



Meeting Date: September 28, 2022

Agenda Item: # D.2

AGENDA SUMMARY REPORT

SUBJECT:

Operating Expense Reserve Policy Review

SUMMARY:

Discussion of the 10-year plan for the Operating Expense Reserve and how it is going to impact our budget in the current year and the potential sources of future reserve funding.

Our total operating expenses for Fiscal Year 2020-2021 were \$6,094,696. A minimum 25% Operating Expense Reserve would require \$1,523,674.

We currently have an Operating Expense Reserve bank account with a balance of \$120,000.00. Also, Mendocino Council of Governments has an LTF reserve balance for MTA in the amount of \$771,000. (Please see the attached document).

We are in the process of preparing financial statements for audit for Fiscal Year 2021-2022, and it is suggested that the 2022-2023 allocation to the Operating Expense Reserve be determined after the audit has been completed and sources and amounts of unrestricted funds are detailed.

Future budgets can be formatted to show the beginning reserve balances plus revenue less expenses and ending reserve balances.

ATTACHMENTS:

MCOG 2022/2023 Fiscal Year Budget, Pages 11 and 17.

MENDOCINO COUNCIL OF GOVERNMENTS

2022/23 Budget

Explanatory Notes on Funding Sources

4/19/2022

LTF - Local Transportation Fund

- Generated from quarter-cent sales tax on all sales countywide. Fund estimate provided by County Auditor-Controller. Allocated by Regional Transportation Planning Agencies (RTPAs).
- Governed by the Transportation Development Act (TDA).
- Transportation planning and public transit systems are supported by these revenues according to TDA.
- Notable since 2020/21 are online sales tax revenues, of which a formula share is received from a state pool.

LTF Reserve Fund

- Allowed under TDA, Section 6655, adopted by MCOG on June 7, 1999, revised April 2, 2001.
- Fund balance adjusted annually at minimum five percent of County Auditor-Controller's LTF estimate.
- Surplus allocated through annual budget process.
- To be used *“for transit services provided by Mendocino Transit Authority (MTA) that have been funded by MCOG through the annual transit claim process, when 1) actual LTF revenues fall short of LTF budget allocations, or 2) extreme or unusual circumstances warrant an additional allocation.”*
- The fund was depleted to cover the FY 2008/09 revenue shortfall and policy waived in 2010/11 and 2011/12. The policy was partially waived for the three following fiscal years. A claim was made to meet the FY 2015/16 shortfall of \$68,364.
- Since 2015/16, MCOG has fully restored the LTF Reserve policy, releasing two years of surplus for allocation between \$100,000 and \$200,000, then a shortfall of \$65,000, a surplus of \$71,000, and for 2019/20 (from 2017/18 revenue) a record surplus of \$375,634. Audited surplus from 2020/21 is 754,417, a new record, for allocation in 2022/23.
- With no maximum by policy, in 2021/22 ten percent was reserved; the 2022/23 proposal is 15 percent.

STA - State Transit Assistance

- Generated from sales taxes on diesel and gasoline, until the Transportation Tax Swap of March 2010, when it was replaced by an increased excise tax on gasoline and increased sales tax on diesel. This expired with SB 1, the Road Repair & Accountability Act of 2017. The gas tax is now indexed to inflation.
- Governed by the Transportation Development Act (TDA).
- Eligibility is open only to transit operators - MTA in Mendocino County.
- May be used for either Operations, subject to an eligibility formula based on certain cost efficiency standards, or for Capital. MTA typically has used STA for Capital purposes, until the operations requirement was waived for FY 2009/10 – 2015/16 during the Recession; again waived for the pandemic.
- Senate Bill 508, effective July 1, 2016, provides more flexibility, so that *“rather than making an operator ineligible to receive State Transit Assistance program funds for operating purposes for an entire year for failing to meet the efficiency standards, would instead reduce the operator's operating allocation by a specified percentage, based on the percentage amount that the operator failed to meet the efficiency standards, as specified.”* – from SB 508, Chapter 716, preamble
- State Controller provides fund estimate—“Preliminary” in January, “Revised” after State Budget adopted.
- Regional allocation policy: Respond to fluctuating revenues by releasing approved allocations to MTA when received in MCOG's fund account. At times there is an unallocated balance. Other times the fund is fully claimed and has only a small balance of interest earnings, as is the case this year.
- STA has fluctuated widely, subject to political influences, while generally rising over time. 20 years ago, annual revenues were about \$150,000; two years ago in the range of \$800-900,000 with support of SB 1. During the pandemic, fuel tax revenues dropped 20%. Preliminary estimate for 2022/23 is \$868,476.

Capital Reserve Fund

- Created and controlled by MCOG as allowed by Transportation Development Act (TDA), Section 6648.
- Contributions from LTF and/or STA.
- Open to Mendocino Transit Authority and Senior Centers for projects in MTA's Five-Year Capital Program.

