Meeting Date: 05 / 16/ 06

ACTION	TYPE OF ITEM
☐ Approved Recommendation	☐ Info/Consent
☐ Ord. No(s). _____	■ Report
☐ Res. No(s). _____	☐ Public Hearing (Info/consent)
☐ Other _____	☐ Other _____

Prepared By: Martin R. Erickson MRE Agenda Item No. N-2

Reviewed By: City Manager City Attorney PIC Finance Other *(Specify)*

DATE: May 3, 2006

TO: City Council

FROM: Lou Balderrama, City Engineer
Public Works Department

SUBJECT: **South Coast Area Transit (SCAT) FY 2006/07 Capital and Operating Budget**

RECOMMENDATION

That City Council support the SCAT Fiscal Year (FY) 2006/07 proposed capital and operating budget in an amount not to exceed $4,116,421 for fixed route service, senior and disabled paratransit service, and the capital program.

DISCUSSION

South Coast Area Transit (SCAT) is the public transit provider for western Ventura County. SCAT is a Joint Powers Agency (JPA) with five members: City of Oxnard, City of Ventura, City of Ojai, City of Port Hueneme and the County of Ventura.

SCAT's budget responds to a challenging environment for public transit and makes positive steps toward future improvements. Some of the highlights are listed below:

- Oxnard's anticipated FY 2006/2007 Transportation Development Act (TDA) contribution to SCAT is $4,116,421, an increase of 10.3% over last year's request.
- Estimated Oxnard Transportation Development Act (TDA) receipts for FY 2006/07 are up $1,175,851 (18.6%) at $7,469,740 from $6,293,889 in FY 2005/06. This reflects a carry-over from the previous year's stronger than estimated sales tax performance and shows that Ventura County's economic vitality is strong.
- The budget before City Council includes service improvements that will continue to make service faster by eliminating large, one-way loops and serve to attract new riders.

A significant challenge SCAT faced during the last year was the loss of usable compressed natural gas (CNG) due to a pipeline rupture that occurred on February 8, 2005. After deliberations about the fuel type for future SCAT bus purchases, the SCAT Board voted in July 2005 to change fuel type, moving away from Compressed Natural Gas (CNG) buses toward gasoline hybrid-electric buses. At that time,

gasoline costs were estimated at $1.50 per gallon, and the bus manufacturer's miles per gallon (MPG) estimates were 5 MPG. Today, gasoline prices are over $3.00 per gallon, and Long Beach Transit is experiencing real world results of 3.5 MPG. This change in fuel prices and MPG estimates resulted in a 10-year fuel cost for CNG of $6,013,000, while the 10-year fuel cost for gasoline hybrid-electric would be $14,143,000. Based on these developments the SCAT Board voted on May 3, 2006 to direct staff to move back to CNG fuel and attempt to re-negotiate the agreements to purchase gasoline hybrid-electric buses.

Fortunately, ridership is increasing due to a combination of the service changes made last year as well as riders choosing transit due to high gas prices. However, while ridership is improving, SCAT is very close to falling below the State-mandated TDA farebox recovery requirement of 20%. The prospect of paying over $3.00 per gallon for gasoline for the hybrid-electric buses would have added over $800,000 per year to the operating budget, further exacerbating the farebox recovery. SCAT is working to raise the farebox recovery over 20% through service improvements and a new image and marketing campaign that will commence in the next few months.

FINANCIAL IMPACT

The City of Oxnard has historically funded SCAT with its apportionment of Transportation Development Act (TDA) funds. Draft FY 2006/07 estimates reflect approximately $7,469,740 for Oxnard's apportionment of TDA revenue. Because TDA funds are primarily intended for transit needs, staff projects adequate revenue to fund SCAT at the proposed amount of $4,116,421.

Attachment #1 SCAT FY 2006/07 Draft Budget and Financial Plan (Excerpts)

FY 2006-2007 BUDGET AND FINANCIAL PLAN

SOUTH COAST AREA TRANSIT MISSION STATEMENT

To provide a safe, efficient, quality bus transportation system for the Western Ventura County area that serves the needs of the greatest number of people by:

- Balancing the needs of the customers with the need for operational efficiency;
- Providing transit services which will appeal to increasing numbers of people;
- Operating responsibly and cost effectively within budgets;
- Coordinating services with other public transportation operators in Ventura County; and
- Providing services that contribute to a safer, cleaner and less congested environment.

