



PINELLAS SUNCOAST TRANSIT AUTHORITY
KEY BUDGET ASSUMPTIONS
FOR FISCAL YEAR 2016

PSTA Budget Forecasting Summary

Item	Assumption	Amount	Source	3-Yr. Avg.	FY2016	FY2017	FY2018	FY2019	FY2020
Revenues		FY15 Budget							
1	Ad Valorem Taxes	\$35.4M	Pinellas County Forecast	2.4%	4.3%	3.8%	3.8%	3.3%	3.3%
2	Passenger Fares	\$13.9M	PSTA Trend	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%
3	State Grants	\$7.5M	FDOT Block Grant Formula	5.2%	1.7%	1.7%	1.7%	1.7%	1.7%
4	Federal Grants (Total Allocated to Operations)	\$5.4M	Constant Dollar.	-10.3%	0.0%	0.0%	0.0%	0.0%	0.0%
5	Other	\$1.3M	Mainly Based on Diesel Gallons and Advertising	-15.5%	2.0%	2.1%	2.1%	2.2%	2.2%
6	Local Beach Trolley & Rt. 35	\$.9M	St. Pete Beach & Treas. Isl.	9.3%	5.0%	5.0%	4.0%	4.0%	4.0%
7	Federal Grant MPO Pass-Thru	\$.08M	\$80K Constant from MPO	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
8	Total Revenues	\$64.5M		1.2%	2.7%	2.4%	2.4%	2.2%	2.2%
9	- Possible Adjustment to 0.75 Millage Cap	\$.9M	Pinellas County Forecast	2.4%		3.8%	3.8%	3.3%	3.3%
10	- Possible Fare Increase	\$1.3M	Average Fare Up by 12.5%		9.2%			9.3%	
11	- Possible Increased Advertising Revenue	.3M	Based On Contracting Out Joint with HART		137.9%	10.0%	10.0%	5.0%	5.0%
Expenses		FY15 Budget							
12	Salaries	\$28.9M	CBA's + Admin. Performance Evals	5.1%	3.3%	3.5%	3.5%	3.5%	3.5%
13	Fringe Benefits	\$11.2M	Health Insurance Broker	8.7%	7.0%	7.0%	7.0%	7.0%	7.0%
14	Diesel Fuel	\$7.5M	Trend Analysis	-0.5%	-10.4%	3.5%	3.5%	3.5%	3.5%
15	Purchased Transportation - DART	\$4.9M	FY17 New Procurement	4.9%	4.0%	10.0%	4.0%	4.0%	4.0%
16	Supplies	\$4.2M	Mainly Bus Parts (2X CPI)	7.6%	3.0%	3.6%	4.6%	4.6%	4.6%
17	Services	\$3.5M	Contracted Services (CPI)	13.6%	1.5%	1.8%	2.3%	2.3%	2.3%
18	Insurance	\$1.4M	Based on Actuarial Estimate	71.2%	3.3%	3.5%	3.5%	3.5%	3.5%
19	Utilities	\$1.1M	CPI	11.3%	1.5%	1.8%	2.3%	2.3%	2.3%
20	Taxes & Licenses	\$.8M	Tied to Diesel Tax Rebate	0.6%	3.3%	3.5%	3.5%	3.5%	3.5%
21	Purchased Transportation - TD	\$.8M	FY17 New Procurement	54.6%	4.0%	10.0%	4.0%	4.0%	4.0%
22	Purchased Transportation - Trolleys	\$.7M	2X CPI	8.9%	3.0%	3.6%	4.6%	4.6%	4.6%
23	Miscellaneous	\$0.7M	\$1M Less than Budget w/no Airport Service (2X CPI)	32.9%	3.0%	3.6%	4.6%	4.6%	4.6%
24	Total Expenses	\$65.7M	See one change above to Miscellaneous	6.4%	2.3%	4.6%	4.2%	4.2%	4.2%
25	- Possible Admin Cost Reductions	-\$0.1M	\$100K savings value increases		3%	3%	3%	3%	3%
26	- Service Hour Adjustment Savings	-\$1.4M	Routes 1, 30, 444, 58, East Lake Con.			4.6%	4.2%	4.2%	4.2%
27	- Service Adjustments Farebox Impact	\$+150K	Nets from Adjustment Savings		9.2%			9.3%	
Capital									
28	Policy Bus Useful Life		Federal Standard- 12 Yr/5 Yr for Shuttles	12 Years	12	15	15	15	15
29	% of Formula Funds Converted to Operations		Benchmarking National Standard is Approx 40%	52%	39%	39%	39%	39%	39%
30	Total Buses		Contract Out 10 Express Buses in 2018	200	194	200	193	183	183
31	Propulsion			Hybrids	Hybrids	Diesel	Diesel	Diesel	Diesel
32	Possible STP Funds for Bus Replacement		Funding starting in 2021 Maybe sooner	\$	-				

PSTA FY 2016 Key Assumptions

This section includes a discussion of the sources of information used to develop assumptions for revenues and expenditures that drive the 5-year forecast.

