

March 23, 2012

To: Executive Board

Subject: **February Financial Statements and Investment Summary**

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### **Recommendation**

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2012.

### **Analysis**

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the first eight months of the fiscal year ending June 30, 2012.

Foothill Transit's cash position of \$61.8 million is \$1.2 million less than the previous month. This decrease of cash is the net change between the uses of cash and sources of cash. Uses of cash include a decrease in amounts due from governmental agencies of \$5.7 million. Sources of cash include an increase in accounts payable of \$3.2 million, a decrease in deferred revenue of \$300,000 and excess operating revenues over expenditures of \$900,000.

February 2012 fare revenues were \$1.51 million, which were \$93,000 more than January revenues and 6.20 percent more than the year-to-date budgeted amount. This is a continuation of the trend established in the prior fiscal year even though budgeted FY 2012 fare revenue estimates were approximately ten percent higher than FY 2011 levels. Ridership has remained relatively flat for more than a year, very similar to the economy. This continues to be good news, indicating the economy may be stabilizing with hopes of future improvements.

Operating costs through February were \$40.53 million, which is \$4.2 million less than the budget. These costs are \$1.1 million or three percent higher than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

### **Balance Sheet Analysis (Attachment A):**

#### Assets

The balance sheet as of February 29, 2012 shows total assets at \$228.9 million. This total consists primarily of \$153.00 million in fixed assets and \$61.8 million in cash and investments. The cash and investments balance includes \$5.0 million invested in the Local Agency Investment Fund (LAIF); \$22.5 million in non-interest bearing accounts held with Bank of the West; \$20.1 million in an interest bearing account with Bank of the West; \$5.2 million with Chase; \$4.0 million with Bank of the West and \$2.9 million with

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Wells Fargo invested in FDIC insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of February 2012 was 0.389 percent; slightly more than the previous month's rate of 0.385 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than two years, LAIF interest rates have continued a downward trend with small increases from time to time.

Liabilities

The accounts payable balance is \$9.5 million. \$3.4 million of this amount represents the amount due and payable to the contractors for January and February services. Other amounts payable include fuel costs of \$657,000, bus purchase of \$1.8 million, \$427,000 due Metro for stored value sales and \$50,000 for the Monrovia Dial-A-Ride.

**Operating Revenue and Expense Analysis** (Attachment C):

Fare Revenue

February 2012 fare revenue of \$1.51 million was 5.21 percent more than the monthly budgeted amount and \$93,000 more than the previous month. Average monthly revenues through February are \$1.5 million which is \$36,700 or 2.54 percent more than the prior year monthly average. February year-to-date revenues of \$12.2 million are 6.20 percent more than the budgeted amount and \$830,000 more than the prior fiscal year. These could be indicators that the economy is neither improving nor weakening, even though recent indicators have indicated everything but a stable economy.

State and Local Funding Subsidies of \$36.0 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 5.77 percent more than planned for in the budget. The major factor contributing to this increase was Measure R funding. Foothill Transit has sufficient funds to meet all of its obligations.

Expenses

February year-to-date operating expenses were \$40.5 million, compared with the budget of \$44.8 million. This difference of approximately \$4.2 million resulted in a 9.46 percent favorable variance. The majority of this favorable variance is the result of \$1.6

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million in lower than budgeted service cost and fuel cost savings of \$1.6 million, with the balance spread over several departments and not attributable to any one account. It should be noted that the February 2012 year-to-date expenses of \$40.5 million are \$1.1 million more than the prior fiscal year.

Farebox Recovery Ratio

The February 2012 year-to-date farebox recovery ratio was 29.27 percent; 3.31 percent more than the performance target of 25.96 percent. The farebox recovery ratio was derived by dividing the total fare revenue (adjusted for the EZ Transit Pass revenue) figure of \$11,865,164 by the total operating expense figure of \$40,531,562. This ratio has increased 0.23 percent from the January 2012 figure of 29.04 percent.

Sincerely,



Richard Hasenohr  
Director of Finance



Doran J. Barnes  
Executive Director

Attachments

Foothill Transit  
Balance Sheet  
As of February 29, 2012

**Assets**

## Current Assets:

Cash	\$ 42,648,990
Investments	19,154,282
Due from government agencies	11,889,909
Other receivables	1,917,343
Other assets	<u>279,643</u>
Total Current Assets	75,890,168
Property & Equipment (net of depreciation)	153,072,342
Total Assets	<u><u>\$ 228,962,510</u></u>

**Liabilities and Equity**

## Current Liabilities:

Accounts payable and accrued liabilities	\$ 9,492,301
Current portion of long term debt	1,000,000
Deferred Revenue	<u>34,628,072</u>
Total Liabilities	<u>45,120,373</u>

**Equity**

Investment in Fixed Assets (net):	
Fund Balance:	<u>183,842,137</u>
Total Equity	<u>183,842,137</u>
Total Liabilities and Equity	<u><u>\$ 228,962,510</u></u>