BOARD OF DIRECTORS

City of Ojai

Councilmember Joe DeVito
Vice Chair

Councilmember Sue Horgan
Alternate

City of Oxnard

Mayor Thomas E. Holden
Director

Councilmember Tim Flynn
Alternate

City of Port Hueneme

Councilmember Toni Young
Chair

Mayor Anthony C. Volante
Alternate

City of San Buenaventura

Councilmember William Fulton
Director

Councilmember Brian Brennan
Alternate

County of Ventura

Supervisor John K. Flynn
Director

Supervisor Steve Bennett
Alternate

SCAT MANAGEMENT STAFF

Deborah C. Linehan
General Manager

Dolores D. Dowdle
Director of Administrative Services

Robert Lurie
Director of Fleet & Facilities

Andrew Mikkelson
Director of Transit Operations

BUDGET MESSAGE AND EXECUTIVE SUMMARY

SCAT is committed to the protection of public investment through sound financial practices. This commitment is reflected throughout the process from budget development to final adoption. Following is a description of the budget process.

I. BUDGETARY GUIDELINES – The budget was developed following these guidelines.

A. Prudent budgetary control is tied to strategic planning.
B. Meaningful public and government agency input is solicited during the annual budget review.
C. Salary and benefit increases for employees reflect the agreed upon level.
D. Appropriate insurance coverage is budgeted to mitigate the risk of material loss.
E. Major capital items are included in the Transportation Improvement Plan (TIP) prior to inclusion in the budget.
F. Budget versus actual financial information is reported.

II. BUDGET REVIEW FOR FY 2005-06, THE PRIOR BUDGET YEAR

- The operating budget increased by 3.01%. The increases were in employee wages and employee benefits (health insurance and retirement contributions to the CalPERS retirement system), implementation of Industrial Welfare Commission Wage Order 9 and fuel costs.

- The workers' compensation premium rate decreased 12%. The premium rate decreased from 25.8% to 22.6% of salary.

- Paratransit service decreased in response to trip demand. As a result of the paratransit fare increase implemented on July 1, 2004 and the elimination of agency trips for Adult Day Healthcare Centers (ADHC) effective January 1, 2005, the trip demand for paratransit service decreased.

- Contributions to the CalPERS retirement fund for the employer portion increased. SCAT's total employer and employee shares of contribution to CalPERS increased from 11.374% to 15.717% of salary.

III. BUDGET HIGHLIGHTS FOR FY 2006-07, THE UPCOMING BUDGET YEAR

- The budget provides three fixed route service alternatives: (1) "Status Quo" refers to the existing service level, (2) "Alternative 1" includes adding Saturday service for Route 9, and (3) "Alternative 2" includes Alternative 1 plus modifications to Route 15.

- The proposed operating budget is projected to increase by 4.47% in the status quo budget, 4.57% in the alternative 1 budget and 4.53% in the alternative 2 budget. The increases are for employee wages and employee benefits (health insurance and retirement contributions to the CalPERS retirement system), training related to the maintenance and operation of new gasoline-hybrid buses and paratransit service cost.

- The demonstration project for El Rio/Nyeland Acres will end on September 30, 2006 and the demonstration project for Route 12 in the city of Ventura will be operated for the full year.

- The paratransit service will increase in response to trip demand. The demand for paratransit service is projected to increase from 83,800 one-way trips in 2005-06 to 91,000 one-way trips in 2006-07, an 8.5% increase. The cost for the service contract will increase from a projected $1,589,300 to $1,772,200, an increase of $182,900 or 11.5%.

- Workers' compensation insurance premiums have stabilized. In March 2004 the Board approved SCAT becoming a member of the California Public Entity Insurance Authority (CPEIA) effective April 1, 2004. The projected premium for FY 2006-07 will decrease by approximately $50,000. The premium is calculated on a percentage of total agency salaries and wages. The premium rate will decrease 1.8% from 22.6% to 20.8%.

- Creation of a service worker position. Addition of a service worker position is proposed effective April 1, 2007. Due to the purchase of gasoline electric/hybrid buses, an additional service worker will be required to assist with the fueling the mixed CNG and gasoline/electric subfleet from separate dispensers. The first eight hybrid buses are scheduled to be delivered to SCAT by April 1, 2007. The proposed position would be Union represented and salary and benefits are projected to be an additional $11,178.

- Creation of an assistant buyer position. Addition of an assistant buyer position is proposed to help manage the growing volume of procurements and capital projects that are programmed. The current buyer/DBE officer is required to oversee all procurements and help manage large and complicated capital projects. The assistant buyer will be responsible for the routine procurements and activities. The proposed position would be nonrepresented and salary and benefits are projected to be an additional $60,973.

