SUMMARY STATEMENT

ITEM NO.: PATCO-14-053  SUBJECT: 2015 PATCO Operating Budget

COMMITTEE: New Business

COMMITTEE MEETING DATE:  December 10, 2014

BOARD ACTION DATE:  December 10, 2014

PROPOSAL: Approval of the proposed 2015 Port Authority Transit Corporation (PATCO) Operating Budget.

PURPOSE: Approval of the 2015 PATCO Operating Budget provides the financial framework for PATCO operations in FY 2015 and enables the administrative powers of the President to deal with routine and required day to day operating expenditures as provided in Article XII of the PATCO Bylaws.

BACKGROUND: The 2015 Operating Budget was developed to fund the normal operation and maintenance activities of the transit system. The proposed 2015 Operating Budget was developed as a result of departmental submissions and input from Directors and staff and then, refined through a formal review process led by the President and a budget review committee. The proposed $52,260,293 Operating Budget represents an increase of $4,652,719 or 9.77% in comparison to the approved 2014 Operating Budget.

PATCO’s proposed 2015 operating budget reflects an estimated $4.875 million increase in PATCO’s operating loss vs. the 2014 approved budget. The budgeted operating loss has increased from $21.4 million to $26.3 million, or an increase of 22.80% vs. the prior year’s budget.

Key elements of the Budget are summarized as follows:

Revenue and Ridership- The estimated ridership for 2015 is projected to be 10.2 million passengers. The estimated $24,526,170 of revenue derived from passenger fares amounts to 94.3% of the estimated total 2015 revenue of $26,007,575. The $1,481,405 balance of the estimated total 2015 revenue is derived from parking fees, advertising income, interest income, and other miscellaneous sources.

The budgeted revenue for 2015 is $222,098 less than the 2014 budgeted revenue of $26,229,673, a decrease of 0.85%. The decrease is a result of the anticipated reduced ridership resulting from the ongoing Ben Franklin Bridge track rehabilitation project.
Expenses - The proposed $52,260,293 Operating Budget for 2015 is itemized as follows:

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>35.01</td>
</tr>
<tr>
<td>Employee Service Expense (Benefits)</td>
<td>21.62</td>
</tr>
<tr>
<td>Inter-Company Services – Public Safety</td>
<td>12.16</td>
</tr>
<tr>
<td>Electrical Power (High Tension Service)</td>
<td>10.51</td>
</tr>
<tr>
<td>Material</td>
<td>4.79</td>
</tr>
<tr>
<td>Insurance &amp; Claims Expense</td>
<td>4.69</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>3.96</td>
</tr>
<tr>
<td>Miscellaneous All Other</td>
<td>7.26</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

The Operating Budget is largely driven by the first four (4) items above. Labor, Employee Service Expenses, Electrical Power, and Inter-Company Services costs for Public Safety & Information Services collectively account for 79% of the Total Operating Budget.

Labor costs and its growth are controlled by the actual size of the work force, known or anticipated changes in wage and salary rates, overtime, and the amount of capital labor in support of capital improvement projects by the DRPA and transit construction/maintenance projects funded by the Federal Transit Administration. Capital labor related to the DRPA capital improvement projects is included in the DRPA Capital budget and appropriately deducted from the PATCO operating budget.

The 2015 proposed Budget includes 332.25 Full Time Equivalents (FTEs) of operating and capitalized labor (inclusive of part-time employees).

Staff recommends adoption of the proposed 2015 Operating Budget.
RESOLUTION

RESOLVED: That the 2015 PATCO Operating Budget in the amount of $52,260,293 is hereby approved; and be it

FURTHER RESOLVED That PATCO shall not expend funds in excess of the total authorized 2015 Operating Budget, in the amount of $52,260,293 unless such Budget shall be amended by Resolution of the Board of Commissioners to increase said authorization.

SUMMARY:

Amount: $52,260,293
Source of Funds: 2015 Operating Revenues
Other Sources of Funds: General Funds
Capital Project #: N/A
Operating Budget: 2015 PATCO Budget
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: N/A
Other Parties Involved N/A