



February 27, 2015

To: Executive Board

Subject: **FY2014/2015 Second Quarter Budget Update**

Recommendation

Receive and file the Second Quarter Budget Update for the fiscal year ending June 30, 2015.

The attached Departmental Second Quarter Budget Result summarizes Foothill Transit's expenditures through the second quarter and provides a forecast to complete the fiscal year.

FY2014/2015 Budget Update

Operating Budget Update

As of December 31, 2014, Foothill Transit is \$2.7 million under the approved operating budget of \$38.4 million. After reviewing the second quarter budget and expenditures, Foothill Transit forecasts to end the fiscal year approximately \$3.9 million under the approved operating budget of \$77.2 million.

When the budget was prepared in May 2014, overall expenses increased by 15% primarily due to uncertainty in choosing a new operating contractor for the Arcadia operation. The current level of actual expenditures indicates that the actual year-over-year increase will be closer to 7% instead of the anticipated 15%. Budget increases in salary, wages, and benefits due to adoption of the retirement program for all employees, liability insurance due to addition of property insurance for the Industry Park and Ride structure, completion of the Comprehensive Operational Analysis, and procurement legal fees for both the Arcadia contract and the CAD/AVL system contributed to this budget increase.

Capital Budget Update

As of December 31, 2014, Foothill Transit has expended \$20.7 million on capital projects. The FY2014/2015 budget included \$136.2 million of approved capital projects; \$22.2 million spent prior to FY2014/2015, \$62.4 million for on-going projects and \$51.6 million for new projects. The expected cash flow for FY2014/2015 is \$49.1 million. Major projects include



procurement of 60 CNG buses, two electric buses, replacement of the CAD/AVL system for all 330 Foothill Transit buses, and construction of the Azusa Park and Ride lot.

FY2015/2016 Business Plan and Budget Schedule

Plans are underway for development of the FY2015/2016 Business Plan and Budget. A call for capital projects was conducted during December and January, and a total of 14 new capital project requests were received for FY2015/2016. The requests are currently under review by the management team for consideration in the FY2015/2016 Business Plan. The capital call also included future year capital projects with the goal of establishing a five-year capital plan.

The results of the quarterly review of operating costs and adoption of the budget initiatives will be the basis for developing the operating budget for FY2015/2016. Operating contracts are expected to increase by CPI as per contract agreement. Operating cost increases for additional service are also tentatively planned to be included in the new budget.

New positions are being considered for Safety and Security to keep pace with the national priorities for regional public transit safety initiatives and for Finance to improve grant productivity with the increasing grant requirements for safety and security grants, Cap and Trade grant requirements through the State of California, and regional grant opportunities.

Budget analysis and development will begin in March 2015 for presentation to the Executive Board in April 2015 and adoption by the Governing Board in May 2015.

Sincerely,

Michelle Caldwell
Director of Finance

Doran J. Barnes
Executive Director

Attachment



FY2014/2015 Departmental Second Quarter Budget Result

	DEPARTMENTS	Actual Y-T-D	Budget Y-T-D	Variance Y-T-D	Annual Budget	Annual Forecast	Estimated Variance from Budget
1	Customer Service & Operations	\$30,807,494	\$32,438,844	\$1,631,350	\$65,268,600	\$61,797,963	\$3,470,637
2	Maintenance & Vehicle Technology	301,439	341,310	39,871	682,600	664,906	17,694
3	Marketing	632,051	827,424	195,373	1,654,800	1,578,649	76,151
4	IT	674,899	938,304	263,405	1,876,600	1,838,928	37,672
5	Administrative	1,316,160	1,417,716	101,556	2,835,400	2,770,945	64,455
6	Procurement	333,006	410,154	77,148	820,300	810,009	10,291
7	Finance	466,960	542,802	75,842	1,043,600	1,016,711	26,889
8	Planning	592,134	880,350	288,216	1,760,700	1,444,334	316,366
9	Facilities ¹	610,031	659,352	49,321	1,318,670	1,342,997	(24,327)
10	TOTAL	\$35,734,175	\$38,456,256	\$2,722,081	\$77,261,270	\$73,265,443	\$3,995,827

¹ The variance in Facilities is a result of the shift of functional responsibilities with the formation of Foothill Transit.