



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

Santa Cruz METRO Board of Directors

*August 8, 2014*

Alex Clifford, CEO

# Overview of Today's Presentation

- Definition of a Structural Deficit
- Overview of Major Contributing Factors
  - Identifying Structural Deficit
- How Bad Is the Structural Deficit...  
How Bad Can the Structural Deficit Get
  - Cash Flow
  - Revenue Discussion
  - Surface Transportation Plan
  - Grant Pipeline

# Definition of a Structural Deficit:

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*-Recurring Expenses Exceed Recurring Revenues*

# Overview of Major Contributing Factors

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- Personnel Expenses
- Increased Cost of Goods & Services
- Recurring Revenues not Keeping Pace with Recurring Expenses

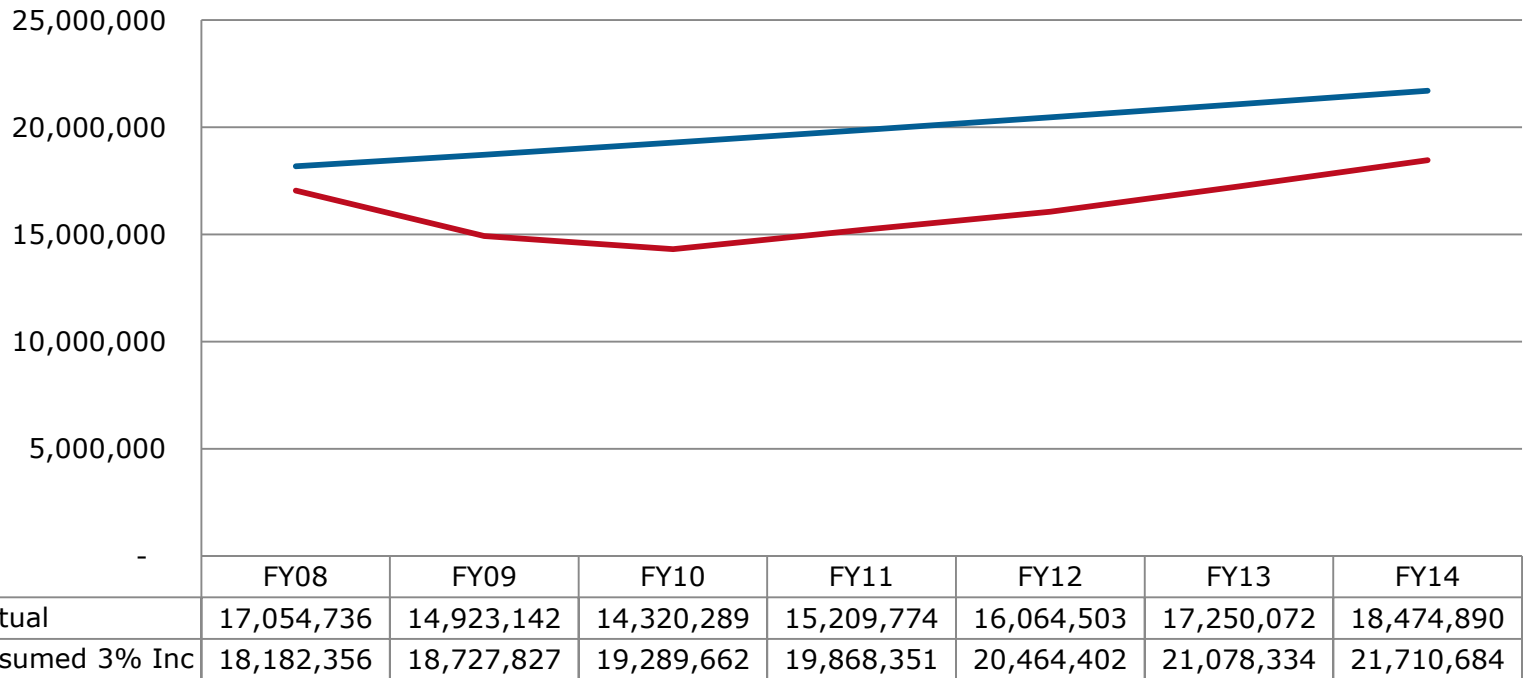
# Identifying Structural Deficit

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# Estimated Sales Tax Loss (FY08 – FY14)

