

October 28, 2011

To: Executive Board

Subject: **Fiscal Year 2012 Financial Statements and Investment Summary –
September 2011**

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 three months of the fiscal year ending June 30, 2012.

Foothill Transit's cash position of \$51.0 million is \$4.5 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 an increase is due from other governments of \$3.7 million and decrease in accounts payable of \$3.0 million. Sources of cash include a decrease in accounts receivable of \$560,000 and an excess of operating revenues over expenditures of \$1.6 million.

September 2011 fare revenues were \$1.80 million, which included \$342,000 of prior year EZ Transit Pass revenue. Adjusting for the EZ Transit Pass revenue, the September revenue is \$1.46 million. This is \$6,000 less than the August fares and 1.32 percent more than the monthly budgeted amount. This is a continuation of the trend established in the prior fiscal year even though revenue estimates were increased approximately ten percent. Fare revenues have remained relatively flat for more than a year, very similar to the economy. Ridership remaining flat during this point in the state's economic condition may signal improved ridership and fare revenues when the economy shows signs of a permanent improvement.

Operating costs through September were \$15.5 million, which is \$1.2 million less than the budget. These costs are \$198,000 or 1.3 percent more 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 September 30, 2011 shows total assets at \$214.3 million. This total consists primarily of \$150.1 million in fixed assets and \$51.0 million in cash and investments. The cash and investments balance includes \$5.0 million invested in the

Executive Board Meeting – 10/28/10
Fiscal Year 2012 Financial Statements and Investment Summary
Page 2

Local Agency Investment Fund (LAIF); \$23.1 million in non-interest bearing accounts held with Bank of the West; \$10.6 million in an interest bearing account with Bank of the West; \$3.3 million with Chase; \$4.0 million with Bank of the West and \$2.9 million with 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 September 2011 was 0.378 percent; slightly less than the previous month's rate of 0.408 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.

Liabilities

The accounts payable balance is \$3.9 million. \$1.9 million of this amount represents the amount due and payable to the contractors for August and September services. Other amounts payable include fuel costs of \$534,000, and \$427,000 due Metro for stored value sales.

Operating Revenue and Expense Analysis (Attachment C):

Fare Revenue

Adjusted September 2011 fare revenue of \$1.46 million was 1.32 percent more than the monthly budgeted amount and \$5,000 less than August 2011 revenue. The September amount is \$17,500 or 1.21 percent more than the prior year monthly average.

While September revenues are slightly less than the prior month and more than the prior year monthly average, the September revenues are 1.88 percent more than the amount budgeted and very close to the fiscal year 2011 monthly average. 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 \$13.8 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 8.9 percent more than planned for in the budget. This is the results of receiving grant subsidies that were delayed at the beginning of the fiscal year. Foothill Transit has sufficient funds to meet all of its obligations.



Expenses

September 2011 year to date operating expenses were \$15.5 million, compared with the budget of \$16.81 million. This difference of approximately \$1.2 million resulted in a 7.4 percent favorable variance. The majority of this favorable variance is the result of lower than budgeted service cost of \$640,000 and fuel cost savings of \$335,000, with the balance spread over several departments and not attributable to any one account. It should be noted that the September 2011 year to date expenses of \$15.55 million are \$198,000 more than the prior fiscal year.

Farebox Recovery Ratio

The September 2011 year to date farebox recovery ratio was 28.24 percent; 2.28 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 \$4,391,505 by the total operating expense figure of \$15,552,431. This ratio has increased 0.16 percent from the August 2011 figure of 28.08 percent.

Sincerely,

Richard Hasenohrl
Director of Finance

Doran J. Barnes
Executive Director

Attachments

Foothill Transit
Balance Sheet
As of September 30, 2011

Assets

Current Assets:

Cash	\$ 33,738,289
Investments	17,294,659
Due from government agencies	11,423,253
Other receivables	1,469,318
Other assets	<u>329,122</u>
Total Current Assets	64,254,640
Property & Equipment (net of depreciation)	<u>150,064,566</u>
Total Assets	<u><u>\$ 214,319,206</u></u>

Liabilities and Equity

Current Liabilities:

Accounts payable and accrued liabilities	\$ 3,905,484
Current portion of long term debt	1,000,000
Deferred Revenue	<u>32,772,821</u>
Total Liabilities	<u>37,678,305</u>

