






CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

Proposed Annual Budget Fiscal Year Ending December 31, 2012

The +Logo:

When the Corpus Christi Regional Transportation Authority was first formed in 1985, the + was chosen as a symbol that simultaneously exemplifies the organization's mission and projects a unique identity. It stands for us+ and motor buses remain the core resource used to provide transportation services. The logo was updated in 2009.

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Corpus Christi Regional Transportation Authority
Proposed Fiscal Year 2012 Budget

For further information:

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Corpus Christi Regional Transportation Authority
5658 Bear Lane
Corpus Christi, Texas 78405
(361) 289-2712



December 7, 2011

To Board Chair John Valls, Members of the Board of Directors, and the Citizens of the Regional Transportation Authority service area:

It is my pleasure to submit the proposed budget for the Corpus Christi Regional Transportation Authority (Authority) for the fiscal year (FY) of 2012. As the Authority begins its twenty-sixth year of providing transportation services the budget focuses on the priority of balancing financial constraints with the Authority's basic purpose - providing mobility, outstanding customer service and increasing accessibility to all residents and visitors to the CCRTA service area. The priorities and resulting resource choices can be best described as follows:

- ◆ **Preserving core transportation services in light of operating cost growth and uncertain revenue.** In 2011 the local and Texas economies showed continued recovery from the 2009 recession due primarily to increased drilling activity for oil and natural gas. Activity in the Eagle Ford Shale field has had a strong positive impact in throughout south and central Texas. Sales tax, the Authority's primary funding source for operations is expected to increase by more than 10% in 2011 with an additional 5.5% increase budgeted for 2012. The other major funding source for the Authority is FTA grants which are used to fund both capital and operating costs. These funds could be reduced in coming years as the Federal government looks for solutions to the growing Federal debt. In addition the national and international economies remain volatile with the threat of both recession and a return to high levels of inflation.
- ◆ **Continued emphasis on customer service and community relationships.** The Authority's mission and basic purpose is always a key issue, particularly in the context of its regional environment. The budget supports this mission by increasing resources and staffing for operations and customer service. The Capital budget includes funding for a new Customer Service Center that is expected to be utilized by both the Authority and other local government entities.
- ◆ **Continued emphasis on accessibility.** In 2011 the Board of Directors adopted a new accessibility policy that requires that accessibility be considered in the development of all policies, procedures and decisions. The Authority recognizes accessible transportation is a key element in full participation in the community by individuals with disabilities. The Authority continues to work with the City of Corpus Christi and other stakeholders to



increase accessibility to transit stops through improvements to both the stops and nearby infrastructure needed for accessible paths of travel.

- ◆ **An emphasis on making data driven decisions to enhance effective, cost efficient delivery of service.** A major initiative of the Authority beginning in 2011 and continuing in to 2012 is a Long Range Plan (Let's Go!) that will set the framework for the Authority's second quarter century of service.
- ◆ **Continued emphasis on sustainability.** The Authority has a commitment to economic and environmental sustainability. As part of this commitment the Authority has begun moving from diesel to compressed natural gas. The first CNG vehicles will be purchased in 2012. This change is expected to save the Authority more than one million dollars a year once fully implemented, in addition to positive environmental effects and increased reliance on domestic resources.
- ◆ **Greater flexibility in funding operations and capital projects.** The Authority has traditionally funded operations primarily with sales tax, and capital projects primarily with FTA grants. Beginning in 2012 the Authority will exercise greater flexibility by using a mix of funding streams for both operations and capital projects. This will improve cash flow and allow for available grant funds to be utilized more expeditiously.

FY 2012 will be a pivotal year in terms of realigning the Authority's finances by focusing on future cost containment and revenue enhancements. The 2012 operating budget provides for funding of \$29.6 million in operating costs. The FY 2012 capital budget includes new and ongoing projects budgeted at \$34.4 million.

I look forward to working with staff and the Board to make a positive impact on public transportation in our service region.

Sincerely,

Scott Neeley
Chief Executive Officer



ORGANIZATION PROFILE

HISTORY

The Authority was established by referendum on August 10, 1985, as a political subdivision of the State of Texas, to develop, maintain and operate a public mass transportation system, principally within Nueces County, Texas and certain neighboring communities. As a political subdivision, it is not an agency of the State, the County, the City or any other local governmental unit. The Authority commenced operations on January 1, 1986.

Under state law, the Authority is authorized to levy sales and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .5%. This sales tax is in addition to any sales and use tax levied by the state and any cities within the service area. The Authority is not authorized to levy property taxes.

The Authority may issue debt in the form of bonds backed by both operating revenues and, subject to referendum, sales taxes. The Authority has no policy for debt, but would follow guidelines established by statute. There are no statutory limits to the amount of debt the Authority may undertake; however, the debt service must be affordable. To date, the Authority has issued no bonds and currently plans to continue to operate free of debt.