**REVISED**

**Actual Sales Tax Received vs. Assumed 3% Increase**



**FY08 – FY14 Assumed Total Loss -**

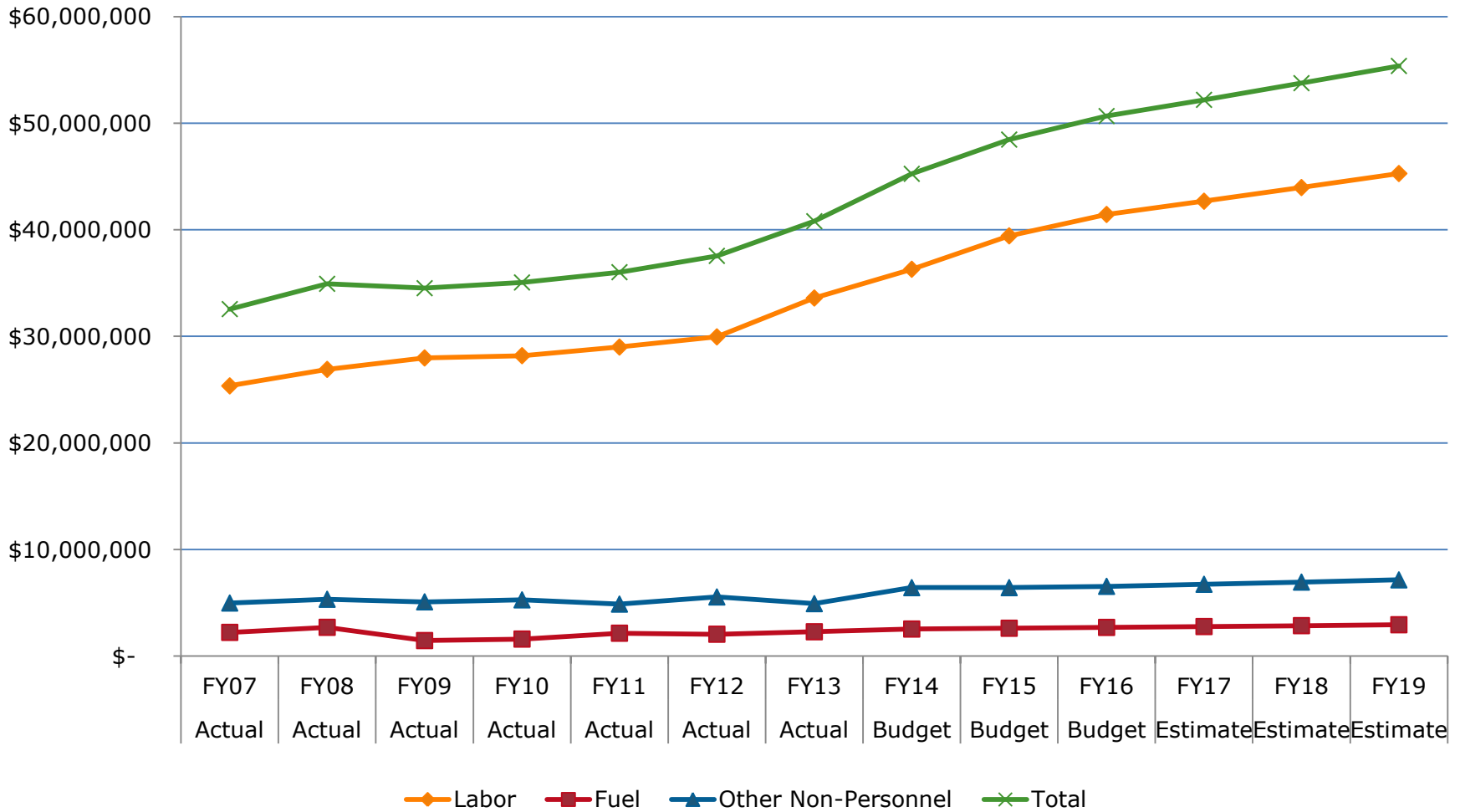
**\$26M**

**FY08 – FY14 Non-Recurring Revenue Used -**

**\$21.8M**

**- Reserves, STIC, STA**

# Major Budget Drivers



# How Did We Get Here... and Where We Are Going

- History of Contributing Factors
  - Prolonged Recession
  - Continued Higher Rate of Local Unemployment
    - Contributing to Sales Tax decline (FY08 – FY10)
    - Marginal Sales Tax Growth (FY11 – Current FY)
  - Growth in Revenues not Keeping Up with Expenses