- The employer rate for the CalPERS retirement fund will decrease slightly. In FY 2004-05 SCAT was required to make its employer portion contribution to CalPERS for the first time since 1996 because SCAT's CalPERS account no longer had an excess balance. The employer portion increased from 4.374% in FY 2004-05 to 8.717% in FY 2005-06. The employer portion will decrease slightly to 8.301% in FY 2006-07. SCAT will be required to make contributions for the employee portion of 7% and the employer portion of 8.301%. The contribution will increase to $231,600 due to increases in employee wages.

- Fuel costs continue to be high. CNG fuel cost is anticipated to increase from $0.80 a therm to $1.10 a therm. A fuel rebate is available, and included in the proposed budget, commencing on October 1, 2006. The fuel cost for the gasoline/electric hybrid bus is projected at $3.00 a gallon. As a result of the CNG rebate and the hybrid buses not being in operation until April 1, 2007, a decrease of approximately $9,000 in fuel cost is projected for FY 2006-07.

- The systemwide farebox recovery ratio is projected at 19.34% for the status quo budget, 19.38% for the alternative 1 budget and 19.40% for the alternative 2 budget. California regulations require that a transit service claimant for Transportation Development Act (TDA) funds have a systemwide ratio of fare revenues to operating cost of at least 20%. The Board has requested staff to develop options for rectifying the low farebox recovery ratio.

- Federal funds for SCAT service are reduced by $150,488 to support countywide transit planning. The Ventura County Transportation Commission (VCTC) determined on April 12, 2006 that the federal formula funds for SCAT will be reduced to support the countywide transit planning at VCTC.

- Two capital projects have been identified for FY 2006: (1) The replacement of paratransit vehicles and (2) replacement of the obsolete bus vacuum system.

IV. FUND STRUCTURE

The budget includes revenue from local support, federal grants, passenger fares, interest and state assistance funds.

V. BUDGET PROCESS

The proposed budget was developed by the director of administrative services in consultation with the SCAT general manager and management team. It was reviewed by the SCAT Technical Advisory Committee (TAC) on March 8, April 5 and April 12, 2006. The SCAT Board's Budget Committee reviewed the proposed budget on April 17, 2006. The full SCAT Board of Directors is scheduled to receive the proposed budget on May 3, 2006. If any of the member agencies request, the proposed budget and the allocation of TDA funds will be

presented to their governing boards by SCAT staff during the month of May. To date, staff has been scheduled to appear at the Ventura City Council meeting on May 15 and the Oxnard City Council meeting on May 16. On June 7, 2006 a public hearing will be held on the proposed budget and the Board will be asked to consider adoption of the final budget.

IV. SUMMARY

The budget summary is displayed in the following tables: Table 1, Operating Budget Summary; Table 2, Operating Budget – Functional Categories; Table 3, Capital Project Summary; Table 4, Revenue; and Table 5, Member Agency Participation. The budget document provides details for the operating budget in the **Expenditures** (page 12) section, the capital project budget in the **Capital Improvements** (page 18) section and the revenue sources in the **Financial Revenue** (page 24) section.

