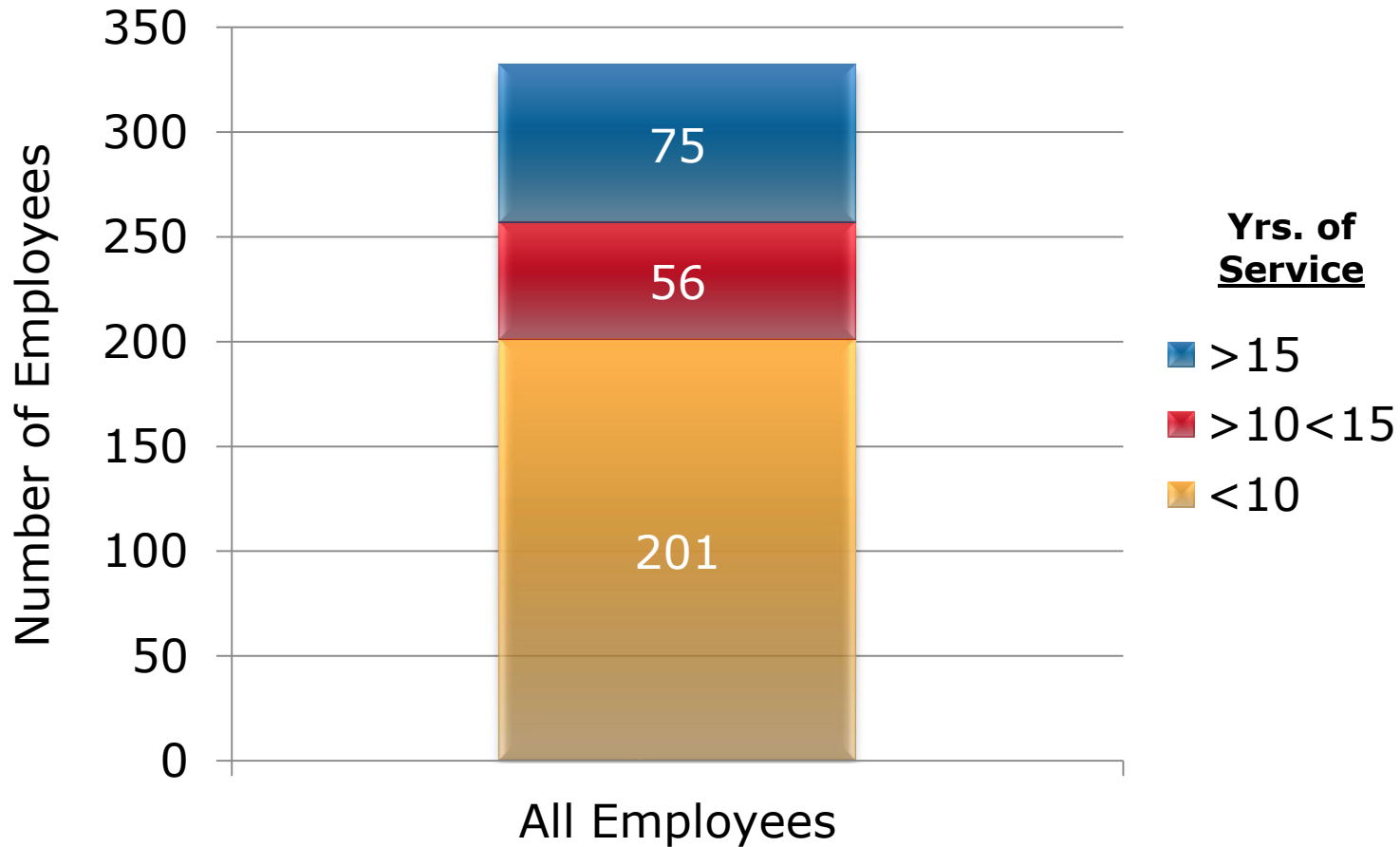
* - CR = Continuing Resolution

Define the Challenges: Part I of II:

