



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole
Meeting of June 25, 2009

From: Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **APPROVE ADOPTION OF THE FY 09/10 OPERATING AND CAPITAL BUDGETS**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the Fiscal Year (FY) 09/10 Proposed Operating and Capital Budget and the following items as contained in the budget:

- a. District goals, projects, and accomplishments;
- b. Changes to the Reserve Structure; and,
- c. Table of Organization.

Summary

This report is identical to the one presented at the May 21st Finance-Auditing Committee meeting. Answers to questions asked by Committee members during the May 21st meeting are attached to the end of this report. The "Proposed Budget Fiscal Year 2009-2010" was issued to the Board during the May 22nd Board Meeting and is available to the public on our website.

The FY 09/10 Proposed Budget is a policy document that identifies the strategic direction and priorities of the Board of Directors for the budget year. The proposed budget is the implementation tool for the Board's policy directions that were developed in its long-term Strategic Financial Plan. It carries out the stated mission of the District within the bounds of that Strategic Financial Plan. The budget includes:

- Operating Budget revenues of \$161.3 million;
- Operating Budget expenditures of \$170.1 million;
- Capital Budget revenues of \$37.7 million;
- Capital Budget expenditures of \$43 million; and,
- District reserves are budgeted to be used to fund the FY 09/10 Operating Budget shortfall of \$8.8 million and District share of the Capital Budget of \$5.3 million.

This report is a summary of the development process and general overview of the FY 09/10 Proposed Budget. Staff will present an overview of the Budget at the Finance-Committee meeting with discussion and Q&A at the subsequent Finance-Committee meetings if requested by the Committee. Final adoption is preliminarily scheduled for the Board of Directors meeting of June 26, 2009.

Summary Information on the Proposed Budget

Operating Budget

The FY 09/10 Proposed Operating Budget contains \$170.1 million in expenses and \$161.3 million in revenue. This budget does not include a salary increase for Coalition-represented employees, due to ongoing negotiations, or for non-represented employees. The proposed budget does include a negotiated 3% COLA salary increase for ATU represented employees and changes to the District reserves structure. There is no net impact to the Table of Organization.

The proposed operating budget decreases the projected deficit for FY 09/10 from \$11 million to \$8.8 million. This decrease is almost entirely due to not budgeting salary increases for Coalition-represented and non-represented employees. As discussed at the Board's April 10, 2009, Finance Workshop, the FY 09/10 Proposed Budget is a baseline budget that continues current services, Bridge, Bus and Ferry operations, and the capital program. It is a starting point to keep the operations running while the Board and staff determine the nature, magnitude and timing of the steps that need to be taken to reduce the long-term deficit, guide the District to a healthy, sustainable financial condition and ensure replenishment of the necessary reserve accounts.

Capital Budget

The FY 09/10 Proposed Capital Budget includes an expenditure of \$43 million, funded with \$5.3 million District funds and \$37.7 million federal, state and local grant funds, to support implementation of 75 new and continuing projects necessary to maintain existing services and facilities and to further high priority safety and security projects. Of the proposed program, 59% of expenditures proposed by the budget fund the Golden Gate Bridge seismic retrofit activities, 5% fund Bridge safety and security projects, 12% fund Bus replacement and Bus facilities projects, 21% fund Ferry, Ferry facilities rehabilitation projects and dredging, and 3% fund various other projects. The FY 09/10 Proposed Capital Budget contains estimates of project expenditures for FY 08/09 and assumes completion of several projects by June 30, 2009. At printing, the FY 09/10 Adopted Capital Budget will include adjustments to reflect any carryover in unspent project funds and will also carryover any projects not completed. The proposed FY 09/10 Capital Budget detail can be found in Appendix C of the Proposed Budget Book document.

Use of Reserves

The proposed FY 09/10 Operating and Capital Budget results in the use of \$14.1 million in reserves to cover the projected operating deficit and the District's portion of capital expenditures. As an offset to this \$14.1 million reserve spending, the FY 09/10 Proposed Budget also includes \$20.9 million in transfers to reserves resulting in a net reserve increase of \$6.8 million. Although the proposed FY 09/10 Operating and Capital Budget is projected to increase reserves, the amount available for operating and capital expenditures is projected to decrease as some of the growth in reserves is intended to fund specific liability reserve requirements. This budget proposes a new reserve for funding the capital plan, the Capital Plan Reserve, to make it clear to the public which funds are set aside for that purpose. It will be set each year at 98% of the available net unrestricted assets after other reserves are funded.

Fiscal Impact

The FY 09/10 Budget projects Operating Revenues of \$161.3 million and Capital Revenues of \$37.7 million and provides a spending plan for \$170.1 million in Operating Expenses and \$43 million in Capital Expenditures. The \$14.1 million deficit will be funded through reserves.

Attachment: Questions and Answers

ATTACHMENT

Answers to Questions on Proposed FY 09/10 Budget

Question No. 1: What percent of toll revenues fund the District's expenses for FY 08/09?

Answer: 53% of toll revenues fund the District's expenses, compared to 59% next year (FY 09/10).

Question No. 2: What percent of Transit expenses are subsidized by toll revenues?

Answer: Approximately 46% of the Transit expenses are subsidized by toll revenues.