## What Santa Cruz METRO Has Done **FY07 – Current**

- Reduction of Service
- Fare Restructuring
- Reduced Budget Expenditures by Department
- Delay in Filling Funded Personnel Vacancies
- Increased Use of Capital Eligible Funds in the Operating Budget such as:
  - STA
  - STIC
  - Reserves
  - Carryover
  - ARRA

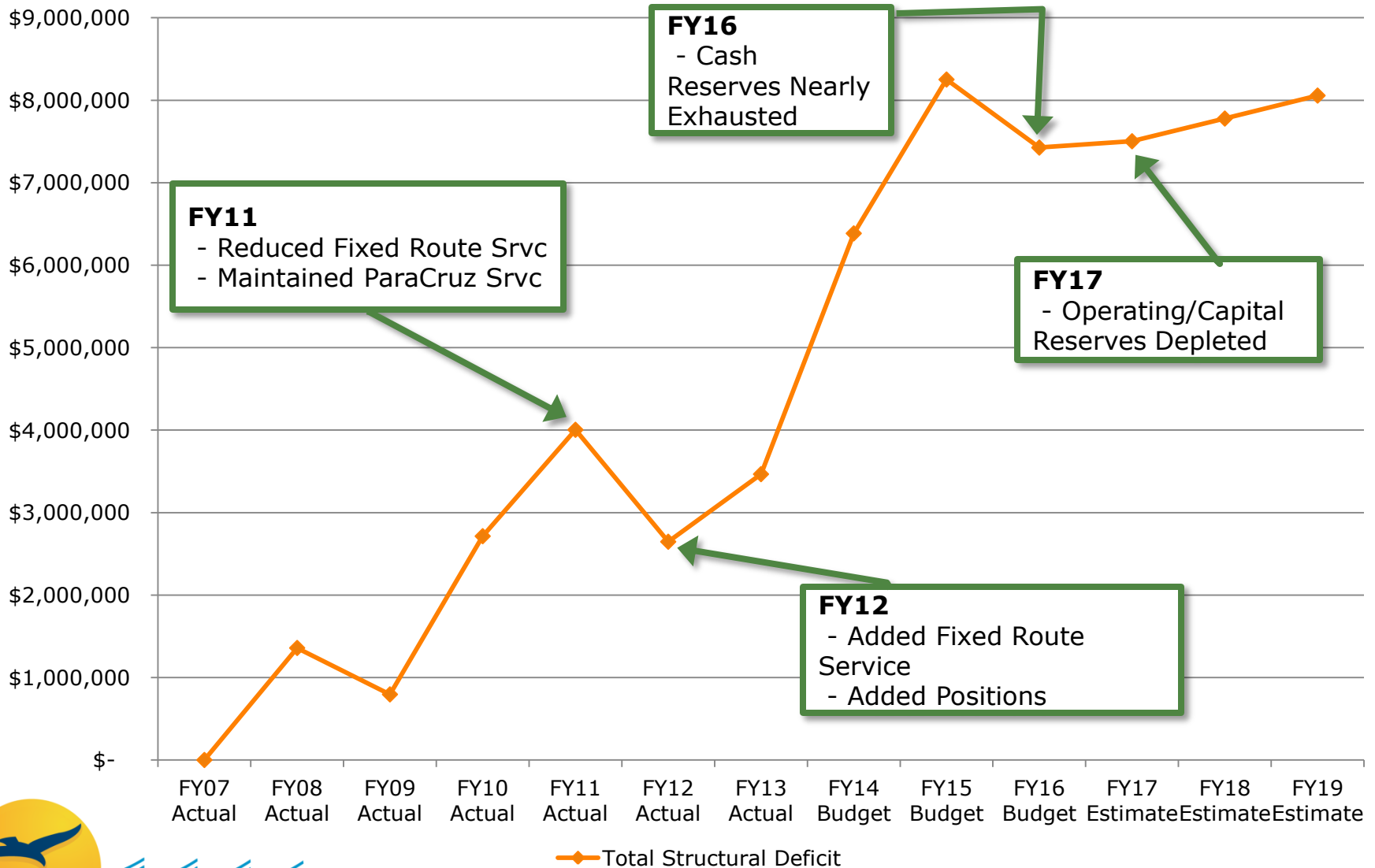
*NOTE: No reduction in Paratransit service over this period*