MISSION

The Regional Transportation Authority was created by the people to provide quality transportation in a responsible manner consistent with its financial resources and the diverse needs of the people. Secondly, the Authority will also act responsibly to enhance the regional economy.

SHARED VALUES

Safe Environment. An environment secure from threat of danger, harm, or loss to all staff and customers. This applies to both physical and mental threats to ones being.

Ethical Environment. An environment conforming to accepted standards of conduct such as honesty, fairness, trust and justice among Board members and staff.



Proactive. Acting in anticipation of future problems, needs, or changes. This includes being decisive on what is needed to achieve the goals set out by the Board.

Accountability. An obligation or willingness to accept responsibility for one's actions.

Teamwork. Work done by several associates with each doing a part but all subordinating personal prominence to the efficiency of the whole. This is accomplished through full disclosure by all members as well as having trust and faith in each other.

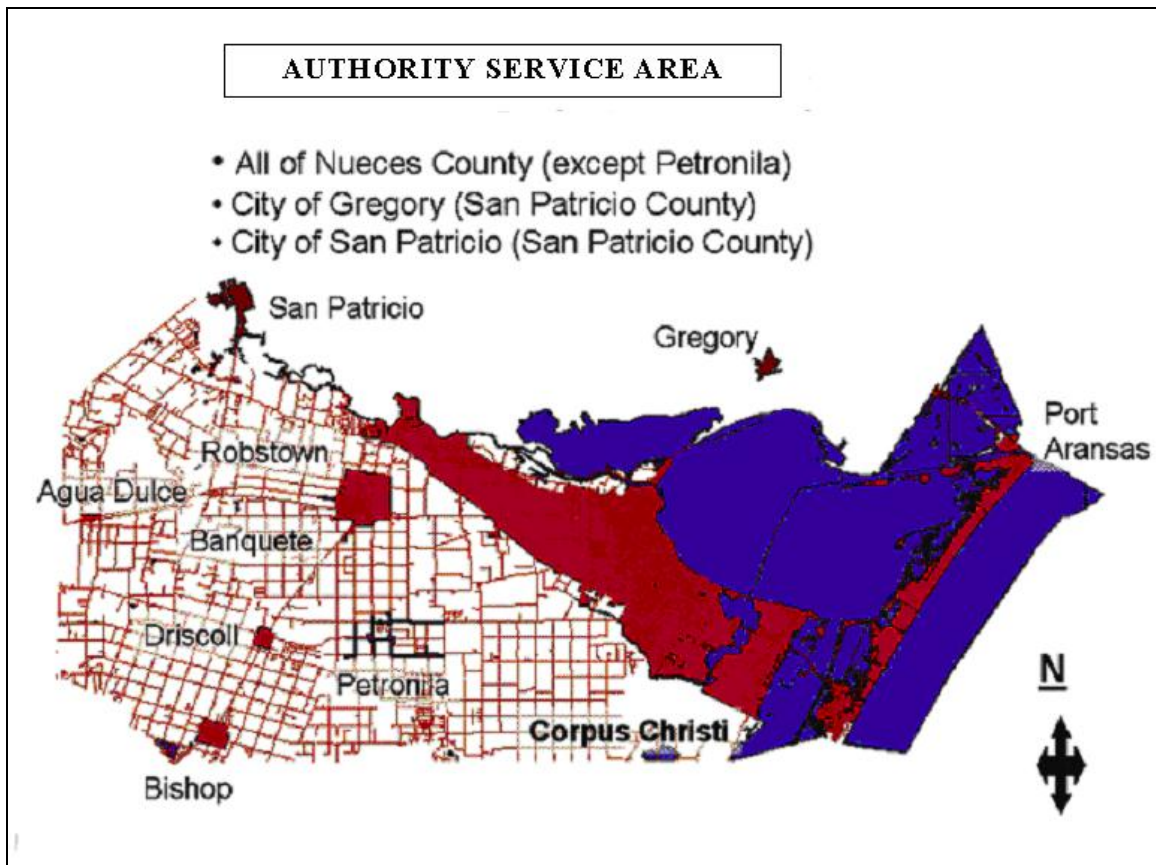
Focus. To concentrate attention and effort to accomplish the goals set out by the Board.

SERVICE AREA

Located in Corpus Christi, Texas on the coast of the Gulf of Mexico, the Authority is a *regional* provider of mass transportation services primarily within Nueces County and also part of San Patricio County. Nueces County includes Agua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and unincorporated areas. San Patricio County includes the cities of Gregory and San Patricio. The total area is 838 square miles and has a population of 317,015 according to the 2000 Census. A schematic of the Authority's service area is presented on the following page.

