

ITEM 12-B.8

(9 PAGES)

**POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION**

RESOLUTION

MOTION: _____

**RESOLUTION NO. 09-07-____
OFFICIAL COMMISSION MEETING
JULY 17, 2008**

SECOND: _____

RE: APPROVAL OF PRTC'S FY 2010 BUDGET GUIDELINES

WHEREAS, the Potomac and Rappahannock Transportation Commission (PRTC) must develop and adopt an operating and capital budget each year for PRTC; and

WHEREAS, the budget presentation process begins with the development of budget guidelines to steer budget formulation; and

WHEREAS, FY 2010 budget guidelines have been developed for PRTC that are attached hereto.


NOW, THEREFORE, BE IT RESOLVED that the Potomac and Rappahannock Transportation Commission does hereby adopt the FY 2010 budget guidelines attached hereto.



Potomac and Rappahannock
Transportation Commission

14700 Potomac Mills Road
Woodbridge, VA 22192

July 17, 2008

TO: Chairman Jones and Commissioners
FROM: Alfred H. Harf 
Executive Director
RE: PRTC FY 2010 Budget Guidelines

Recommendation:

Adopt the guidelines recommended by PRTC management for formulating the proposed FY 2010 PRTC budget.

Background:

Each fiscal year the budget preparation process begins with the development and adoption of budget guidelines to ensure that management and the Board are in harmony on the policy matters that will shape the eventual budget. The budget preparation process has been refined in the past few years to better integrate the VRE and PRTC efforts, since there are common sources of funding for the two service providers such that certain policy matters are best decided by considering the two budgets in tandem. This year for the first time, the two sets of proposed guidelines essentially parallel one another – VRE's proposed FY 2010 budget guidelines were considered and adopted by the VRE Operations Board at the Board's June meeting¹ and PRTC's proposed guidelines are being presented for the PRTC Board's consideration at this month's meeting.

The proposed guidelines are attached, with some described in detail below.

1. New/expanded bus services in FY 2010 and beyond. As this staff report is being prepared, the outcome of the General Assembly special session remains uncertain. Whether supplemental state transportation funding is an end result obviously bears directly on the wherewithal of PRTC's member jurisdictions to sponsor

¹ VRE's long-standing practice has been to seek only the VRE Operations Board's approval of its budget guidelines, so the FY 2010 guidelines approved by the VRE Operations Board in June are appended here for information only.

new/expanded services. Accordingly, PRTC management proposes to tailor its "new/expanded service" accommodations in the FY 2010 proposed budget and accompanying five year plan based in part on the outcome of the special session. Stated differently, the extent to which new/expanded services are incorporated in the FY 2010 budget/five year plan will depend on whether the special session has a fruitful outcome. The magnitude of new/expanded services would be governed by the amount of supplemental state transportation funding (if any), and the content of such services shaped by the Commission's previously adopted short and long range bus service plans.

Irrespective of whether new/expanded services are incorporated as described above, PRTC management proposes to incorporate: (1) a larger "revenue hours" allowance into the FY 2010 budget than in years past – 20 daily revenue hours in contrast to the 14 daily revenue hours incorporated in the FY 2009 and earlier year budgets -- to alleviate overcrowding on existing services, make running time adjustments as necessary to compensate for growing traffic congestion, and to reinstate more time for existing local bus service deviations; and (2) whatever bus services VDOT agrees to sponsor as HOT lanes-related TDM measures.

2. Bus purchases – replacements/expansions. Management proposes to incorporate funding for bus purchases as required to: (1) replace retirement-age buses in the active fleet, including buses now in the contingency fleet that can be expected to become part of the active fleet in order to remedy overcrowding in FY 2010 or sooner; and (2) permit the timely delivery of buses for incorporated new / expanded services as discussed above.
3. Bus mid-life overhauls. Continuing PRTC's practice of mid-life bus overhauls to keep the fleet in a state of good repair, management proposes to incorporate funding in FY 2010 to overhaul the nineteen 2002-vintage MCI buses that were not funded for overhaul in FY 2009, and in the out-years as necessary for timely mid-life overhauls of other parts of the fleet as required.
4. Additional staffing in the Finance and Grant/Project Management Departments. In the Finance Department, the proposed position would be an additional "accountant" position to lessen the strains this Department is experiencing as the scope of PRTC's operation has grown. Headcount in this Department has remained unchanged for the past eight years, during which time the operating and capital budgets and their attendant financial transactions have grown dramatically (by nearly fourfold - from

\$9,394,508 in FY 2001 to \$36,294,631 in FY 2009). The volume of financial transactions don't tell the whole story – responsibilities and the volume of work have also been impacted by the increased audit / review requirements related to (1) more stringent audit standards related to risk assessment in financial statement audits and (2) the National Transit Database (NTD) annual report (PRTC recently crossed the threshold of 100 or more vehicles operated in maximum service, requiring additional annual auditor review and more exacting audit requirements).

