

# Jefferson Transit Authority Board

## 2019 Budget Workshop Minutes

Tuesday, November 5, 2019, 1:30 pm  
63 4 Corners Road, Port Townsend, WA

### CALL TO ORDER/WELCOME

The meeting was called to order by Jefferson Transit Authority (JTA) Board Chair David Sullivan at 1:32 pm. Other members present were David Faber, Greg Brotherton, and Kate Dean, with Ariel Speser excused. A quorum was present

### STAFF PRESENT

General Manager Tammi Rubert, Finance Manager Sara Crouch, Operations Manager Leesa Monroe, Fleet & Facilities Manager John Bender, and Executive Assistant/Clerk of the Board Laura Smedley.

### 2020 BUDGET PRESENTATION

Sara Crouch welcomed everyone and began her presentation on the 2020 Budget. Ms. Crouch described the tabs in the Budget Book. Each tab has two budgets, depending on the outcome of the vote on Initiative 976.

- Tab 1 – The 2020 JTA Proposed Budget Book. This section explains what JTA's individual departments do, what we are expecting this year, and the Financial Manager's message. The individual budgets depending on the I-976 outcome are listed, staffing, five-year outlook, and cash flows.
- Tab 2 – Budget presentation
- Tab 3 – Capital Budget
- Tab 4 – Operating Summary Budget. This is the budget format JTA requests the Board to pass via Resolution in the December Board Meeting.
- Tab 5 – Individual line item budget by department.
- Tab 6 – Line item budget by month.
- Tab 7 – Operating Budget graphs
- Tab 8 – Revenue Vehicle Replacement List
- Tab 9 – Grant Fact Sheet

Ms. Crouch began the workshop by reading JTA's Mission Statement; "To Provide reliable, safe, comfortable public transportation service in Jefferson County which is cost-effective, reduces energy consumption and contributes to the cultural and economic betterment of the residents of Jefferson County. JTA's Mission Statement drives what we do.

Please see the 2020 Budget Presentation available at [www.jeffersontransit.com](http://www.jeffersontransit.com) for presentation details.

Some challenges JTA may see in 2020. There is a possibility of a recession. Economists have been saying we are going into recession since early 2019. All of the indicators are

there, but unemployment is still very low. There is a 60% chance of not going into recession in 2020, so now we are looking at 2021. Sales tax is JTA's primary revenue source. Reduced consumer spending could have a significant impact on our Budget. JTA's primary sales tax receipts are from retail sales, construction, and accommodation and food services. All of those sales tax categories will be reduced because it is disposable income, and people won't be buying as much, or won't be building. Sales tax receipts are budgeted conservatively to allow for potential loss of revenue.

JTA's other challenge this year is I-976 because we don't know how this is going to affect our budget. I-976 is an initiative to lower vehicle car tabs to \$30. The current revenue from vehicle car tabs funds the Multi-modal Transportation Fund. Currently, JTA receives approximately \$250,000 a year in our Consolidated Grant from this fund, which is from state funding. We also receive between \$100,000 and \$300,000 annually in sales tax equalization funding. This State funding is the money we believe will be affected if I-976 passes. If we look at only operating expenses, 31% of those expenses are paid with Federal and State Consolidated Grant funding, and 7% of that is State funding. On the Capital side, the Regional Mobility Grant that funded the 4 Corners Park & Ride expansion won't be available. JTA may have requested that funding to pay for the construction of the Haines Place Transit Center (HPTC) bus loop reconfiguration, for the third maintenance bay, or once the electric vehicle feasibility study tells us whether it's feasible to have electric vehicles, we would have requested funding for the addition of bus chargers.

On the positive side, the fund balance should be sufficient to weather the storm initially in the short term until replacement funding is found. However, there are circumstances that may force a 2020 budget adjustment. If the recession hits, and we take a hit in our sales tax as well as losing the State funding, we would have to revisit the budget. But if the blow to the Multimodal transportation fund is so significant that they decide to reprioritize the Consolidated Grant projects, the potential is there that JTA may lose federal funding as well. The Operating expenses are funded 31% through federal and state grant funding; if they look at all of these projects that are going to lose state funding and decide to redistribute some federal funding to those projects, we could potentially lose federal grant funding. At that point we would have to come back to the Board and reduce our budget further.

