

SUMMARY STATEMENT

ITEM NO.: PATCO-16-043

SUBJECT: PATCO Operating Budget

COMMITTEE:

Finance Committee

COMMITTEE MEETING DATE:

November 30, 2016

BOARD ACTION DATE:

December 7, 2016

PROPOSAL: Approval of the proposed 2017 Port Authority Transit Corporation (PATCO) Operating Budget.

PURPOSE: Approval of the 2017 PATCO Operating Budget provides the financial framework for PATCO operations in FY 2017 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 2017 Operating Budget was developed to fund the normal operation and maintenance activities of the transit system. The proposed 2017 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 \$56,726,477 Operating Budget represents an increase of \$2,248,864 or 4.13% in comparison to the approved 2016 Operating Budget.

PATCO's proposed 2016 operating budget reflects an estimated \$1.8 million increase in PATCO's operating loss vs. the 2016 approved budget. The budgeted operating loss has increased from \$27.9 million to \$29.7 million, or an increase of 6.5% vs. the prior year's budget.

Key elements of the Budget are summarized as follows:

Revenue and Ridership- The estimated ridership for 2016 is projected to be 10.4 million passengers. The estimated \$25,320,740 of revenue derived from passenger fares amounts to 93.7% of the estimated total 2017 revenue of \$27,024,853. The \$1,704,113 balance of the estimated total 2017 revenue is derived from parking fees, advertising income, interest income, and other miscellaneous sources

The estimated revenue for 2017 is \$427,122 more than the 2016 budgeted revenue of \$26,597,731, an increase of 1.61%. The increase is a result of the projected increase in ridership of 50,000 passengers. (Total 2017 ridership is expected to be 10,450,000)

Expenses - The proposed \$56,726,477 Operating Budget for 2017 is itemized as follows:

<u>Expense Category</u>	<u>% of Total</u>
Labor	42.05
Employee Service Expense (Benefits)	28.61
Electrical Power (High Tension Service)	7.53
Material	4.41
Contractual Services	5.92
Insurance Expense	1.91
Repairs and Maintenance	1.14
<u>Miscellaneous All Other</u>	<u>8.43</u>
TOTAL	100.00%

The Operating Budget is largely driven by the first four (5) items above. Labor, Employee Service Expenses, Electrical Power, and Contract Services collectively account for 88.51% 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.

The 2017 proposed Budget includes 345.5 Full Time Equivalents (FTEs) of operating and capitalized labor (inclusive of part-time employees).

Staff recommends adoption of the proposed 2017 Operating Budget.

SUMMARY:	Amount:	\$56,726,477
	Source of Funds:	2017 Operating Revenues
	Other Sources of Funds:	General Funds
	Capital Project #:	N/A
	Operating Budget:	2017
	Master Plan Status:	N/A
	Other Fund Sources:	N/A
	Duration of Contract:	N/A
	Other Parties Involved	N/A

RESOLUTION

RESOLVED: That the 2017 PATCO Operating Budget in the amount of \$56,726,477 is hereby approved; and be it

FURTHER RESOLVED That PATCO shall not expend funds in excess of the total authorized 2017 Operating Budget, in the amount of \$56,726,477 unless such Budget shall be amended by Resolution of the Board of Commissioners to increase said authorization. (Staff is authorized to adjust or reallocate budgeted funds, within the total approved 2017 budget, to other operating expense line items, if necessary, using the Operating Change order process. All expenditures are still subject to procurement approval processes and policies.)

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