- Follow-up Slides from August 8, 2014 BOD Meeting

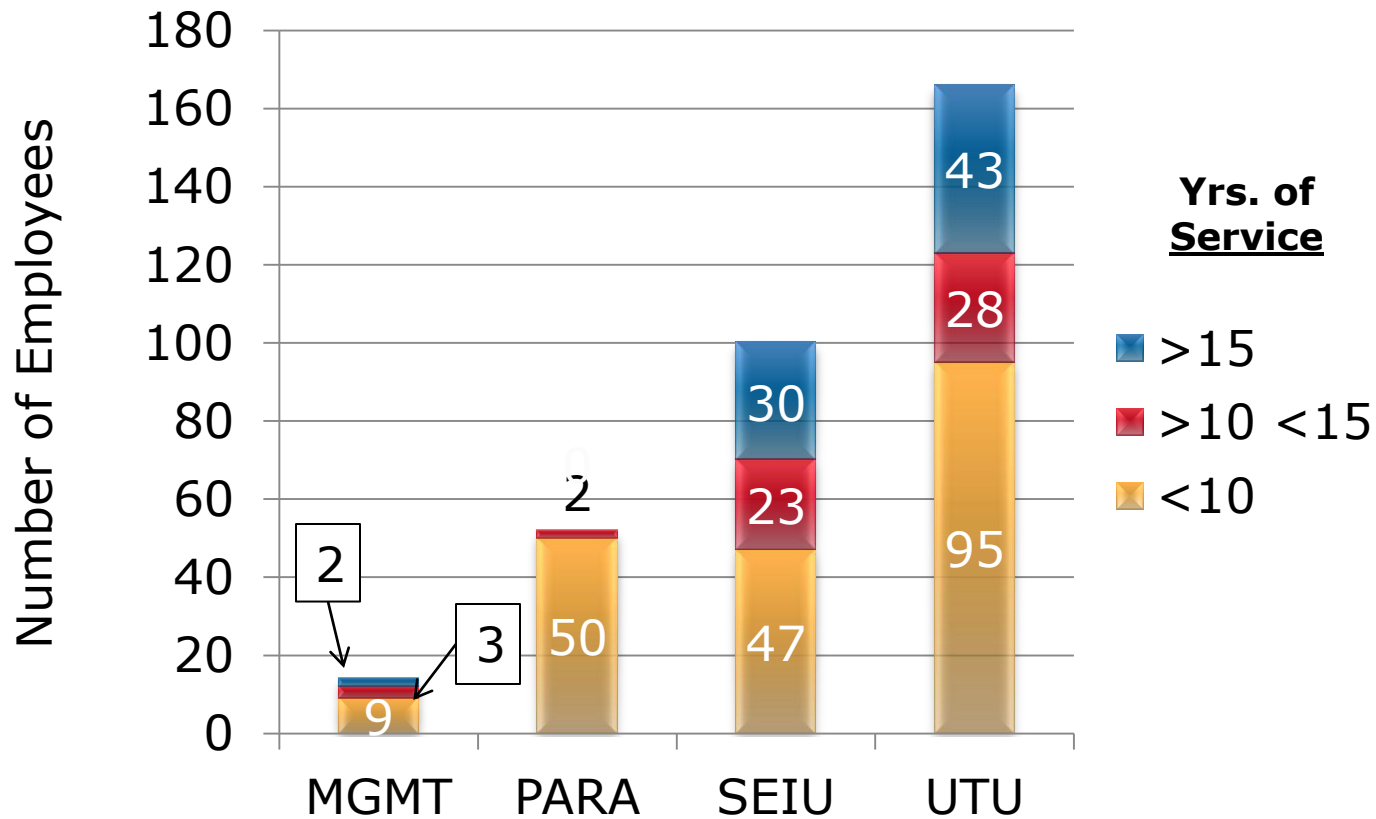
Employee Seniority - Total Organization

As of 9/12/2014



Employee Seniority by Labor Group

As of 9/12/2014



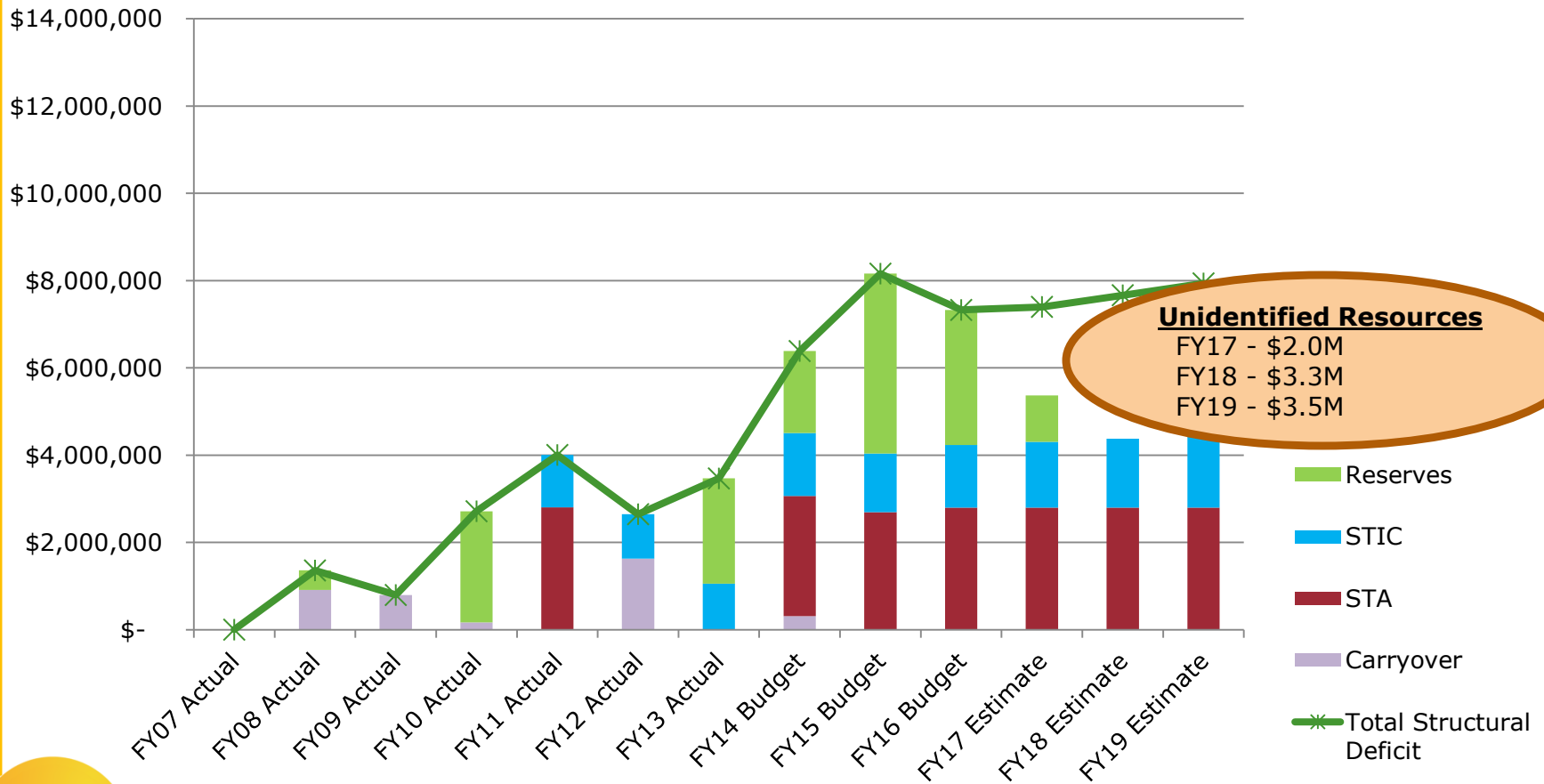
Additional Employee Seniority Information

By the end of December 2014:

- Sixty-nine (69) employees will have over 10 years of service
- Forty (40) employees will have over 15 years of service
- Forty-two (42) employees will have over 20 years of service