We are presenting two budgets today, one for the "Yes" on I-976. That will be the first budget you see in each tab, and we are more conservative on the "No" on I-976. We should know the status of I-976 by our November 26<sup>th</sup> Budget Hearing, and know what budget we are going to present to the Board. The "Yes" budget assumes that we have lost all state funding, which is \$250,000 at this time. For "Yes" on I-976, losing only \$250,000 is the best-case scenario.

## **RESERVE FUNDS**

**Capital Reserve:** The 2019 year-end estimate for the Capital Reserve is \$3.96 million after we transfer the end of the year reserve transfer. The minimum annual funding level for the reserve, by policy, is \$100,000. The maximum level is \$100,000, plus the Transit Development Plan (TDP) project grant fund match for the six-year planning period. That total, with the TDP that passed in September, is \$4,576,300. The 2019 reserve transfer makes the Capital Reserve 86% funded.

**Operational Reserve:** This is funding should we have a severe funding shortfall. It is currently funded at \$1.35 million. That is three months' expenses or 25% of our annual expense budget. In 2020 that will increase to \$1.47 million. The reserve transfer at the end of 2019 will transfer \$117,000 to fund this reserve.

**Bond Payment and Bond Reserve:** In October, JTA called all of our bonds and paid off all of our debt. We no longer need the Bond Payment Reserve or the Bond Reserve. We were required by bond covenant to keep both of these reserve funds. In December we will be asking the Board to alter the Reserve Fund Policy to take those two reserve funds out and request that we move the monies that are in those reserves back to the Operating Account.

**Unemployment Reserve:** This is required by RCW 50.44.060, and is based on an experience rating. The reserve fund in 2019 is \$14,500. This reserve is revised annually based on a formula that tells us how much we have to hold in the reserve account. It changed by about \$300 this year, but we elected to increase it by \$500.

**Vehicle Replacement Reserve:** Currently, this is funded at \$375,000. We will transfer an additional \$125,000 at the end of the year, which will bring the total to \$500,000. We will be using that balance because we expect to receive a bus that is fully funded by this reserve in January or February of 2020. In 2021 we will continue to fund the Vehicle Replacement Reserve, whose minimum annual funding is \$125,000, provided that we have \$100,000 for the Capital Reserve, and the Operating Reserve is fully funded.

**Technology Replacement Reserve:** This reserve, created in 2018, is currently funded at \$50,000. In 2020 we will transfer \$25,000 into this reserve fund.

**Operating Fund Balance:** This is basically our checkbook balance. These are funds that we use to operate daily. This minimum should be less than one month's average expenses. In 2019 that amount is \$430,000. A more responsible way to meet cash flow fluctuations is a fund balance between \$750,000 and \$1 million. JTA currently meets this requirement. With the exception of the Operating Fund balance, these policy-driven funds are used for specific purposes. The funding requires Board approval to utilize for any other than its intended purpose.

**Sales Tax Revenue:** I have projected significantly higher sales tax receipts than budgeted in 2019, 10% more than we budgeted in 2019, but still less than 2019 actual and projected.

**Expenses:** The 2020 "Yes" expense budget, meaning yes I-976 passes, is 7.81% higher than the 2019 budget. The 2020 "No" expense budget, meaning I-976 does not pass, is 11.15% higher. Paid Family Medical Leave goes into effect in January 2020. JTA has been paying the premiums for Paid Family Medical Leave all year. No additional expenses are expected, other than we might see an increase if we have to hire a temporary because multiple employees are out on Paid Family Medical Leave at the same time. But what I do expect to see is increased Human Resource Administration for this program.

**Capital Projects Highlights:** If I-976 passes, we don't expect to see the full funding impact of losing funding until 2021. A few of the projects that are on the "Yes" budget are continuing planning projects, such as the Comprehensive Plan. JTA may have to delay expansion, but we have current capacity issues. We need to have shovel ready projects to be in a better

position to apply for grants when grant funding is available. JTA begins the Comprehensive Plan process tomorrow with Fehr and Peers at the Citizens Advisory Committee meeting, and are expecting a finished product, a 20-year comprehensive plan, in December of 2020, with a lot of public input between now and then.