TABLE 1

South Coast Area Transit
Operating Budget Summary
July 1, 2006 to June 30, 2007

	Approved Budget FY 2005	Actual FY 2005	Approved Budget FY 2006	Status Quo Budget FY 2007	Alternative 1 Budget FY 2007	Alternative 2 Budget FY 2007
Revenue						
Passenger Fares-Fixed Route	2,483,800	2,275,562	2,371,000	2,540,000	2,547,800	2,550,200
Passenger Fares - Demo Nyeland Acres			21,000	3,000	3,000	3,000
Passenger Fares - Demo Ventura			1,700	15,000	15,000	15,000
Passenger Fares-Paratransit	164,000	184,070	171,300	186,000	186,000	186,000
Interest	4,000	10,352	4,000	12,000	12,000	12,000
Other	5,000	173	5,000	3,000	3,000	3,000
Operating Assistance-State	46,000	45,748	59,643	119,895	119,895	119,895
Operating Assistance-Local	7,164,840	6,825,350	7,432,745	8,109,865	8,112,265	8,106,365
Operating Assistance - Demo Nyeland Acres			15,100	5,000	5,000	5,000
Operating Assistance - Local Ventura			12,500	19,700	19,700	19,700
Demonstration Project, Nyeland - Federal	113,200	103,872	116,300	38,100	38,100	38,100
Demonstration Project, Ventura - Federal			96,400	151,300	151,300	151,300
Preventive Maintenance-Federal	2,036,960	2,141,712	2,115,712	1,935,840	1,939,040	1,937,440
Paratransit Assistance-Federal	905,000	655,448	905,000	700,000	700,000	700,000
Planning Assistance-Federal	450,400	583,017	448,800	553,600	553,600	553,600
TOTAL	13,373,200	12,825,304	13,776,200	14,392,300	14,405,700	14,400,600
Expenses						
FUNCTIONAL CATEGORIES						
Employee Support	8,307,400	8,227,765	9,231,400	9,588,600	9,593,000	9,591,900
Service/Supplies - Operational	4,076,800	3,721,124	3,486,800	3,725,700	3,734,700	3,730,700
Service/Supplies - Support	989,000	876,415	1,058,000	1,078,000	1,078,000	1,078,000
TOTAL	13,373,200	12,825,304	13,776,200	14,392,300	14,405,700	14,400,600
DEPARTMENT CATEGORIES						
Fixed Route	6,528,700	6,497,208	7,536,500	7,590,300	7,599,700	7,596,600
Paratransit	2,475,400	1,837,389	1,777,600	1,979,400	1,979,400	1,979,400
Maintenance	2,292,300	2,602,949	2,332,200	2,419,800	2,423,800	2,421,800
Administration	1,618,500	1,445,562	1,657,600	1,895,500	1,895,500	1,895,500
Planning and Marketing	458,300	442,196	472,300	507,300	507,300	507,300
TOTAL	13,373,200	12,825,304	13,776,200	14,392,300	14,405,700	14,400,600

TABLE 2

South Coast Area Transit
Operating Budget – Functional Categories
July 1, 2006 to June 30, 2007

	Approved Budget FY 2005	Actual FY 2005	Approved Budget FY 2006	Status Quo Budget FY 2007	Alternative 1 Budget FY 2007	Alternative 2 Budget FY 2007
Employees						
Salaries	5,285,300	5,480,289	5,847,000	6,113,300	6,116,400	6,115,600
Health Benefits	840,000	617,876	951,400	998,600	998,600	998,600
WCI	1,363,400	1,381,785	1,324,300	1,273,100	1,273,900	1,273,700
Retirement	581,300	551,418	846,000	920,800	921,300	921,200
Other Benefits	128,300	111,272	154,600	164,700	164,700	164,700
Uniforms	28,000	29,679	35,000	34,000	34,000	34,000
Medical Exams	24,600	22,331	25,100	25,100	25,100	25,100
Safety Programs	31,500	31,318	23,000	34,000	34,000	34,000
Risk Management	25,000	1,797	25,000	25,000	25,000	25,000
Service/Supplies - Operational						
Fuel/Lubricants	844,000	779,787	912,000	901,000	904,000	903,000
Tires	86,000	91,532	92,000	108,000	112,000	110,000
Repair Parts	391,000	739,733	474,000	454,000	456,000	455,000
CNG Fuel Station	76,000	58,894	51,000	100,000	100,000	100,000
Paratransit Service Contract	2,258,800	1,636,678	1,589,300	1,772,200	1,772,200	1,772,200
Contract Repair	160,000	173,437	153,000	160,000	160,000	160,000
Supplies	110,000	137,523	93,500	108,500	108,500	108,500
Tickets/Schedules	52,000	35,772	52,000	52,000	52,000	52,000
Marketing	82,000	46,501	47,000	47,000	47,000	47,000
OTC Facilities	10,000	8,903	10,000	10,000	10,000	10,000
Maintenance Agreements	7,000	12,364	13,000	13,000	13,000	13,000
Service/Supplies - Support						
Telephones/Utilities	81,000	73,047	117,000	84,000	84,000	84,000
Insurance	495,000	540,875	491,000	535,000	535,000	535,000
Contract Services	228,000	112,666	232,000	260,000	260,000	260,000
Supplies	80,000	68,279	75,000	75,000	75,000	75,000
Legal	22,000	21,763	50,000	30,000	30,000	30,000
Audit	18,000	17,297	22,000	19,000	19,000	19,000
Officers & Directors	30,000	27,312	33,000	35,000	35,000	35,000
Dues	35,000	15,176	38,000	40,000	40,000	40,000
Total	13,373,200	12,825,304	13,776,200	14,392,300	14,405,700	14,400,600