Equity

Investment in Fixed Assets (net):	
Fund Balance:	<u>176,640,901</u>
Total Equity	<u>176,640,901</u>
Total Liabilities and Equity	<u><u>\$ 214,319,206</u></u>

Summary of Cash and
Investment Account
For September 30, 2011

Cash:	Interest Rate	Term	Principal Amount/Book Value	Market Value
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$11,991,685	\$11,991,685
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%		10,014,132	10,014,132
Bank of the West-Excise Tax	N/A	Demand Deposit	7,374,259	7,374,259
Bank of the West-CTAF ³ Fund	0.750%	Demand Deposit	657,989	657,989
Bank of the West-Bus. Checking	N/A	Demand Deposit	3,698,323	3,698,323
Subtotal Cash on Hand			<u>33,738,289</u>	<u>33,738,289</u>
 Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	3,309,097	3,309,097
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			1,996,158	1,996,158
LAIF Investment	0.381%	Demand Deposit	5,001,404	5,001,404
Subtotal Unrestricted Investments			<u>17,294,659</u>	<u>17,294,659</u>
Total Cash and Investments			<u>\$51,032,947</u>	<u>\$51,032,947</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

Foothill Transit
Statement of Revenue and Expense
For Month Ended September 30, 2011

	Actual September -11	Budget September -11	Variance Favorable (Unfavorable)	Actual September- 10
Operating Revenue				
Farebox	\$2,799,075	\$2,929,900	(4.47%)	\$2,751,461
Pass Sales	759,376	664,600	14.26%	666,541
TAP Cash Purse	485,306	355,650	36.46%	553,081
MetroLink	12,893	6,625	94.61%	7,421
EZ Transit Pass	676,855	353,850	91.28%	295,732
Total Operating Revenue	4,733,505	4,310,625	9.81%	4,274,236
Non-Operating Revenue				
FTA Sec 5307 Operating	734,633			
FTA Sec 5307 ARRA				
Transportation Development Act (TDA)	4,358,388	5,429,300	(19.72%)	
STA	1,077,526	812,500	32.62%	3,185,196
Prop A 40% Discretionary	3,353,555	3,000,000	11.79%	
Prop A & C Interest				864,491
Prop A 40% BSCP	949,197	725,000	30.92%	135,940
Prop C Base Restructuring	443,934	425,000	4.46%	435,273
Prop C BSIP	206,683	202,750	1.94%	72,533
Prop C Transit Service Expansion	73,978	72,500	2.04%	202,649
Transit Security-Operating	154,416	150,000	2.94%	956,331
Measure R Operating	2,194,836	1,572,500	39.58%	1,852,668
Excise Tax Credit				
Gain on Sale of Fixed Assets				
ARRA				761,956
Auxiliary Revenue	313,229	375,000	(16.47%)	354,309
Total Non-Operating Revenue	13,860,375	12,764,550	8.58%	8,821,345
Total Revenue	18,593,881	17,075,175	8.89%	13,095,581
Available Capital Funding				
Capital Grants	951,502			6,034,717
Other				
Total Revenue and Capital Funding	19,545,382	17,075,175		19,130,298
OPERATING EXPENSES				
Operations	12,974,020	14,043,175	7.61%	12,928,228
Marketing and Communications	321,839	398,625	19.26%	375,950
Information Technology	550,258	434,750	(26.57%)	315,625
Administration	409,579	444,513	7.86%	521,008
Procurement	110,488	159,463	30.71%	
Sales and Service	437,190	437,100	(0.02%)	419,908
Finance	323,134	316,050	(2.24%)	272,291
Safety and Security	159,941	200,750	20.33%	157,405
Planning	113,091	171,650	34.12%	171,945
Building Management	152,891	181,600	15.81%	191,733
Total Operating Expenses	15,552,431	16,787,675	7.36%	15,354,093
Capital and Other Expenses				
Capital	993,815		N/A	6,154,295
Interest			N/A	
Dial-A-Ride	181,524		N/A	44,271
Special Services	8,426		N/A	145,244
Other Misc. expense	(19,818)		N/A	14,827
Total Capital and Other Expenditures	1,163,947		N/A	6,358,637
Increase (Decrease) of Revenues Over Expenditures	\$ 2,829,005			\$ (2,582,432)