The Request for Qualifications (RFQ) for the Electric Vehicle (EV) Feasibility Study and Plan have been sent out, and we will be reviewing those in the near future.

The RFQ's for the third maintenance bay have been received, and we are evaluating contractors.

The RFQ's for the Haines Place Transit Center (HPTC) bus loop expansion plan have been received, and we are evaluating contractors on that project as well.

Other ongoing projects are the Maynard Mountain radio repeater, and security cameras at 4 Corners and HPTC. New shelters and bus wraps are always on the Capital Budget. We also budget for major component replacement, meaning if something fails, such as a transmission or an engine, funding is available in the Capital Budget for those items.

The Request for Bid (RFB) for the new Finance Software will go out by the end of 2019. We have to run both systems concurrently for three months, so we may switch over at mid-year or at the end of the fiscal year, whichever the contractor that is selected suggests. We own the Great Plains software, so we will be able to refer back to it frequently if needed. It is common to switch at the beginning of the new fiscal year, but I am leaning away from importing any data into the new software since our old software is so old there may be compatibility issues.

Other Capital Projects on the "Yes" budget are fixed-route replacement vehicles. One Gillig will be delivered in early 2020 that is JTA funded. One Gillig that we have been awarded funding for on the Surface Transportation Program (STIP) Flex Grant through Jefferson County that is flexed into FTA 5311 money can't be obligated until January 2020, and that means we miss the Department of Enterprise Services (DES) contract deadline. The Contract has closed, and it will probably be May 2020 at the earliest before we can order a bus. Because many agencies will be ordering buses on that DES contract immediately, it may be a couple of years before we see that bus. We ordered four Gilligs just under the wire in October 2019 and expect delivery of those in late 2020 or early 2021. There is also one trolley style bus that we have not yet ordered to be used on the uptown/downtown shuttle.

We are also asking for column vehicle lifts. They are necessary as backups for the current column lifts. They will be used for the third bay when that is constructed. We need a back up for these lifts because there are some jobs that the inground lift won't work for. Also, our current column lift came from our old facility and is quite old. As we don't have replacements or backups, we would like to order those. Finally, we are asking for a new Customer Service desk at HPTC. It has to be ADA compliant and provide additional security, and are asking for it to be designed to prevent traffic from being able to access the back of HPTC.

A few projects are on the "No" I-976 budget. A replacement service vehicle to replace the 1993 Chevy flatbed pickup we currently use in Facilities Maintenance. Facilities Maintenance has also asked for a small tractor to be used for several things: new lot landscaping at 111 4

Corners, trail maintenance, shelter foundation preparation, clearing stickers and brush, moving dirt, gravel, rock and mulch, moving equipment that the forklift can't move, dead tree removal, loading the flatbed, and trenching. Facilities Maintenance has also requested a commercial grade zero-turn lawnmower, which would be more efficient. We also need a badge system/ID Maker for 4 Corners. Currently, if you want to purchase an Annual Pass or a Reduced Fare Pass, passengers have to go to HPTC.

**Service, Routes, Ridership:** The "Yes" I-976 assumes no major service changes are planned. The "No" budget includes a pilot program to meet the Kingston Fast Ferry twice a day, five days per week. We had planned for the Kingston Fast Ferry service and have been discussing it all year. That said, our comprehensive plan is going to be our guiding document for future service expansion. We currently have capacity issues, so before expanding, we need to finish the Comprehensive Plan and have shovel ready projects for the EV charger, HPTC bus loop configuration, and third maintenance bay so that we can expand sensibly. We don't expect any major adjustments to our current routes, while ridership has increased in 2018 and continued to increase in 2019, the CAC and staff are looking at ways to continue to improve ridership.

**Staffing:** In the past five years, we have added a facility that requires regular lawn maintenance and building maintenance, a wellness trail that must be maintained, we purchased an adjoining property, and added bus shelters. In 2019 we determined that we required more help and added a Facilities Maintenance employee. We have made the Accounts Payable/Receivable (AP/AR) position in the Finance Department full time because the Auditor has requested that we improve the inventory process, and for assistance with the new software implementation. The "No" budget adds two Operators for the Kingston Fast Ferry Pilot project.

