



FY 2016 Budget Process and Key Assumptions



Finance and Performance Management and Planning Committees
March 20, 2015

Budget Calendar Overview

MARCH	LONG TERM ASSUMPTIONS REVIEW
APRIL	PERSONNEL ASSUMPTIONS
MAY	FIVE YEAR CAPITAL IMPROVEMENT PROGRAM
JUNE	1 ST DRAFT OF THE BUDGET TO THE BOARD
JULY	ANY CHANGES TO AD VALOREM TAX NEED TO BE DECIDED
AUGUST	AD VALOREM TAX DOCUMENTS TO PROPERTY APPRAISER FINAL DRAFT BUDGET TO THE BOARD
SEPTEMBER	PUBLIC HEARINGS ARE HELD AND THE FINAL BUDGET IS ADOPTED



Overview of the Budget Process

- The overall strategy employed in preparing the FY 2016 Annual Operating and Capital Budget is to provide a balanced budget that is consistent with the Board's strategic direction for the multi-year plan.
- In preparing the budget the initial step is looking at the forecast for the current year as the basis for the following years along with historic trends.

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Multi-year Budget Forecasting

Providing a multi-year budget provides decision makers with at least 3 key benefits:

- Assessing the long-term financial sustainability of PSTA's funds
- Understanding of the impact of today's decisions on the future
- Providing a holistic financial picture

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Key Expenditure Assumptions

- Several expenditure assumptions are approximately 2 times inflation.
 - Fringe Benefits – primarily due to Health care costs
 - Supplies
- In FY 15 Employees are contributing to healthcare cost increases for the first time and the assumptions are conservative.

	Fringe		Benefits			
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20	
8.7%	7.0%	7.0%	7.0%	7.0%	7.0%	

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Key Expenditure Assumptions

- Supplies – The majority of our supplies are related to bus parts. The assumptions in the near term are based on twice the CPI to account for PSTA’s aging fleet.

	Supplies				
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
7.6%	3.0%	3.6%	4.6%	4.6%	4.6%

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Multi-year Operating Plan

Pinellas Suncoast Transit Authority
Operating Budget Projections
FY 2015 - 2020

Line	FY 2016 Revised	FY 2017 Revised	FY 2018 Revised	FY 2019 Revised	FY 2020 Revised
Operating Revenues					
1 Operating Revenue	\$ 16,190,425	\$ 16,265,679	\$ 16,334,506	\$ 16,405,853	\$ 16,479,812
2 Property Tax	\$ 36,875,432	\$ 38,276,698	\$ 39,731,213	\$ 41,042,343	\$ 42,396,740
3 State Operating Grants	\$ 7,594,900	\$ 7,725,532	\$ 7,858,411	\$ 7,993,576	\$ 8,131,066
4 Federal Operating Grants	\$ 5,526,585	\$ 5,526,585	\$ 5,526,585	\$ 5,526,585	\$ 5,526,585
5 Total Operating Revenues	\$ 66,187,342	\$ 67,794,494	\$ 69,450,715	\$ 70,968,357	\$ 72,534,203
Operating Expenses					
6 Operating Expenses	\$ 67,137,657	\$ 70,218,051	\$ 73,164,897	\$ 76,249,273	\$ 79,478,351
7 Non-Federal/State Capital Expenses					
8 Total Operating Expenses	\$ 67,137,657	\$ 70,218,051	\$ 73,164,897	\$ 76,249,273	\$ 79,478,351
10 Revenues Over / (Under) Expenses	\$ (950,315)	\$ (2,423,557)	\$ (3,714,182)	\$ (5,280,916)	\$ (6,944,148)
11 Increase in 2 Month Operating Reserve	\$ (245,764)	\$ (513,399)	\$ (491,141)	\$ (514,062)	\$ (538,180)
12 Total Deficit With Reserve Adjustment	\$ (1,196,079)	\$ (2,936,956)	\$ (4,205,323)	\$ (5,794,978)	\$ (7,482,328)

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Reserves

- Staff recommends to use reserves, in the short-term for bus replacement needs.
- In FY 2016 there is an anticipated \$1.2 million operating deficit.
- PSTA can look to strategic changes to bridge the operating deficits.