**How Bad is  
the Structural Deficit ...**

**How Bad Can  
the Structural Deficit Get?**

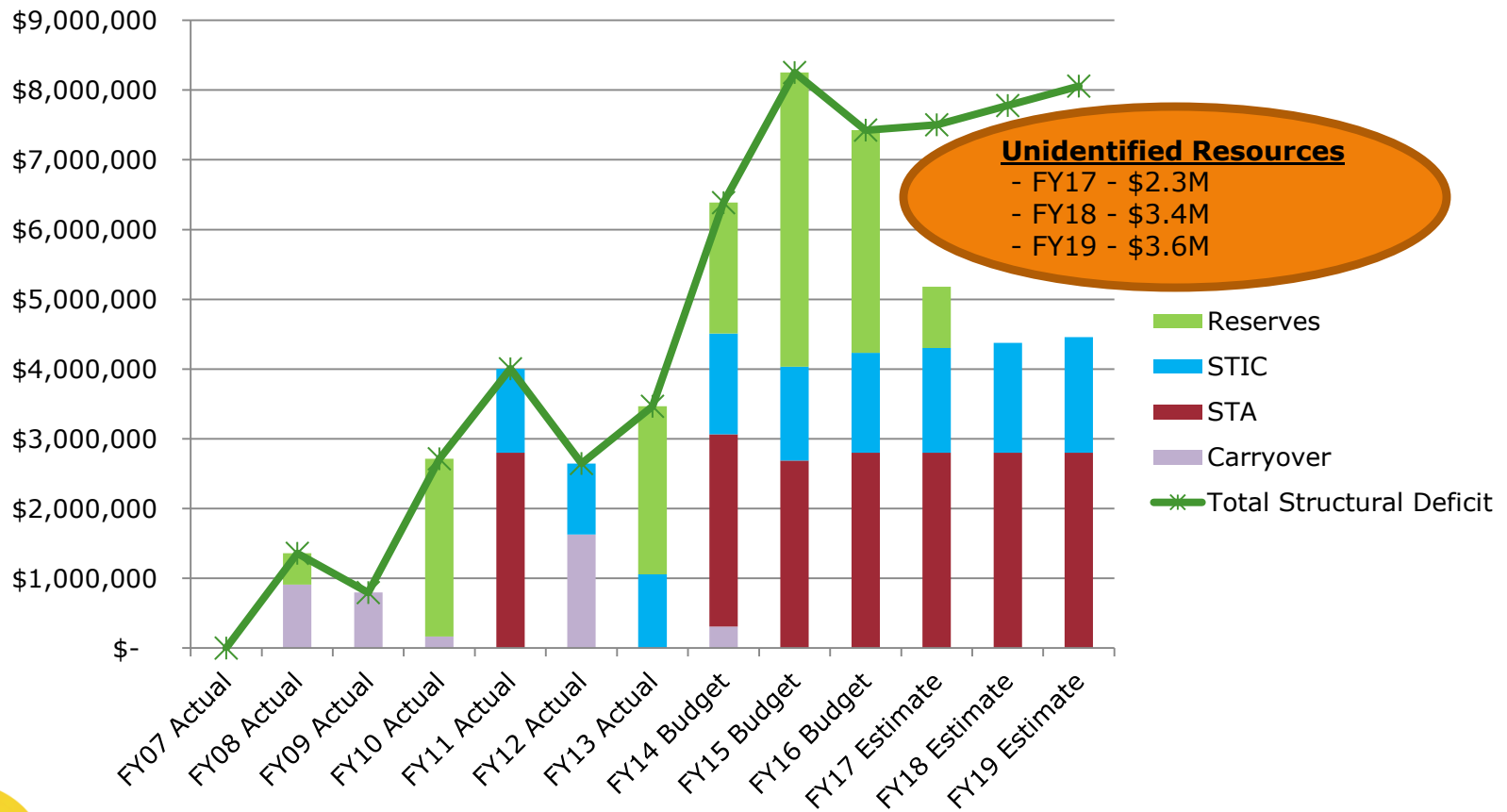
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# Structural Deficit Components (STA, STIC, Carryover, Reserves)