Either directly or through contracts with various entities, the Authority provides virtually all transportation services in this area. These services include fixed route, para-transit, vanpool, contracted services, and waterborne transportation.

The Authority maintains over 1,400 bus stops, five transfer stations, and a fleet of 72 buses coaches and 40 smaller revenue vehicles used primarily for demand response services. In addition, the Authority utilizes a contracted ferryboat to provide its seasonal Harbor Ferry service.



SERVICES

The Authority's services are separated into the six standard categories. They reflect the different services that are to be reported in the Federal Transit Administration's annual National Transit Database (NTD) reports for comparison with peer transit systems across the country. The Authority utilizes a fleet of motor buses, para-transit vehicles, and a waterborne vessel to perform the services.

- Fixed-Route: These are bus services operated directly by the Authority. Most bus services are in this category.
- Contract Fixed-Route: Fixed-route services operated by contractors. This category includes Park & Ride and commuter routes, the Texas A&M University-Corpus Christi (TAMU-CC) Shuttle, the #94 Port Aransas Trolley (operated by the City of Port Aransas) and other miscellaneous services.



- B-Line: The Authority's B-Line+ service consists of ADA complementary para-transit transportation service for persons with disabilities. Rides on this curb-to-curb demand response service are available with 24-hour advance reservations only for persons certified to have disabilities that make it not possible to utilize regular fixed route bus services. The Authority contracts with a private firm to provide these services.
- Other Demand-Response: The Flexi-B (operating between the Cities of Corpus Christi and Port Aransas) is expected to be joined by flexible services designed to enhance mobility for older Americans and those with disabilities in 2012.
- Vanpool: This includes the standard vanpools as well any special Job Access/Welfare to Work vanpools that may be arranged through the Workforce Development Board. The Authority contracts with a private firm to provide the van and related services.
- Ferry Boat: This is a summer seasonal water transportation service operated under contract with a private vessel owner. The Harbor Ferry route connects activity centers in and near downtown Corpus Christi. In 2012 the Authority anticipates operating the Ferry on weekends from March-May and six days a week from Memorial Day through Labor Day.

SERVICE FACILITIES

The Authority operates four transfer stations throughout its service area. These stations are at central locations where several bus routes intersect and allow passengers to transfer to continue their trips. A brief description of each follows.

- Staples Street Station is the flagship of the system. Located on Staples near Leopard Street in downtown Corpus Christi, the eleven bays serve sixteen bus routes.
- Six Points Station is located at the intersection of South Staples Street, South Alameda Street and Ayers Street and Palmero. Five routes service the three bays at this site.
- Port Ayers Station, found at the intersection of Port Avenue and Ayers Street, has three bays and is serviced by nine routes.
- Southside Station, the newest transfer center, is located on McArdle Road across from the Padre/Staples Mall. The nine bays are serviced by twelve routes.



GOVERNANCE

An 11 member Board of Directors manages the Authority. The City of Corpus Christi, Nueces County, and Committee of Mayors appoint members of the Board. Such appointments do not provide these entities with oversight responsibility and Authority's operations are excluded from their financial reports.

The Board establishes policy and sets direction for the Authority. Five members are appointed by the City of Corpus Christi, three members are appointed by the Nueces County Commissioners, and the remaining two members are appointed by participating small cities. The chair is appointed by the ten board members. Board members serve overlapping two-year terms. A current listing of Authority Board members is below.

Board Member	Appointing Body
John Valls, Board Chair	
Vangie Chapa, Vice Chair	City of Corpus Christi
Angie Flores Granado, Secretary	Nueces County
Tony Elizondo	City of Corpus Christi
Robert Garcia	Small City Mayors
Gilbert Hernandez	Nueces County
Ray A. Hunt	Small City Mayors
John Longoria	City of Corpus Christi
Mary Saenz	City of Corpus Christi
Lamont Taylor	Nueces County
Judy Telge	City of Corpus Christi
Crystal Lyons, Advisory Member	

Members of the Board also serve on two committees. The Administration Committee focuses primarily on administrative issues and the Operations Committee focuses on operational issues. Committee meetings also take place monthly. Board members also serve on a variety of subcommittees and ad hoc committees.

The RTAC Committee is an advisory committee that advises the Board on issues primarily related to services to persons with disabilities and special needs. This group meets generally once per month prior to the monthly Board Operations Committee.

