

SUMMARY STATEMENT

ITEM NO.: PATCO-17-046

SUBJECT: PATCO 2018 Operating Budget

COMMITTEE:

Finance Committee

COMMITTEE MEETING DATE:

November 29, 2017

BOARD ACTION DATE:

December 6, 2017

PROPOSAL: Approval of the proposed 2018 Port Authority Transit Corporation (PATCO) Operating Budget.

PURPOSE: Approval of the 2018 PATCO Operating Budget provides the financial framework for PATCO operations in FY 2018 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 2018 Operating Budget was developed to fund the normal operation and maintenance activities of the transit system. The proposed 2018 Operating Budget was developed as a result of departmental submissions and input from Directors and staff, refined through a formal review process led by the President and a budget review committee. The proposed \$57,799,010 Operating Budget represents an expense increase of \$1,072,532 or 1.89% in comparison to the approved 2017 Operating Budget.

PATCO's proposed 2018 operating budget reflects an estimated \$804,998 increase in PATCO's operating loss vs. the 2017 approved budget. The budgeted operating loss has increased from \$29.7 million to \$30.5 million, or an increase of 2.71% vs. the prior year's budget.

Key elements of the Budget are summarized as follows:

Revenue and Ridership- The estimated ridership for 2018 is projected to be 10.5 million passengers. The estimated \$25,556,305 of revenue derived from passenger fares amounts to 93.6% of the estimated total 2018 revenue of \$27,292,388. The \$1,736,083 balance of the estimated total 2018 revenue is derived from parking fees, advertising income, interest income, and other miscellaneous sources

The estimated revenue for 2018 is \$267,535 more than the 2017 budgeted revenue of \$27,024,853, an increase of 0.99%. The increase is primarily a result of the projected increase in ridership of 50,000 passengers. (Total 2018 Ridership is expected to be 10,500,000)

Expenses - The proposed \$57,799,010 Operating Budget for 2018 is itemized as follows:

<u>Expense Category</u>	<u>% of Total</u>
Labor	42.61
Employee Service Expense (Benefits)	28.53
Electrical Power (High Tension Service)	7.12
Material	3.69
Contractual Services	5.28
Insurance Expense	1.91
Repairs and Maintenance	2.23
<u>Miscellaneous All Other</u>	<u>8.63</u>
TOTAL	100.00%

The Operating Budget is largely driven by the first five (5) items above. Labor, Employee Service Expenses, Electrical Power, Material and Contract Services collectively account for 87.23% 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 2018 proposed Budget includes 343 Full Time Equivalents (FTEs) of operating and capitalized labor excluding DRPA Public Safety FTEs who are allocated to PATCO's Operations.

Staff recommends adoption of the proposed 2018 Operating Budget.

SUMMARY:

Amount:	\$57,799,010
Source of Funds:	2018 Operating Revenues
Other Sources of Funds:	General Funds
Capital Project #:	N/A
Operating Budget:	2018
Master Plan Status:	N/A
Other Fund Sources:	N/A
Duration of Contract:	N/A
Other Parties Involved	N/A

RESOLUTION

RESOLVED: That the 2018 PATCO Operating Budget in the amount of \$57,799,010 is hereby approved; and be it

FURTHER RESOLVED That PATCO shall not expend funds in excess of the total authorized 2018 Operating Budget, in the amount of \$57,799,010 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 2018 budget, to other operating expense line items, if necessary, using the Operating Change order process.)

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	Operating Budget:	2018
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	Other Parties Involved	N/A

Consultative & Deliberative Work Product
PORT AUTHORITY TRANSIT CORPORATION
2018 Operating Budget

INCOME	BUDGET REVENUE 2017	PROPOSED BUDGET REVENUE 2018	2018 BUDGET / 2017 BUDGET	
			Amount	%
Gross Passenger Revenue	\$25,289,000	\$25,515,000	226,000	0.89%
Smart Card Sales	87,300	93,305	6,005	6.88%
Less: Transfer Costs	55,560	52,000	(3,560)	-6.41%
Net Passenger Revenue	\$25,320,740	\$25,556,305	\$235,565	0.93%
Advertising	826,875	750,000	(76,875)	-9.30%
Parking	792,077	887,700	95,623	12.07%
Leases	57,000	61,382	4,382	7.69%
Interest	9,461	18,301	8,840	93.44%
Miscellaneous	18,700	18,700	0	0.00%
TOTAL INCOME	\$27,024,853	\$27,292,388	\$267,535	0.99%
OPERATING EXPENSES	Approved Budget EXPENSES 2017	PROPOSED EXPENSES 2018	2018 BUDGET / 2017 BUDGET VARIANCE	
			Amount	%
Payroll				
Regular	\$22,045,141	\$22,771,498	\$726,357	3.29%
Overtime Labor & Premium	1,807,221	1,857,849	50,628	2.80%
Employee Service Expense	16,226,364	16,490,147	263,783	1.63%
Operating Payroll & Employee Service Expense	\$40,078,726	\$41,119,494	\$1,040,768	2.60%
Other Expenses				
Direct Material	2,499,670	2,134,742	(364,928)	-14.60%
Equipment and Tools	220,384	235,994	15,610	7.08%
Contractual Serv.	3,357,798	3,049,427	(308,371)	-9.18%
Office/Postage/Printing	79,884	107,090	27,206	34.06%
Rentals	11,838	32,238	20,400	172.33%
Repairs and Maintenance	646,356	1,288,310	641,954	99.32%
Employee - Travel	39,385	22,150	(17,235)	-43.76%
Membership and Subscriptions	58,227	55,724	(2,503)	-4.30%
Employee Exp - Training	129,309	121,924	(7,385)	-5.71%
Utilities/Telephone	905,522	721,851	(183,671)	-20.28%
Professional Serv.	1,702,918	1,803,462	100,544	5.90%
Advertising & Marketing	83,660	82,165	(1,495)	-1.79%
Uniforms-Purch.& Rent.	362,843	447,754	84,911	23.40%
Automotive Repairs	231,125	353,474	122,349	52.94%
Data Processing	210,477	254,977	44,500	21.14%
Purchased Power	4,273,451	4,115,271	(158,180)	-3.70%
Insurance	1,084,904	1,102,963	18,059	1.66%
Reserve for Self Insurance	750,000	750,000	0	0.00%
Total Other Expenses	\$16,647,751	\$16,679,516	\$31,765	0.19%
Total Operating Expenses	\$56,726,477	\$57,799,010	\$1,072,532	1.89%
OPERATING LOSS	(\$29,701,624)	(\$30,506,622)	\$804,998	2.71%
PASSENGERS	10,450,000	10,500,000	50,000	0.48%