# Capital Eligible Funds

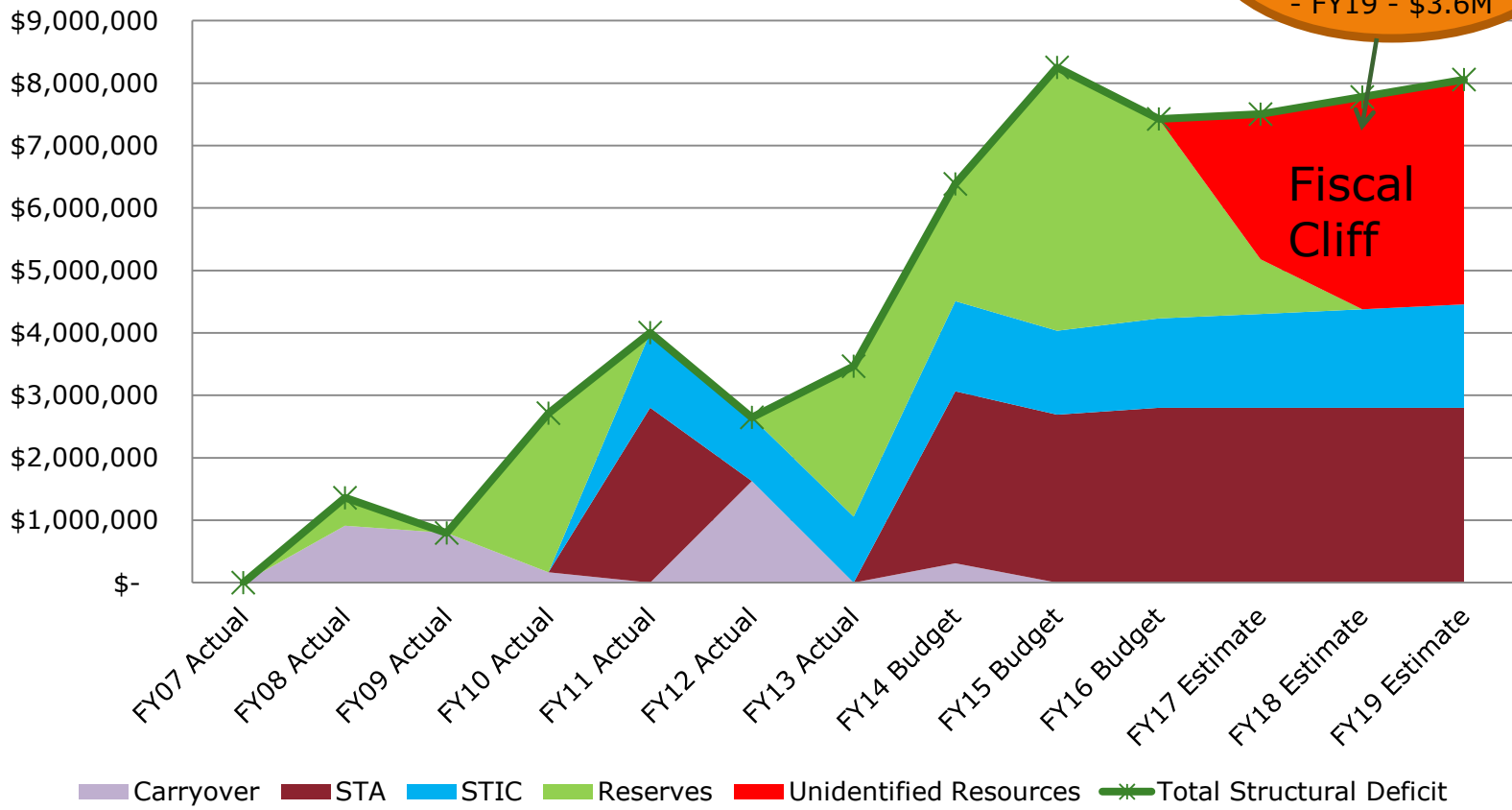
## Used to Backfill the Structural Deficit