Frankly speaking, the additional position in the Finance Department could have been justified sooner, but was not sought because management thought it could handle the workload by relying on contracted accounting support while the implementation of the new financial accounting system (MUNIS) and the one-time work efforts associated with the transition from tokens to SmarTrip were in progress. The results were disappointing, however, and conclusively demonstrated that supplementation of the in-house staff as proposed would be more cost-effective going forward. Existing staffing levels are clearly inadequate for the work that needs to be performed, and it is not reasonable to expect the Department Director and Accounting & Budget Manager to work the 60+ hour weeks they have been to stay on top of things.

In the Grant/Project Management Department, the proposed additional position would be a procurement specialist. No such position exists in PRTC at the present time, such that all procurement-related work has been done by the Director of Grant/Project Management with support from other departments. While the existing arrangement was well-suited to PRTC's size and resources for many years, the magnitude of procurement activity and the growing demands that this Department is handling (e.g., a substantial increase in capital project work and more extensive federal/state grant management and reporting requirements) are creating strains that must be addressed to avert burn-out and lowered proficiency. Over the past three years, the number of procurements has tripled (i.e., from four to twelve per year) and the number of open grants requiring ongoing grant management/reporting has increased from seventeen to twenty-four (a 41% increase), with no change to staffing. Indeed, staffing in this Department has been unchanged for more than ten years.

5. Additional resources to keep the PRTC Transit Center in a state of good repair. The Transit Center is now more than ten years old and its preventative maintenance demands have grown. To fully assess what is required and define a schedule for both preventative maintenance and life-expired replacement investments, PRTC contracted with a "facility maintenance/management" consultant (i.e., Studio Jaed) about a year

ago, and the consultant's recently completed report is now being used to institute necessary maintenance practices and program necessary replacement investments. Management is wrapping up its review of the report to assess whether required preventative maintenance practices would be best performed in-house or on a contracted basis, and proposes to use the outcome of this assessment as a basis for incorporating funds in the FY 2010 budget and out-year budgets so the facility is kept in a state of good repair in as cost-effective a manner as possible.

6. Equipping the Transit Center with a more sophisticated security system. This was a project planned for FY 2009, based on the assumption that a Department of Homeland Security (DHS) grant would be awarded for it. Despite encouraging indications that the grant would be awarded, in the end it was not and DHS's rankings of candidate projects strongly suggests that DHS discretionary grant funding is unlikely going forward. Nonetheless, the reasons for wanting to replace the existing Transit Center security system remain compelling, and thus management proposes to incorporate this project in the FY 2010 budget as a conventional state capital grant project (requiring local match) rather than continuing to rely exclusively on a DHS grant that appears unlikely to materialize. That won't prevent PRTC from vying for a DHS grant – it simply means that the project's fate won't be solely dependent on whether the DHS grant is awarded.
7. Real-time planning information (RTPI). PRTC's consultant (MACRO) will be completing the RTPI plan in FY 2009, setting the stage for Board adoption of the plan and programming of recommended investments in priority order. The first of these recommended investments are envisioned in FY 2009 (i.e., new radios for the buses and cameras for the part of the fleet that is not already camera-equipped), and the second set of investments will be timely for FY 2010. Management expects the FY 2010 investment to be for a more sophisticated automated vehicle location (AVL) capability than what currently exists, which is foundational for eventually imparting real-time information to customers about anticipated arrival times. The exact nature and cost of this prospective AVL investment is not known at present, but will be before the FY 2010 budget preparation has run its course. Accordingly, management proposes to incorporate this into the FY 2010 budget, reflecting the content of the RTPI plan that the Board ends up adopting.
8. Westerly bus maintenance facility. As discussed elsewhere on this month's agenda, it is incumbent on PRTC to expedite the implementation of the westerly maintenance facility because the existing facility is for all practical purposes maxed out. Funding

for environmental analysis and design of this facility is already in-hand (as is funding for land acquisition), and the environmental analysis is expected to be completed (or nearly so) by the end of FY 2009. Construction funding was originally provided in the out-years of the FY 2009 budget/five-year plan (based on the assumption that the facility construction would be partially debt-financed), but these funds were removed from the five-year plan right before the FY 2009 budget was adopted in a bow to funding constraints after the Supreme Court decision invalidating the NOVA regional taxes and fees. The need for this facility is even more acute than before in light of the run-up on fuel prices and associated surge of riders, so management is eager to find a way of reinstating construction funding for this project. Again if the special session is fruitful there could be an easy path for doing so but, even if it is not, a concerted effort to reinstate construction funding must be made.