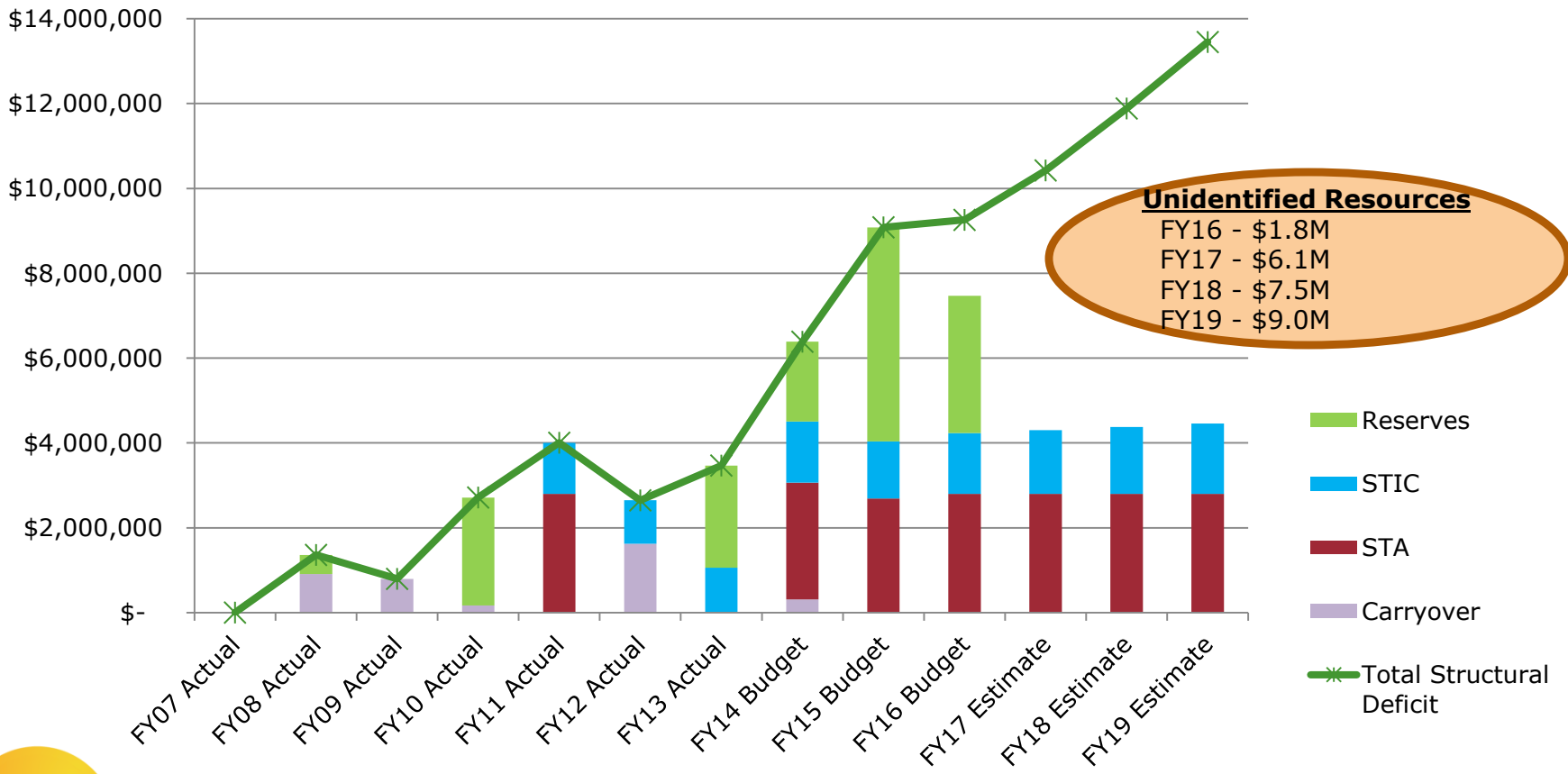
Capital Eligible Funds

Used to Backfill the Structural Deficit
Sales Tax at 7%
 (Currently Budgeted in FY15 & FY16)