TABLE 3

South Coast Area Transit
Capital Project Summary
July 1, 2006 to June 30, 2007

	Approved Budget FY 2006	Proposed Budget FY 2007
Revenues		
Capital Assistance-Federal 5307	425,600	602,500
Capital Assistance-CMAQ	8,363,250	0
Capital Assistance-Local	1,193,150	97,500
Capital Depreciation	2,232,300	1,775,300
	12,214,300	2,475,300
Expenses		
Replacement of Transit Buses	9,450,000	
Replace/Upgrade Computer System	12,000	
Replace CNG Fuel Tanks	270,000	
Replace Maintenance Equipment	75,000	
Replace Office Equipment	25,000	
Purchase Scheduling/Run Cutting System	150,000	
Replace Paratransit Vehicles		500,000
Replace Bus Vacuum System		200,000
Capital Depreciation	2,232,300	1,775,300
	12,214,300	2,475,300

TABLE 4

South Coast Area Transit
Revenue
July 1, 2006 to June 30, 2007

	Approved Budget FY 2005	Actual FY 2005	Approved Budget FY 2006	Status Quo Budget FY 2007	Alternative 1 Budget FY 2007	Alternative 2 Budget FY 2007
Operating Revenues						
Passenger Fares-Fixed Route	2,483,800	2,275,562	2,393,700	2,558,000	2,565,800	2,568,200
Passenger Fares-ADA Service	164,000	184,070	171,300	186,000	186,000	186,000
	2,647,800	2,459,632	2,565,000	2,744,000	2,751,800	2,754,200
Non-Operating Revenues						
Local Support	7,164,840	6,825,350	7,460,345	8,134,565	8,136,965	8,131,065
Interest	4,000	10,352	4,000	12,000	12,000	12,000
Other	5,000	173	5,000	3,000	3,000	3,000
Federal Preventive Maintenance	2,036,960	2,141,712	2,115,712	1,935,840	1,939,040	1,937,440
Federal Paratransit Assistance	905,000	655,448	905,000	700,000	700,000	700,000
Demonstration Project - Federal	113,200	103,872	212,700	189,400	189,400	189,400
Operating Assistance-State	46,000	45,748	59,643	119,895	119,895	119,895
Planning Assistance-Federal	450,400	583,017	448,800	553,600	553,600	553,600
	10,725,400	10,365,672	11,211,200	11,648,300	11,653,900	11,646,400
Total Operating and Non-Operating Revenues	13,373,200	12,825,304	13,776,200	14,392,300	14,405,700	14,400,600
Capital Revenues						
Capital Assistance-Federal 5307	772,800	1,900,939	425,600	602,500	602,500	602,500
Capital Assistance - Federal CMAQ	3,433,800		8,363,250			
Capital Assistance - Federal 5309	500,000					
Capital Assistance -TDA	764,400	314,183	1,193,150	97,500	97,500	97,500
Total Capital Revenues	5,471,000	2,215,122	9,982,000	700,000	700,000	700,000
Total Revenues	18,844,200	15,040,426	23,758,200	15,092,300	15,105,700	15,100,600

TABLE 5

South Coast Area Transit
Member Agency Participation
Local Funds Allocation
July 1, 2006 to June 30, 2007

Member Agency	Fixed Route	Paratransit	Capital Program	Demonstration	Total	Vote Weight
			STATUS QUO			
Ojai	116,684	12,338	7,790		136,812	1.59%
Oxnard	3,347,544	514,415	223,488		4,085,446	47.59%
Port Hueneme	204,197	78,506	13,633		296,335	3.45%
San Buenaventura	2,633,212	358,101	175,798	15,500	3,182,610	36.89%
County of Ventura	813,229	31,641	54,293	5,000	904,163	10.47%
	7,114,865	995,000	475,000	20,500	8,605,365	100%
			ALTERNATIVE 1			
Ojai	116,011	12,338	7,743		136,092	1.58%
Oxnard	3,366,466	514,415	224,675		4,105,556	47.81%
Port Hueneme	203,554	78,506	13,585		295,644	3.44%
San Buenaventura	2,622,000	358,101	174,990	15,500	3,170,591	36.74%
County of Ventura	809,233	31,641	54,008	5,000	899,882	10.42%
	7,117,265	995,000	475,000	20,500	8,607,765	100.00%
			ALTERNATIVE 2			
Ojai	113,782	12,338	7,600		133,720	1.56%
Oxnard	3,376,476	514,415	225,530		4,116,421	47.97%
Port Hueneme	199,118	78,506	13,300		290,924	3.39%
San Buenaventura	2,569,336	358,101	171,618	15,500	3,114,554	36.11%
County of Ventura	852,653	31,641	56,953	5,000	946,246	10.97%
	7,111,365	995,000	475,000	20,500	8,601,865	100.00%