# Capital Eligible Funds

## Used to Backfill the Structural Deficit

**Unidentified Resources**  
 - FY17 - \$2.3M  
 - FY18 - \$3.4M  
 - FY19 - \$3.6M



# Operating Reserves as of 06/30/13



Target: \$662K



Target: \$3.0M



Target: \$6.1M



Target: \$3.3M



# Estimated Operating Reserves as of 06/30/14



**Target: \$662K**



**Target: \$3.0M**



**Target: \$6.1M**



**Target: \$3.3M**



# Estimated Operating Reserves as of 06/30/15

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





# 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



# Cash Flow

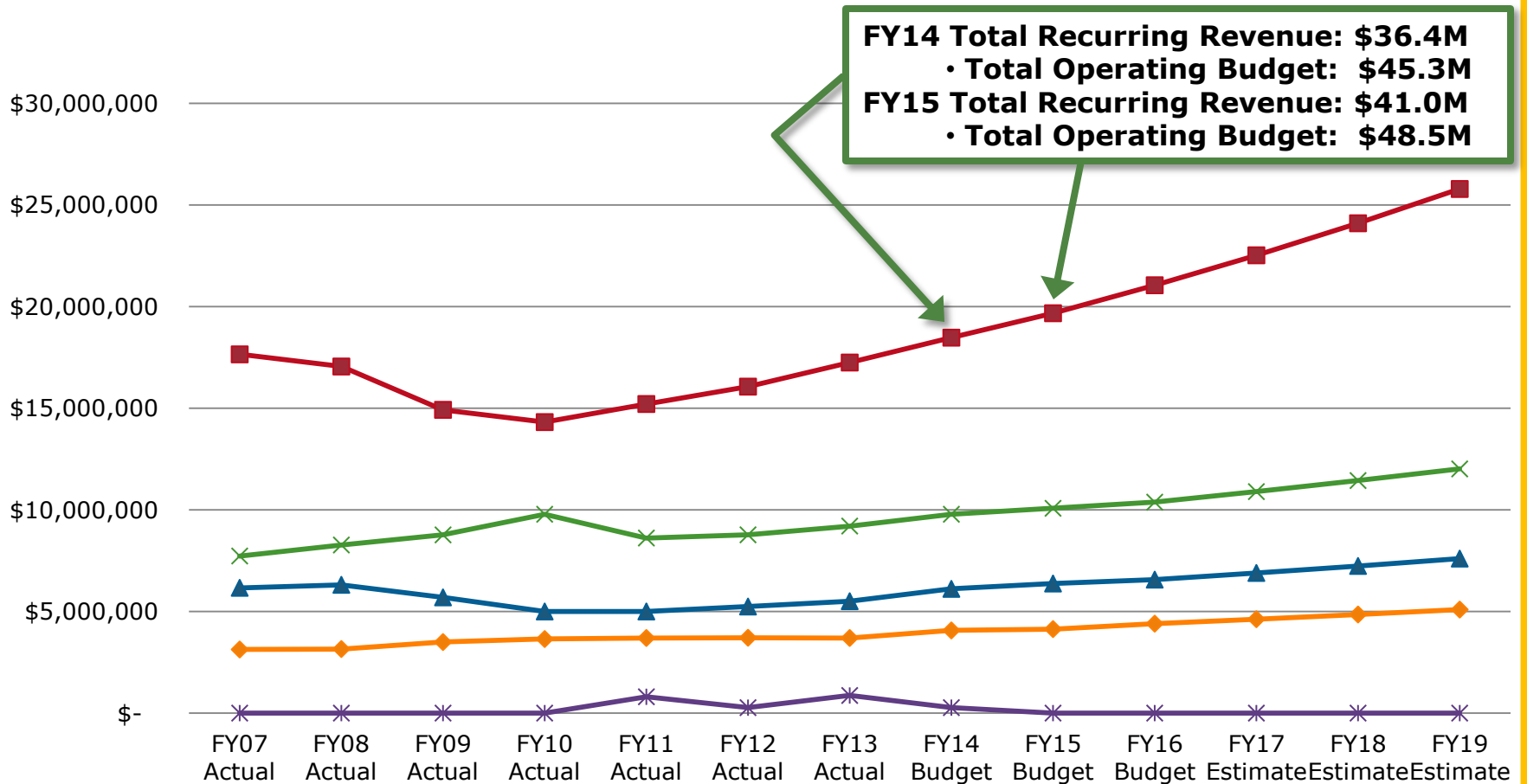
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# Reimbursement Delays