**Salaries and Wages:** Both budgets, the "Yes" and the "No," assumes that the represented employees contract issue is resolved, and the employees receive their contractual wage increases as well as retroactive pay. Non-represented employees will receive a step increase.

**Operations:** The "Yes" budget means Operations will increase by 7.23%, which are wages, benefits, and retroactive increases. The "No" budget increases by 14.1% because it includes two additional operators needed for the Kingston Fast Ferry Pilot Project.

**Haines Place Transit Center:** This budget increases by 7.97% for both the "Yes" and "No" budget for increased wages and benefits, and restroom expenses for custodial services, supplies, and increased utilities.

**Vehicle Maintenance:** The increase for the "Yes" budget is 6.31% for increased wages and benefits, and increased fuel expenses. The cost of fuel per gallon has increased in the last three months by \$.30/gallon. The "No" budget increase is 8.43% because of the two reasons above, but also for additional fuel capacity for the Kingston Fast Ferry Run, and to send an additional employee to the RTA Conference. RTA is the maintenance software that maintenance uses for everything they do, from work orders to inventory tracking to fuel tracking. The Facilities Maintenance Manager and the Parts Clerk use the RTA system. We would ideally like to send both of them to the annual RTA Conference, but will only send one if I-976 passes.

**Facility Maintenance:** This budget has the largest percentage of increase because of the increases in wages and benefits for the additional employee and the retroactive and wage increases. The maintenance and supplies budget has increased. The painting of HPTC and other property maintenance projects was moved to the Operating budget because they are not adding value; they are maintaining the sight. Additional training for the facilities budget includes certifications for HVAC, etc.

**Administration Budget:** This increases by 4.2% for increased wages and benefits, increased professional services for legal services for the Union dispute, and increased casualty and liability insurance cost. This has been the third year in a row that our casualty and liability insurance costs have increased. We are seeing huge increases in the property markets and are not getting closer to our goal for self-insured retention. The “No” budget for administration increases an additional \$4,000 for computer upgrades.

**The Olympic Connection:** Both the “Yes” and “No” budget increases by 5.1%, which is wages and benefits increases, retroactive pay, and the facility's rent increase. We rent space for our JTOC service from the Quillayute School District.

JTA's five-year outlook shows us what our Capital Reserve transfer would be if we calculated 4% increases annually for the next five years and 3% revenue increases. There is a minimum \$100,000 Capital Reserve transfer annually by Policy, and what this shows on the “Yes” is it assumes there will not be a backfill of the state funding loss, and in five years we will begin to see a reduction in what we can transfer to our Capital Reserve. We will still manage to fund our Operating Reserve, but we only have \$162,000 Capital Reserve Transfer. We will need to continue to monitor sales tax trends.

The cash flow will be sufficient. Our fund balance and our Operating Reserve is sufficient to weather an initial storm, but in 2021, if they don't backfill that funding, we would expect to begin looking at cutting service or looking where we could find other budget efficiencies.

We don't know what this is going to do to our budget. We haven't been told that our state funding will be cut, but we are assuming it will because the Multimodal account is funded through the car tabs. If I-976 passes, they said that the funding would start to be cut in December of this year.

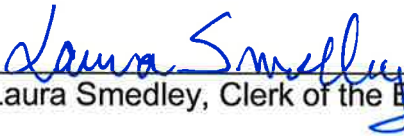
The following question was asked during the 2019 Budget Presentation:

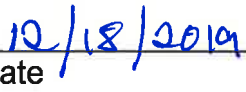
- In the projections for sales tax, each line after the 2016 budget appears to mirror 2016, is that correct?
  - That is correct. It is completely coincidental. What I did was budget 10% higher than what we budgeted in 2019.

The first Budget Hearing will be held on Tuesday, November 26<sup>th</sup>, 2019.

## ADJOURNMENT

The meeting was adjourned at 2:13 p.m. The next regular Authority Board meeting will be held Tuesday, December 17, 2019, at 1:30 p.m. at 63 4 Corners Road, Port Townsend.

  
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Laura Smedley, Clerk of the Board

  
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Date