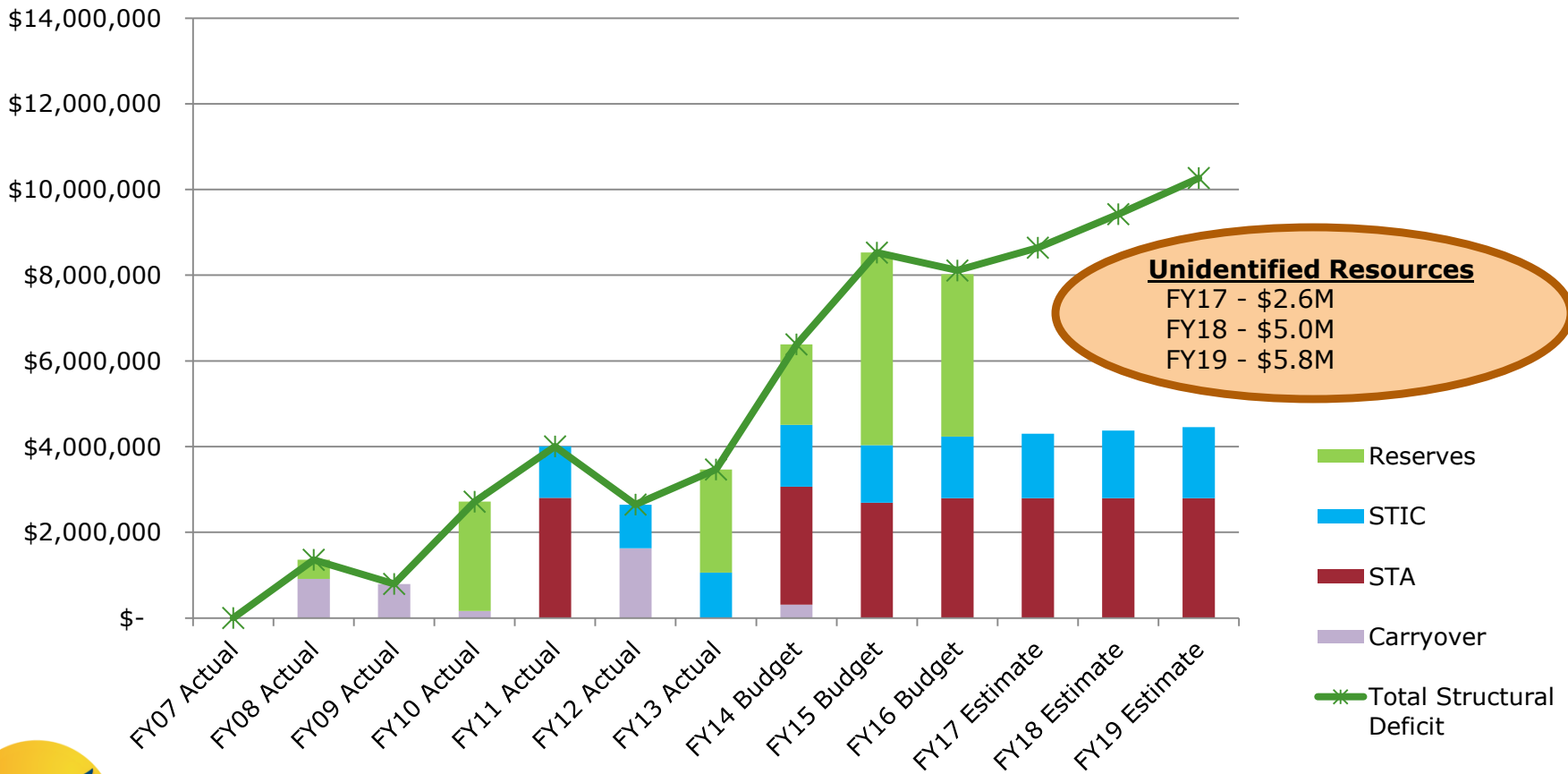
Capital Eligible Funds

Used to Backfill the Structural Deficit
Sales Tax at 2%



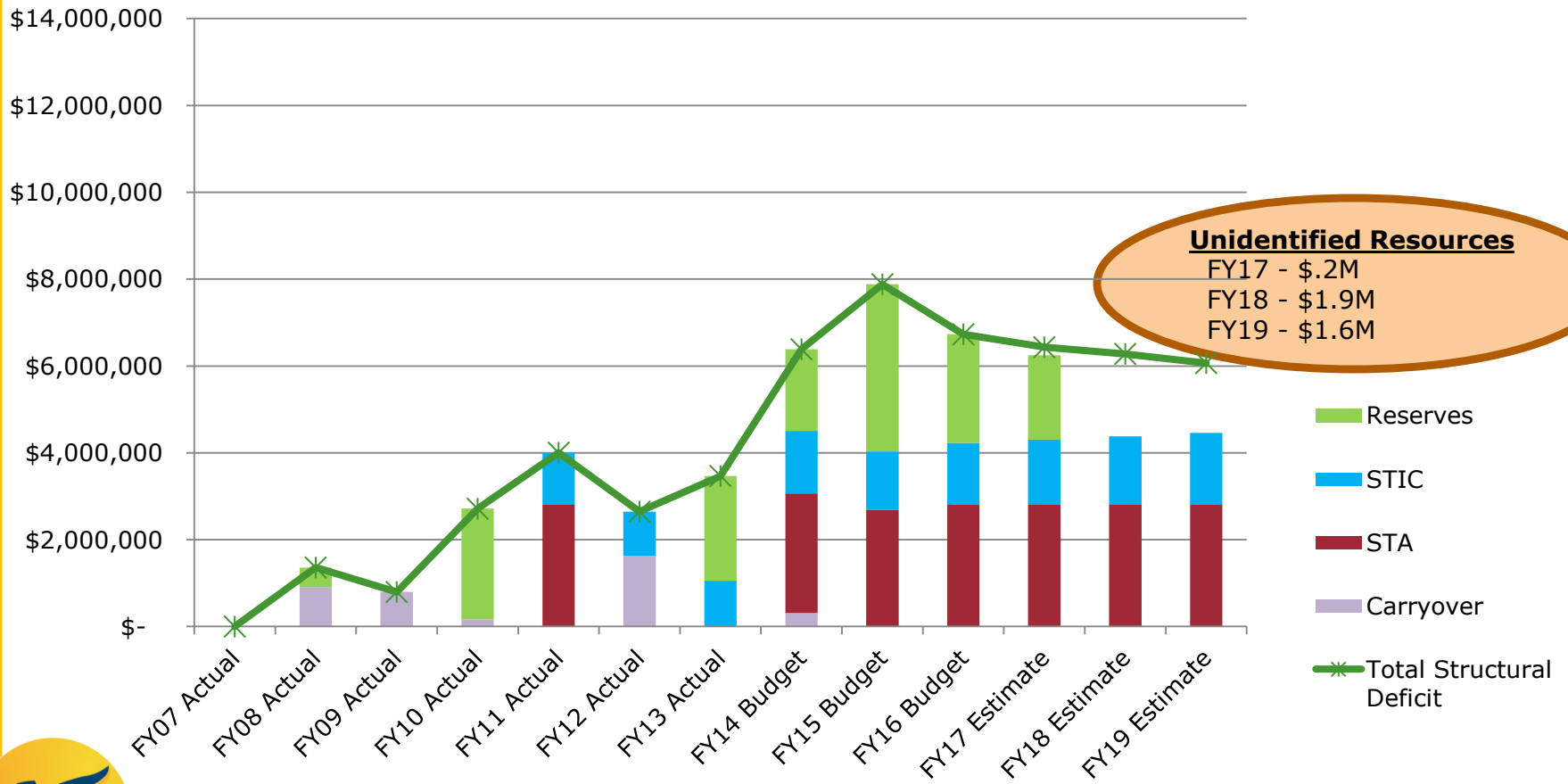
Capital Eligible Funds

Used to Backfill the Structural Deficit
Sales Tax at 5%



Capital Eligible Funds

Used to Backfill the Structural Deficit
Sales Tax at 8.5%

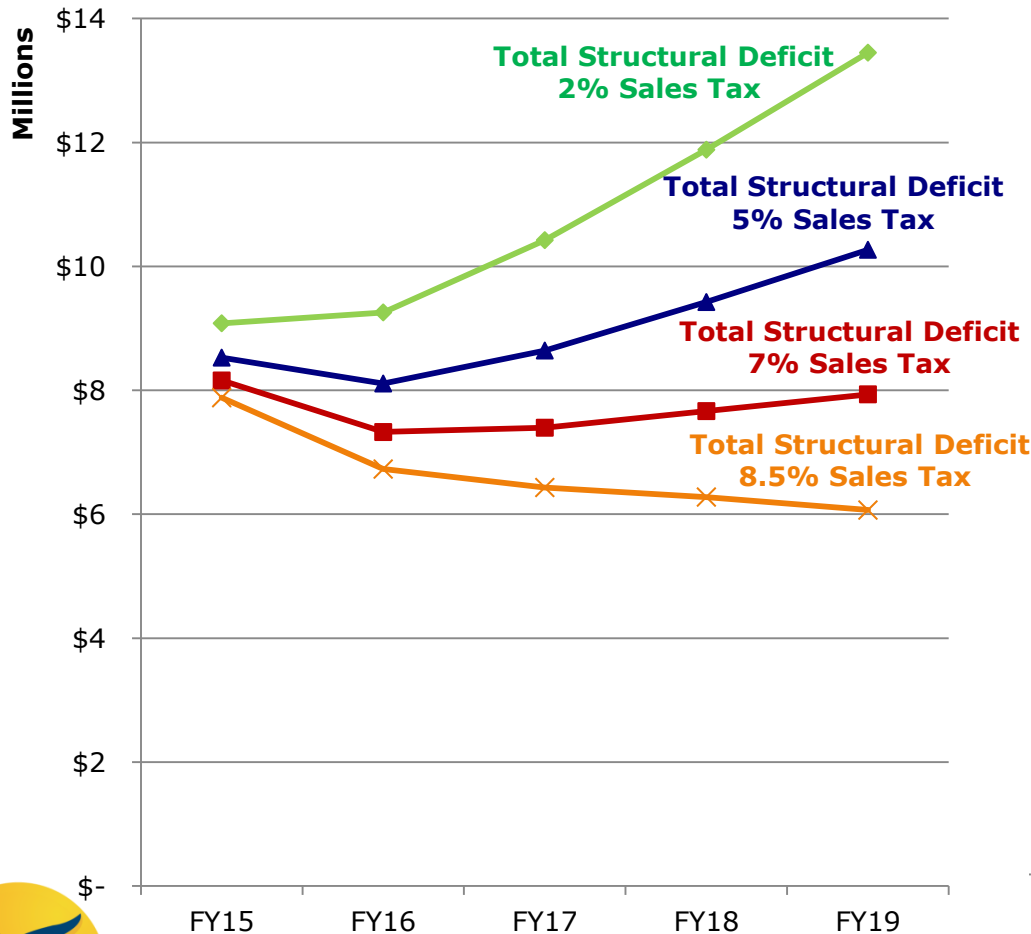


Capital Eligible Funds

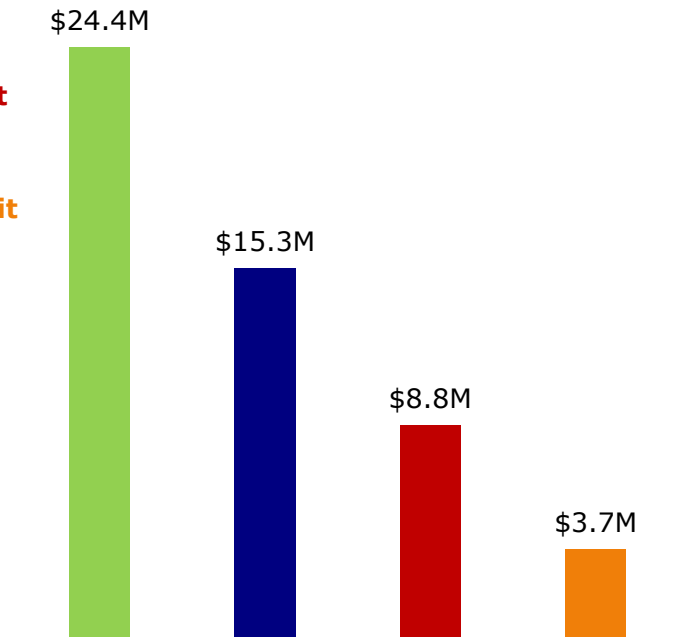
Summary

Total Structural Deficit and Unidentified Resources

Scenarios: Sales Tax: 2%, 5%, 7%, 8.5%



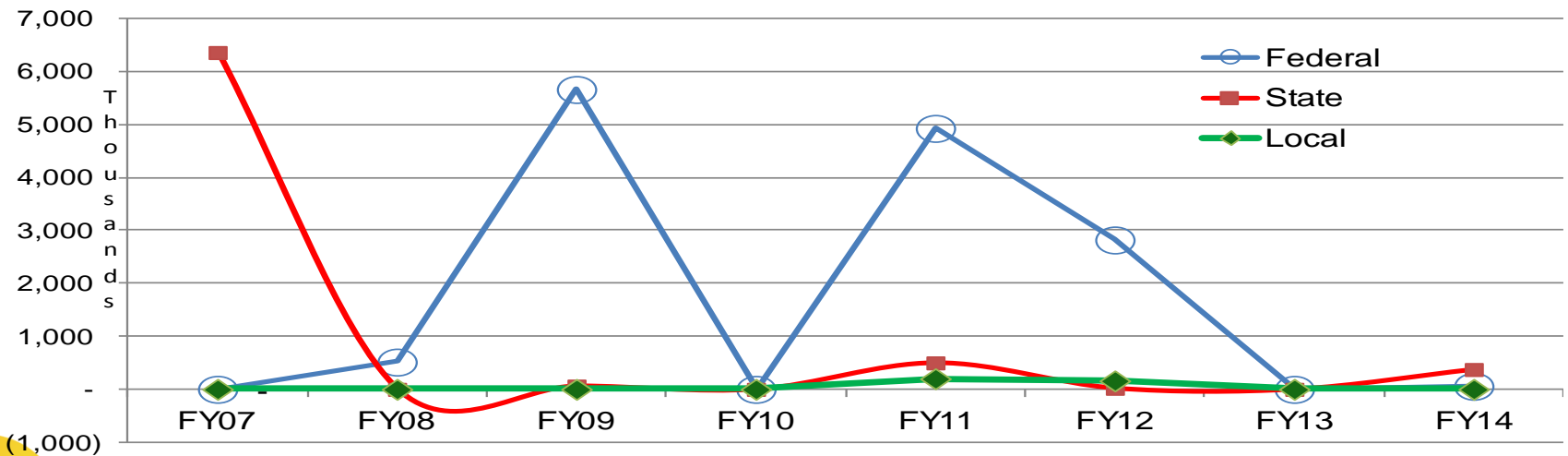
Total Unidentified Resources for FY15-FY19
(Cumulative 5-Year Impact)



Grant Awards

Discretionary Grant Awards (\$000s) by Source FY07 - FY14