Grant	Date Spent	Date Reimbursed	Source*
1. FY13 FTA 5307 Operating	6/30/13	12/24/13	FTA \$5,511,909
2. FY14 FTA 5307 Operating	6/30/14	<i>est.</i> 12/31/14	FTA \$5,478,097
3. FY12 SLPP Capital	3/25/14	5/12/14	Caltrans \$ 522,294
4. FY14 FTA 5311	6/30/14	12/30/14	Caltrans \$ 212,267

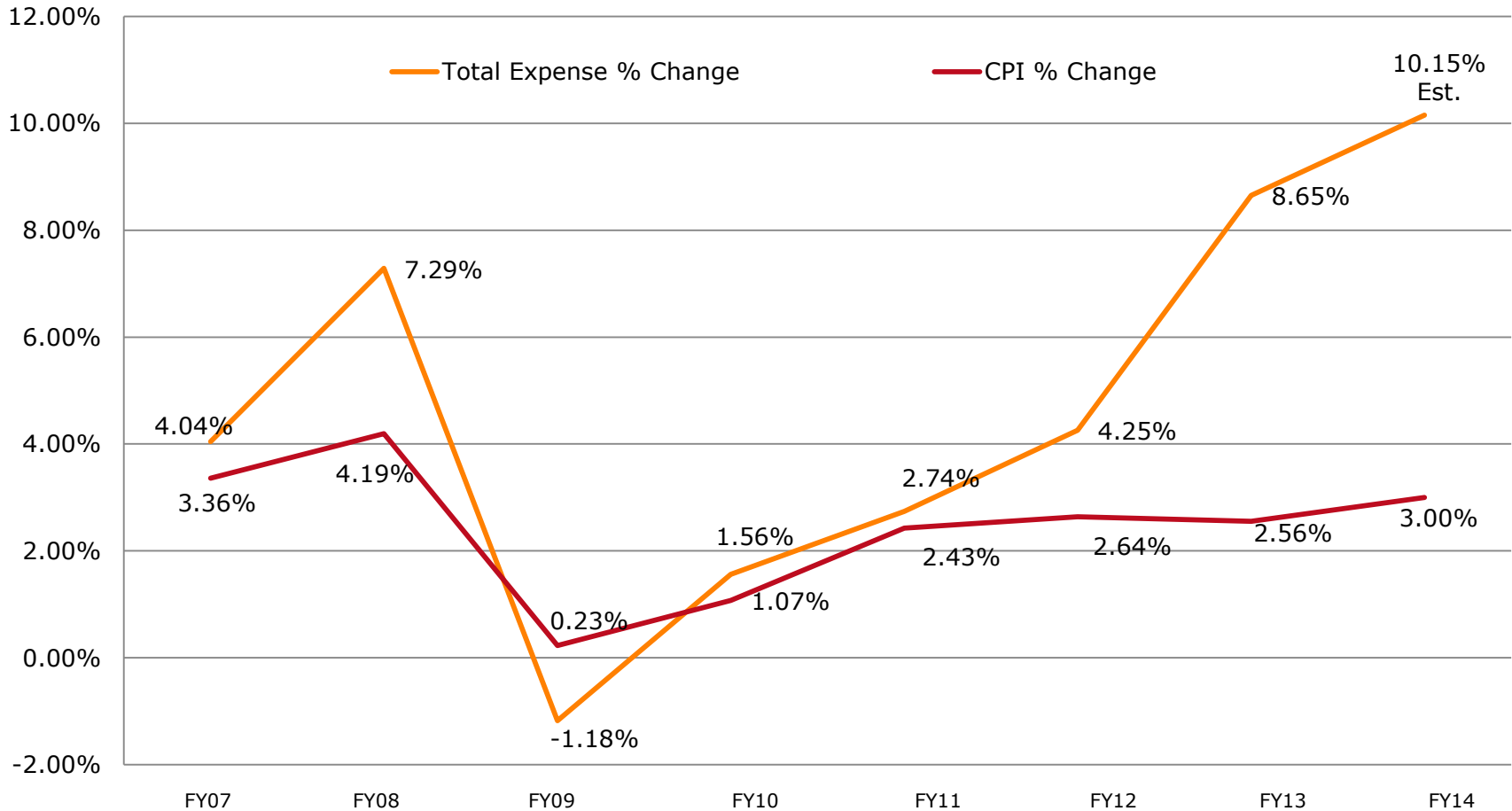
\* Capital Funded Projects require Santa Cruz METRO to advance the funds to pay invoices, and be reimbursed at a later date.