Assumptions and Forecasting

We consistently use the best data and methodologies available; however economic forecasting is dynamic and must be updated when new information is presented. The forecasts in this document are a baseline using past trends, current policies and assumptions about future conditions based on reasonable expectations. This provides a context to view current policy decisions in light of their potential impact on the fiscal stability of PSTA in the years to come.

Revenue Assumptions

The primary revenue sources for PSTA are Ad Valorem Taxes, Passenger Fares, and Operating Assistance from Federal, State and Local Sources.

Property Tax Overview

Ad valorem taxes, commonly called property taxes, are assessed on real property. The tax rate expressed is expressed in “mills”. One mill is one dollar of taxes for each thousand dollars of taxable value. For example, a tax rate of 5.9 mills on a taxable value of \$100,000 yields \$590 in taxes. PSTA receives .7305 mills with a statutory cap of 0.75 mills.

The taxable values as of January 1st are established annually by the Property Appraiser and certified for budget purposes by July 1st. Final taxable values, following appeals and adjustments, are certified following the completion of the Value Adjustment Board appeals process.

The PSTA Board of Commissioners approves millage rates annually by resolution as part of the budget process. This process must follow the State’s “Truth in Millage” (TRIM) law that applies not only to PSTA, but to all member local governments, including the timing of advertisements and conduct of public hearings.

June 1 st	Property Appraiser delivers estimate of table value to PSTA
July 1 st	Property Appraiser delivers Certification of Taxable Value (DR-420) to PSTA
July 22 nd	Board approves proposed millage
August 4 th	PSTA returns completed DR-420 to Property Appraiser
August 21 st	Property Appraiser mails TRIM notice
September 9 th	1 st Public Hearing to tentatively adopt the millage and budget
September 23 rd	Adopt final millage and budget

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%

After five years of decline, countywide taxable values increased by 3.4% in FY 14 and 6.5% in FY 15. The assumption in the forecast is that growth of 3.8% per year or greater in the next three years will be followed by a slightly lower sustained level of increases. The preceding five years of tax base decline previously mentioned were unprecedented; prior to this the tax base only decreased once since World War II, a small 0.6% dip in FY 93. Prior to the recent recession, increases in the tax base averaged 5.0% per year.

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

Opportunity for Revenue Increase from Ad Valorem Taxes

If strategically the PSTA Board determines that the millage should be raised to the cap of 0.75 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

Passenger Fare Revenue

Passenger Fare Revenue is derived from the fare box revenue, ticket and pass sales, contractual revenue such as from the U-Pass Program and from Transit Disadvantaged (TD) co-pays. The base fare in FY 15 is at \$2.00 for a one way trip and has remained unchanged since 2011. The passenger fare revenue is influenced by the various discount programs offered. In FY 14 the average fare per ride for regular bus service (excluding DART) was \$1.06 as compared to the base fare of \$2.00.

Ridership continues to reach record highs while passenger fares remain relatively stagnant the last three years with an average increase of 1.4% while ridership has grown 3.4%. As a result, we are assuming flat revenue going forward.

Passenger Fares					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
1.4%	0.0%	0.0%	0.0%	0.0%	0.0%

Opportunity for Revenue Increase from Increasing the Base Fare

In the Ernst and Young Financial Study for PSTA, an assumption of fare revenue increases every three years to assist in maintaining financial stability was assumed. Using that model, if the PSTA Board were to look at a 15% increase in the average fare starting in FY 2016 the impact would be as follows:

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

Since the average revenue per ride is \$1.06 in FY 14, assuming a similar average revenue in FY 15, the overall impact to our riders is lessened. This average fare revenue increase could, by policy, also affect those in the TD Program. In a survey conducted the TD riders indicated a tolerance for a \$20 monthly bus pass as compared to the current rate of \$8.25. Since amending the eligibility requirements for a monthly TD pass, there has been a significant shift to the monthly pass and significant decrease in overall passenger fares received by PSTA.