Summary of Cash and  
Investment Account  
For February 29, 2012

Cash:	Interest Rate	Term	Principal Amount/Book Value	Market Value
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$15,188,965	\$15,188,965
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Money Market	0.150%	Demand Deposit	10,019,753	10,019,753
Bank of the West-Money Market	0.250%	Demand Deposit	4,504,336	4,504,336
Bank of the West-Money Market	0.250%	Demand Deposit	4,901,514	4,901,514
Bank of the West-Excise Tax	N/A	Demand Deposit	7,374,259	7,374,259
Bank of the West-CTAF <sup>3</sup> Fund	0.750%	Demand Deposit	658,262	658,262
Subtotal Cash on Hand			<u>42,648,990</u>	<u>42,648,990</u>
 Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	5,156,492	5,156,492
Bank of the West-CDARS	N/A	Cert. of Deposit	4,000,000	4,000,000
Wells Fargo-CDARS	0.175%		2,988,000	2,988,000
Treasury Bills			1,998,787	1,998,787
LAIF Investment	0.381%	Demand Deposit	5,011,003	5,011,003
Subtotal Unrestricted Investments			<u>19,154,282</u>	<u>19,154,282</u>
Total Cash and Investments			<u><u>\$61,803,272</u></u>	<u><u>\$61,803,272</u></u>

**Notes:**

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

For Month Ended February 29 2012

	Actual February-12	Budget February-12	Variance Favorable (Unfavorable)	Actual February-11
<b>Operating Revenue</b>				
Farebox	\$7,531,698	\$7,813,067	(3.60%)	\$7,075,887
Pass Sales	2,084,722	1,772,267	17.63%	1,975,614
TAP Cash Purse	1,342,824	948,400	41.59%	1,508,643
MetroLink/Access Services	43,343	17,667	145.34%	19,649
EZ Transit Pass	1,204,577	943,600	27.66%	795,732
<b>Total Operating Revenue</b>	<b>12,207,164</b>	<b>11,495,000</b>	<b>6.20%</b>	<b>11,375,524</b>
<b>Non-Operating Revenue</b>				
FTA Sec 5307 Operating	1,311,569			1,986,602
FTA Sec 5307 ARRA				397,988
Transportation Development Act (TDA)	11,622,368	14,478,133	(19.72%)	9,339,049
STA	2,197,104	2,166,667	1.40%	5,280,754
Prop A 40% Discretionary	8,942,811	8,000,000	11.79%	8,493,857
Prop A & C Interest				(10,918)
Prop A 40% BSCP	2,531,192	1,933,333	30.92%	1,515,327
Prop C Base Restructuring	1,183,824	1,133,333	4.46%	1,160,728
Prop C BSIP	551,155	540,667	1.94%	540,400
Prop C Transit Service Expansion	197,275	193,333	2.04%	193,424
Transit Security-Operating	411,776	400,000	2.94%	362,507
Measure R Operating	5,852,896	4,193,333	39.58%	4,940,448
Excise Tax Credit				
Gain on Sale of Fixed Assets	3,154			
ARRA				
Auxiliary Revenue	1,199,274	1,000,000	19.93%	1,092,551
<b>Total Non-Operating Revenue</b>	<b>36,004,398</b>	<b>34,038,799</b>	<b>5.77%</b>	<b>35,292,717</b>
<b>Total Revenue</b>	<b>48,211,563</b>	<b>45,533,799</b>	<b>5.88%</b>	<b>46,668,241</b>
<b>Available Capital Funding</b>				
Capital Grants	11,495,397			14,539,394
Other				
<b>Total Revenue and Capital Funding</b>	<b>59,706,959</b>	<b>45,533,799</b>		<b>61,207,635</b>
<b>OPERATING EXPENSES</b>				
Operations	33,976,390	37,448,467	9.27%	33,412,064
Marketing and Communications	907,015	1,063,000	14.67%	775,624
Information Technology	1,017,078	1,159,333	12.27%	832,776
Administration	882,419	1,185,367	25.56%	1,291,214
Procurement	606,359	425,233	(42.59%)	
Sales and Service	1,153,608	1,165,600	1.03%	1,105,632
Finance	814,643	842,800	3.34%	681,064
Safety and Security	437,947	535,333	18.19%	414,513
Planning	333,272	457,733	27.19%	384,809
Building Management	402,831	484,267	16.82%	510,139
<b>Total Operating Expenses</b>	<b>40,531,562</b>	<b>44,767,133</b>	<b>9.46%</b>	<b>39,407,835</b>
<b>Capital and Other Expenses</b>				
Capital	11,501,590		N/A	14,569,339
Interest			N/A	
Dial-A-Ride	420,265		N/A	408,292
Special Services	131,384		N/A	197,317
Other Misc. expense	99,694		N/A	38,090
<b>Total Capital and Other Expenditures</b>	<b>12,152,933</b>		<b>N/A</b>	<b>15,213,038</b>
<b>Increase (Decrease) of Revenues Over Expenditures</b>	<b>\$ 7,022,464</b>			<b>\$ 6,586,762</b>