Fiscal Impact:

Not applicable.

Potomac and Rappahannock Transportation Commission
FY 2010 Budget Guidelines

1. Bus Service Guidelines

- Supplement existing OmniRide service as necessary to avert overcrowding, continuing to use the same service guidelines the Commission has sanctioned every year since the 2001 Board retreat.
- Supplement existing OmniLink service as necessary to sustain the capability of accommodating deviations, compensating for the growing traffic congestion and attendant slowing of traffic on roadways used by PRTC's local bus services.
- Incorporate new/expanded services guided by PRTC's adopted short and long range plans, if a fruitful outcome results from the special session of the General Assembly. Recommendations will be made about what and how much to incorporate in the budget and five year plan once the outcome is known, consulting with staff of the bus-sponsoring jurisdictions.

2. Financial Planning/Management Guidelines

- A contingency allowance of 20 revenue hours per day (approximately \$500,000) to: (1) supplement existing service as necessary to avert overcrowding; (2) make running-time adjustments necessitated by growing traffic congestion in the area; and (3) restore time for local bus service deviations. This is a higher amount than in FY 2008 and reflects the fact that the run-up on fuel prices and surge of riders is compelling management to recommend an upward adjustment to the FY 2009 hourly allowance elsewhere on this month's agenda.
- Budget for success – assume for budgeting purposes that First Transit earns the maximum possible incentive payments allowed by the PRTC – First Transit contract.
- Use of “futures” contracts purchased through supplier and/or “swaps” when and if PRTC management (in consultation with PRTC's diesel fuel price risk management consultant) concludes that this is advisable to manage risk and minimize the cost of required diesel fuel purchases.
- Application of a proposed fare policy to guide future year fare increases, assuming that: (1) the Commission authorizes the start of a public review process on the fare policy and FY 2009 fare increase as proposed elsewhere on this month's agenda; and (2) the Commission ultimately decides to adopt a fare policy at the conclusion of that public review process.

- As in past years, provide for a fully funded incentive program for PRTC employees, the specifics of which the Commission will be asked to separately approve, featuring a maximum potential pay-out of \$110,000 for tangible, performance-based gains (including, as prior incentive programs have, a financially self-supporting “favorable passenger revenue-related” incentive).
- A retiree health savings (RHS) plan for employees. This was originally proposed for FY 2009 but deferred owing to budget constraints.
- Budget for the operating expense of the contingency back-up office in the Quantico train station building. The backup office in this Quantico location is part of PRTC’s (and VRE’s) completed incident management plan(s).
- Funding for programmed preventative maintenance for the PRTC Transit Center in accordance with the recently completed facility management plan.
- Budget for two new full-time equivalent (FTE) positions: (1) another “accountant” position in the Finance and Administration Department; and (2) a “procurement specialist” position in the Grant and Project Management Department.
- Assume no new jurisdictional members will join PRTC.
- Seek necessary federal, state, and local funding for capital pursuits shown below.

3. Capital Investment and Technical Study Pursuits

- Purchase OmniRide/OmniLink buses to (1) accommodate continuing ridership growth; (2) sustain service frequencies/deviation time on local bus routes; and (3) permit the implementation of new services as may be provided in the five year plan accompanying the FY 2010 budget.
- Mid-life overhaul of half of the 2002-vintage MCI OmniRide buses in FY 2010 (the remainder of these buses were budgeted for mid-life overhaul in FY 2009) and mid-life overhauls in the out-years for buses reaching mid-life ages.
- Continuation of PRTC’s expanded bus shelter program in accordance with PRTC’s adopted shelter siting plan.
- Seek to reinstate construction funding for the westerly maintenance facility in the five-year plan.

- Implementation of high technology enhancements to improve communications, operations, and provide real-time information to bus-riding customers. A staged, strategic plan will be completed in FY 2009 and investments will be incorporated in FY 2010 and the out-years in accordance with this plan assuming the plan is adopted by the Commission.
- Funding for the implementation of a new security system for the PRTC Transit Center.
- Funding for programmed capital maintenance investments for the PRTC Transit Center in accordance with the recently completed facility management plan.
- Funding for a technical study of time allotted for OmniLink route deviations, how this has changed over time, and the development of a monitoring plan/metrics for tracking “deviation” activity and guiding future scheduling adjustments/resource supplementation to insure that adequate time for deviations is sustained.