At the present time a Committee of the Pinellas County Local Coordinating Board for the Transit Disadvantaged has been formed to review the TD Program change options available to lessen the negative financial impact from the program.

State Grants

PSTA receives State Operating funds in the form of Block Grants, TD State Reimbursements, grants for the Regional routes (100X and 300X), as well as other reimbursements. These funds are anticipated to increase at a constant rate.

State Grants					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
5.2%	1.7%	1.7%	1.7%	1.7%	1.7%

Federal Grants

PSTA receives formula funding from the Federal Transit Administration in a “5307” grant that may be used for either operational expenses (limited to preventative maintenance labor, parts and tire leases) or capital. PSTA has always used a portion of 5307 funds for operations and after the financial crisis in

2008, PSTA, increased the allocation of the 5307 funding for operations away from capital. Capital costs are more easily deferred or allocated over multiple periods, while operating costs are an immediate need. Since 2011, the dependence on Federal 5307 for operations has decreased, and the budget assumptions assume a constant dollar amount regardless of the grant award amount.

The Board may want to consider establishing a cap of 40% of Federal formula funds that may be used towards operations.

Federal Grants					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
-10.3%	0.0%	0.0%	0.0%	0.0%	0.0%

Other Revenues

Included in this category are revenues such as diesel tax refunds, advertising, and interest income. PSTA has historically handled the bus advertising in-house and has seen significant declines in recent years. Currently PSTA is looking at out-sourcing this work for a guaranteed minimum that would potentially increase our revenue by \$300,000 in FY 16.

Other Revenues					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
-15.5%	2.0%	2.1%	2.1%	2.2%	2.2%

Local Beach Trolley & the Central Avenue Trolley

The Suncoast Beach Trolley runs from Park Street Terminal in downtown Clearwater to 75th Avenue and Gulf Boulevard and the Central Avenue Trolley (CAT) runs from the beaches to downtown St. Petersburg. The cities of Treasure Island and St. Pete Beach provide operating assistance for these routes and the related DART service. The assumptions are based on anticipated increases in city revenues.

Local Beach Trolley & CAT					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
9.3%	5.0%	5.0%	4.0%	4.0%	4.0%

Federal Grant Metropolitan Planning Organization (MPO)– Pass through funds

The MPO provides us federal funding for operations at a consistent \$80k a year and no changes are anticipated.

Federal Funds - MPO					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Expenditure Assumptions

Personnel Salaries and Fringes:

Salaries					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
5.1%	3.3%	3.5%	3.5%	3.5%	3.5%

The cost of Personnel salaries and fringes are the largest category of expenses constituting approximately 61% of the Authorities overall operating expenses.

Since the recession in FY 2009, represented employees have had annual increases, including step increases, ranging from 1.02% to 36.09% while administrative employees saw 0% for the first 3 years 1% for 2 years and a 3% merit raise in FY 2015. The lower increases for administrative employees were a cost savings measure to deal with the dramatic decreases in property tax ad valorem revenue.

All PSTA employees are members of the Florida Retirement System (FRS). Beginning on July 1, 2012, employees are required to contribute 3.0% of their salary to the FRS effectively reducing take-home pay.

Compensation adjustments are included in the forecast for FY 16 through FY 20. Moderate wage adjustments will be required to maintain a compensation structure that can attract and retain quality employees. The net adjustments include pay for performance increases.

An annual market survey of salaries for comparable transit agencies is anticipated to be conducted prior to fiscal year end FY 2015.

Employee Benefits

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%

PSTA is responsible for employer contributions to Social Security (FICA), the Florida Retirement System (FRS) State pension fund, and to support various benefits such as health and life insurance, short term disability, workers' compensation and unemployment compensation. The key drivers for employee benefits are health insurance and PSTA's share of the pension.

PSTA is required to participate in the Florida Retirement System, a State public pension plan. From 1998 to 2008, the FRS had been one of the few state systems that had an actuarial surplus. This lowered the required contributions set by the Legislature that are based on an employee's salary and benefit category. As with most pension systems, the financial crisis in 2008 had a significant effect on the value of FRS investments. As a result, beginning in 2009 the FRS system had an unfunded liability. The FRS investment portfolio which is managed by the State Board of Administration, has now recovered from this setback. As of June 30, 2014, the asset value for the FRS pension plan was higher than the previous peak value it had reached in 2007.