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Potential Strategic Changes

Options to improve the financial outlook of PSTA include, but are not limited to:

- Increasing the Property Tax to the maximum millage
- Increasing the average fare
- Increase advertising revenue by outsourcing
- Implement Administrative savings
- Service Hour Adjustments

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Key Revenue & Expense Assumptions

- If strategically the PSTA Board determines that the millage should be raised to the cap of .75 mills the following would be the dollar impact of that increase:

	Net Increase to Ad Valorem Taxes at Maximum Millage			
FY 16	FY 17	FY 18	FY 19	FY 20
\$970,432	\$1,007,308	\$1,045,586	\$1,085,318	\$1,126,561

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Key Revenue & Expense Assumptions

- The countywide taxable value is the basis for determining the ad valorem tax revenue. PSTA's growth assumptions are .2% less than the County's projections due to the five municipalities that do not participate.

	Ad Valorem				
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
2.4%	4.3%	3.8%	3.8%	3.3%	3.3%

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Key Revenue & Expense Assumptions

- In the Ernst & Young PSTA Financial Study, an assumption of fare increases every 3 years was made. Using that model, if the PSTA Board were to implement a 15% increase in the average fare revenue starting in 2016 the impact would be:

Net Impact on Passenger Fares Based on 15% Increase				
FY 16	FY 17	FY 18	FY 19	FY 20
\$1,282,931	\$1,282,931	\$1,282,931	\$2,685,487	\$2,685,487

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Key Revenue & Expense Assumptions

- Traditionally PSTA has obtained bus advertising revenue through in-house staff. By outsourcing to an advertising firm, with a guaranteed minimum revenue the impact would be:

	Impact on Advertising Revenue			
FY 16	FY 17	FY 18	FY 19	FY 20
\$300,000	\$330,000	\$363,000	\$381,150	\$400,208

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Key Revenue & Expense Assumptions

- Service Hour Adjustment Savings - 4% route adjustments would provide approximately \$1.4 million of savings in FY 16 and the cost avoidance savings would continue to grow.

	Net Service Hour Adjustment Savings				
	FY 16	FY 17	FY 18	FY 19	FY 20
Service Hr. Adjustments	\$1,362,334	\$1,425,001	\$1,484,851	\$1,547,215	\$1,612,198
Fare Box Impact	(\$150,000)	(\$150,000)	(\$150,000)	(\$163,950)	(\$163,950)
Net Savings	\$1,212,334	\$1,275,001	\$1,334,851	\$1,383,265	\$1,448,248

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Potential Strategic Change Impacts

Description	FY 2015	FY 2016	FY 2017	FY 2018	FY2019	FY 2020
Maxing Out Property Tax	\$0	\$ 970,432	\$1,007,308	\$1,045,586	\$1,080,090	\$1,115,733
Increasing Average Fare 15%	\$0	\$1,282,931	\$1,282,931	\$1,282,931	\$2,685,487	\$2,685,487
Advertising Revenue	\$0	\$ 300,000	\$ 330,000	\$ 363,000	\$ 381,150	\$ 400,208
Administrative Savings	\$0	\$ 103,000	\$ 106,090	\$ 109,273	\$ 114,736	\$ 118,178
Service Hour Adjustments (ELC, 444, 58, 1/30 Redesign)	\$0	\$1,362,334	\$1,425,001	\$1,484,851	\$1,547,215	\$1,612,198
Service Adjustment Fare box Impact	\$0	\$ (150,000)	\$ (150,000)	\$ (150,000)	\$ (163,950)	\$ (163,950)
Total Potential Impact	\$0	\$3,868,697	\$4,001,330	\$4,135,641	\$5,644,728	\$5,767,854

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Revised Multi-Year Plan with Adjustments

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Impact of Potential Adjustments					
13 Total Potential Adjustment Increases	\$ 3,868,697	\$ 4,001,330	\$ 4,135,641	\$ 5,644,728	\$ 5,767,854
14 Net Increase/(Decrease) to Reserves	\$ 2,672,618	\$ 1,064,374	\$ (69,682)	\$ (150,250)	\$ (1,714,474)

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Potential Strategic Change Impact

- Implementing these changes today will provide for a balanced multi-year operating budget and provide for needed bus replacement funds over the next several years.



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Questions?