# Traditional Recurring Operating Revenue Components



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

# Total Expenses % Change vs. CPI % Change



**Consumer Price Index Source: Pacific Cities and US City Average**

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



# Revenue Discussion

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- New Revenues
  - ✓ Cap & Trade
- Potential Revenue Growth
  - ✓ STIC
  - ✓ Sales Tax
  - ✓ TDA

# Surface Transportation Plan

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- MAP-21

## 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 ?
<b>Total</b>	<b>\$4.2M</b>	<b>\$3.8M</b>	<b>\$5.1M</b>	<b>\$7.7M</b>	<b>\$10.7M</b>	<b>\$6.2M</b>	<b>\$6.2M</b>	<b>\$6.2M</b>

\* - CR = Continuing Resolution



# Grant Pipeline

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- Active Grants Funded with Reserves
- Capital Projects Funded with Reserves
- Anticipated Grants in FY15 & FY16

## Active FTA Capital Grants Received FY08 – FY13

Grant	Amount	Local Match *
FY13 FTA 5339 Capital (Vehicle Repl.)	\$ 454,116	\$ 112,981
FY12 FTA 5309 Capital (SGR#2)	\$ 2,814,538	\$ 676,479
FY08 FTA 5309 Capital (Pacific Sta.)	\$ 490,000	\$ 122,500
<b>Total -</b>	<b>\$3.8M</b>	<b>\$911K</b>

\* Local Match \$'s must come from the Operating/Capital Reserves Bucket and/or the Capital Restricted Funding Bucket.

# Capital Projects Funded with Reserves

(No Grant Funding)

	Amount *
FY14 – Capital Projects	\$ 633K
FY15 – Capital Projects	\$ 86K
<b>Total -</b>	<b>\$ 719K</b>

\* Amount \$'s must come from the Operating/Capital Reserves Bucket and/or the Capital Restricted Funding Bucket.

## Anticipated Grants for FY15 & FY16

Grant	Amount	Local Match *
2014 FTA 5309 Ladders of Opportunity (Bus Replacement - 5) - Application Pending	\$ 2,460,750	\$ 434,250
2014 FTA 5309 Ladders of Opportunity (Farebox, AVL, APC) - Application Pending	\$ 3,005,622	\$ 751,406
FY14 FTA 5339 Capital (Vehicle Repl.)	\$ 454,116	\$ 112,981
FY15 FTA 5304 Planning (Intern)	\$ 50,000	\$ 12,500
<b>Total -</b>	<b>\$6.0M</b>	<b>\$1.3M</b>

\* Local Match \$'s must come from the Operating/Capital Reserves Bucket and/or the Capital Restricted Funding Bucket.

# Questions