The State Legislature establishes the employer contribution rates for the FRS system. Employees must also contribute to the system as part of a package of Legislative changes enacted in 2011. The 2013 Legislature increased the FRS rates to fully fund the system's actuarial liability over a multi-year period, and the 2014 Legislature made adjustments to maintain this approach. The actuarial report as of June 2014 indicates that rates may not need to be adjusted for the State's 2016 fiscal year. The forecast assumes that having reached a fully funded level, the rates should stabilize.

The actual contribution rates beginning July 1, 2015 will not be known until the end of the 2015 legislative session. In FY 2015 the contributions were \$2.2 million. The future growth in PSTA's contributions will be a combination of rate changes, if any and the growth in the salary base to which the rates are applied.

Health Insurance

Health insurance costs for PSTA have followed the national trend and outpaced inflation in recent years. These increases have been mitigated by cost containment measures such as wellness programs lowering the utilization rate, and in FY 15 for the first time employees contributing to the increase in costs at approximately 2%. Total budgeted costs for health insurance in FY 15 were \$6 million.

The forecast assumes PSTA's continued emphasis on wellness and cost containment measures.

The Affordable Health Care Act (ACA) passed in 2010 on the national level to restructure and contain health insurance costs could have a significant impact in FY 18 and later years. The forecast does not assume any changes in the current situation.

Diesel Fuel

All fuel is purchased as part of a consortium headed by the Hillsborough Area Transit Authority (HART), and historically 100% of the diesel fuel has been locked in. This is PSTA's third highest cost category behind Salaries and fringe benefits.

The assumptions are based on a trend analysis.

Diesel Fuel					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
-0.5%	-10.4%	3.5%	3.5%	3.5%	3.5%

Purchased Transportation Demand Response Transportation (DART)

PSTA provides demand response transportation services for people who, because of their disability, are unable to independently use the regular, accessible PSTA buses. This service is outsourced and is going out for RFP for FY 17. As a result of the potential increase in cost in that year, a larger percentage is being applied.

DART					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
4.9%	4.0%	10.0%	4.0%	4.0%	4.0%

Supplies

The majority of our supplies expenses 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%

Services

The assumptions for contracted services are that costs will increase by the CPI.

Services					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
13.6%	1.5%	1.8%	2.3%	2.3%	2.3%

Insurance

PSTA is has self-insured retentions and excess policies for both workers' compensation and third party claims. While the 3 year average is high based on settlement of several large claims, the future costs are increasing based on actuarial reviews.

Insurance					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
71.2%	3.3%	3.5%	3.5%	3.5%	3.5%

Utilities

It is assumed utilities will increase by the CPI.

Utilities					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
11.3%	1.5%	1.8%	2.3%	2.3%	2.3%

Purchased Transportation TD

Based on a new procurement in FY 17 the plan assumes a higher increase in that year.

TD					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
54.6%	4.0%	10.0%	4.0%	4.0%	4.0%

Opportunities for Additional Cost Savings

Administrative cost reductions:

Staff has been working to identify ways to reduce costs and at minimum we anticipate a \$100,000 of savings in FY 15 that will grow by 3% each year.

Administrative Savings					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
	3.0%	3.0%	3.0%	3.0%	3.0%

Service Hour Adjustment Savings

Four percent route adjustments would provide approximately \$1.4 million of savings in FY 16 if implemented and those cost avoidance savings would grow thereafter. The reductions are assumed to take place beginning October 1, 2015 for FY 16.

Service Adjustments					
3 Yr Avg.	FY 16	FY 17	FY 18	FY 19	FY 20
		4.6%	4.2%	4.2%	4.2%

Service Adjustments - Redesign Scenario #1

PSTA has developed a Service “Redesign Scenario #1” as presented at the February 18, 2015 Board Workshop that provides a relatively stable overall level of public transit services within Pinellas County while redesigning the service network to reduce the number of empty buses while maximizing service where it works best. This scenario, in order to provide a relatively sustainably balanced budget for the next 5 fiscal years assumes the PSTA Board will approve the following assumptions, described in further detail above but packaged together in the following manner:

Potential Strategic Change Impact Assumptions

Description	FY 2015	FY 2016	FY 2017	FY 2018	FY2019	FY 2020
Increasing Property Tax	\$0	\$ 970,432	\$1,007,308	\$1,045,586	\$1,080,090	\$1,115,733
Increasing Base Fare	\$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	\$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