Mendocino Council of Governments

Regional Transportation Planning Agency & COG - Fiscal Year 2022/23 Budget

For Board of Directors Adoption June 6, 2022

REVENUES	Trans. Devt. Act (TDA)			State			Federal		Local Agencies	TOTALS
	LTF	STA	CRF	PPM	RPA	Grants	STBG	5311		
2022/23 LTF Official County Auditor's Estimate - pending, based on disc'n	5,137,383									5,137,383
2021/22 Auditor's Anticipated Unrestricted Balance	566,800									566,800
Total Local Transportation Fund (LTF) Estimate	5,704,183									5,704,183
2021/22 Auditor's Anticipat'd Unrestricted Balance - Reversal	-566,800									-566,800
Reserved LTF prior-year unallocated revenues	29,135									29,135
Carryover - Planning Overall Work Program and RSTP Local Assistance	68,580						240,656			309,236
2022/23 State Transit Assistance - SCO's Preliminary Estimate		868,476								868,476
2022/23 State of Good Repair - SCO's Preliminary Estimate						143,044				143,044
STA and SGR - Fund Balance Available for Allocation		298,899				-12,072				286,827
MCOG's Capital Reserve Fund - Balance Available for Transit			701,179							701,179
Federal Transit Administration (FTA) Sec. 5311 Program - CRRSAA								To Info Supp.		0
FTA Section 5311 Program - Annual Regional Apportionment								732,129		732,129
2022/23 STIP Planning, Programming & Monitoring (PPM)				131,000						131,000
2022/23 Rural Planning Assistance					294,000					294,000
2022/23 State Active Transportation Program (ATP) - grants & carryover						2,672,000				2,672,000
2021/22 Transportation Planning Program carryover				73,750	0	163,780				237,530
Surface Transportation Block Grant Program							812,939			812,939
HCD Regional Early Action Planning (REAP) Housing Funds - est. carryover						354,864				354,864
SHOPP Complete Streets Program - SR-162 Corridor Multi-Purpose Trail						1,511,000				1,511,000
LTF Reserve:										
2020/21 LTF Unrestricted Balance - audited	754,417									
LTF Reserve Balance as of 6/30/2021 - audited	472,034									
Less LTF Reserve Allocated for FY 2021/22	18,301									
Subtotal	1,208,150									
Less LTF Reserve Minimum Balance per Policy adopted 4/2/2001 - triple at 15%	771,000									(Per policy, min. Reserve is 5% of County Auditor's estimate of new revenue, to nearest 1,000.)
Amount Available for Allocation in FY 2022/23	437,150									437,150
TOTAL REVENUES	5,672,248	1,167,375	701,179	204,750	294,000	4,832,616	1,053,595	732,129	0	14,657,892
ALLOCATIONS										
Temporary Reserves - LTF prior-year unallocated revenues	29,135									29,135
2022/23 Administration	509,379						93,096			602,475
2% Bicycle & Pedestrian - 2022/23 LTF Estimate less Admin. x .02	92,560									92,560
2022/23 Planning Overall Work Program (OWP) - New Funds	315,488			131,000	294,000				0	
Carryover Funds - See OWP Summary	68,580			73,750	0	163,780			Total OWP:	1,046,598
Total Administration, Bike & Ped., and Planning	1,015,142	0	0	204,750	294,000	163,780	93,096	0	0	1,770,768
BALANCE AVAILABLE FOR TRANSIT	4,657,106	1,167,375	701,179	0	0	130,972	0	732,129	0	7,388,761
2022/23 Mendocino Transit Authority Claim - due April 1:										
MTA Operations	3,428,087	967,375						732,129		5,127,591
Unmet Transit Needs	300,000									300,000
Senior Centers Operations	729,019									729,019
Transit Planning	200,000									200,000
Capital Reserve Fund Contribution										0
Capital Program, MTA & Seniors Current Year		200,000								200,000
Capital Program, Long Term (Five Year Plan)			701,179							701,179
Total Transit Allocations	4,657,106	1,167,375	701,179					732,129		7,257,789
Other Allocations - RSTP for MCOG Partnership Fund							100,000			100,000
Other Allocations - RSTP for County & Cities Projects by Formula							622,939			622,939
Other Allocations - ATP Infrastructure Grants - SR162 Corridor Multi-Purpose Trail						2,672,000				2,672,000
Other Allocations - REAP for Admin., County & Cities Projects by Formula						354,864				354,864
Other Allocations - SHOPP Complete Streets for SR-162 Corridor Multi-Purpose Trail						1,511,000				1,511,000
TOTAL ALLOCATIONS	5,672,248	1,167,375	701,179	204,750	294,000	4,701,644	816,035	732,129	0	14,289,360
Balance Remaining for Later Allocation	0	0	0	0	0	130,972	237,560	0	0	368,532