	SAFETEA-LU			CR	CR	CR	----MAP-21----	
<u>Program</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>
Federal	\$ 1	\$515	\$ 5,714	\$ 0	\$4,930	\$ 2,822	\$ 0	\$ 58
State	6,363	0	62	0	500	20	0	375
Local	37	0	0	0	200	160	0	0
Total	\$6,401	\$515	\$5,777	\$ 0	\$5,630	\$3,002	\$0	\$ 433



Grant Awards Batting Average

- Information coming

Define the Challenges: Part II of II

- What do we do if the PEPRRA challenge does not get resolved and the FTA stops sending us money?
- What do we do if MAP-21 is not reauthorized in time and the FTA stops sending 5307 to Santa Cruz METRO?
- What do we do if the STA provision that allows us to use STA for Operating, and that expires in 2016, does not get extended?

What do we do if the PEPRA challenge does not get resolved and the FTA stops sending us money?

- **AB 1783 (Jones-Sawyer)**
 - On the Governor's Desk
- **AB 1783 provides:**
 - A one-year extension of last year's provisions in AB 1222 (Bloom and Dickinson) temporarily exempting employees covered by 13(c) of the Federal Transit Act from PEPRA
 - Litigation continues against the US Dept. of Labor on its interpretation of 13(c) of Federal transit law.
 - Federal court action will not be resolved before the legislature adjourns this year
 - This extension ensures that Federal transit funds will continue to flow into California on January 1, 2015

**What do we do if MAP-21 is not reauthorized in time
and the FTA stops sending 5307 to Santa Cruz METRO?**

- Extended through May 2015
 - Short Term Extension

What do we do if the STA provision that allows us to use STA for Operating, and that expires in 2016, does not get extended?

- STA revenue reverts to Capital Assistance in 2016
- STA revenue is for Capital projects unless METRO meets efficiency standard for Operating Assistance.
- STA efficiency standards were waived from FY11 through FY15 due to the recession.
- METRO is not projected to meet the efficiency standard in FY16.
- Beyond FY15, METRO will not be able to use ~\$2.7 Million in operating revenue without a legislative extension of the STA efficiency waiver.

Questions