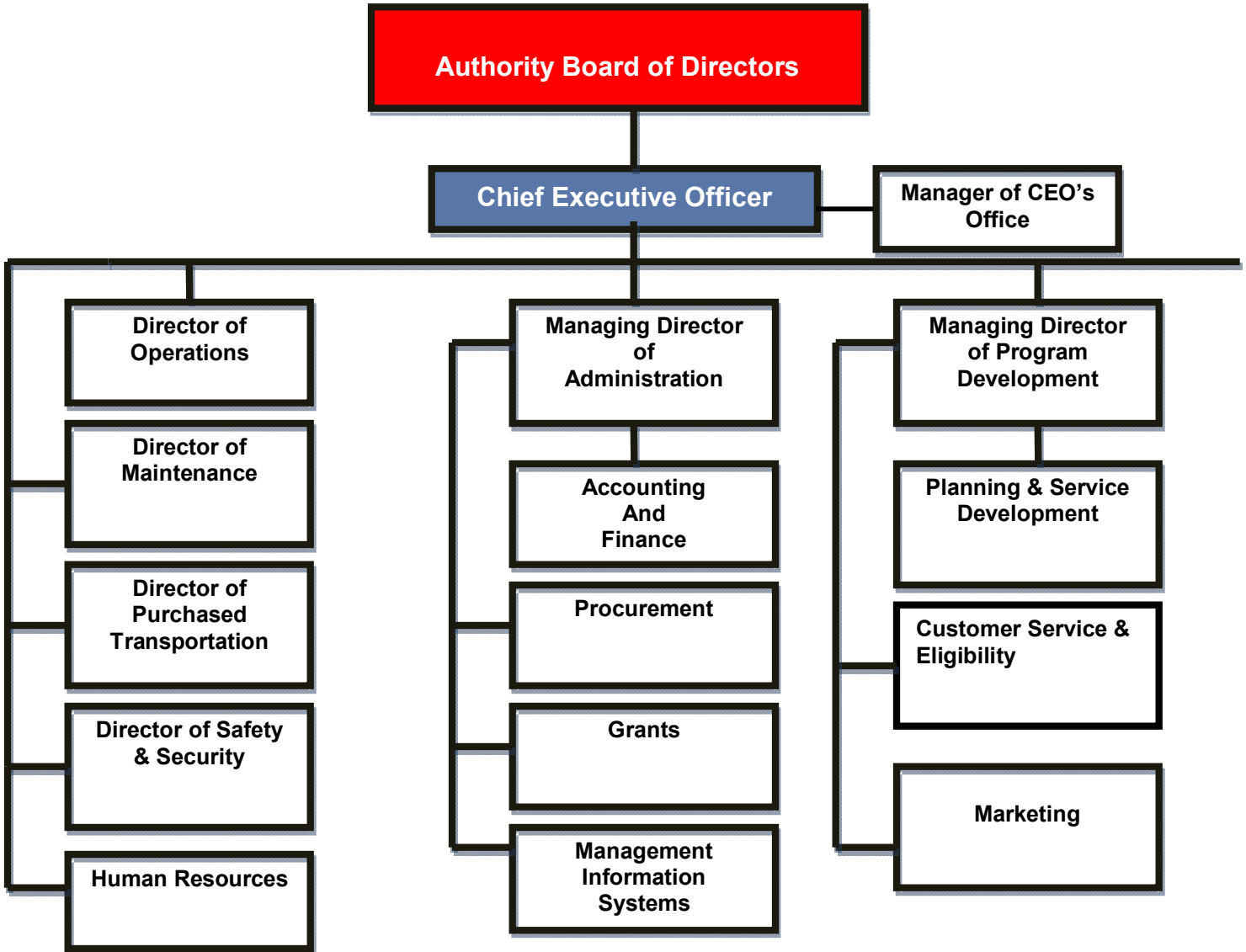


EXECUTIVE MANAGEMENT AND ORGANIZATION STRUCTURE

A Chief Executive Officer (CEO) is responsible for the daily operations of the Authority. The CEO oversees three core areas represented by an Executive Management staff who lead the Operations Group, Administration, and Program Development. Executive Management includes those shown below.

Chief Executive Officer	Scott Neeley
Managing Director of Administration	Jorge Cruz-Aedo
Managing Director of Program Development	Sharon Montez
Director of Operations	Rosa Villarreal
Director of Planning	Carl Weckenmann
Director of Finance	Susan Vinson
Director of Maintenance	Jose Tovar
Director of Procurement	Robert M. Saldana
Director of Purchased Transportation	Terry Klinger
Director of Safety and Security	Mike Pefanis
Director of Communications and Marketing	Karina Paris Carlisle
Director of Customer Programs	Linda Fallwell Stover

A current organization chart is shown on the following page.



L

STRATEGIC PLANNING AND GOALS

An effective budget process begins with Board and staff planning. The Authority Board has set three broad goals that are reflected in the Authority's fiscal planning. These goals are:

1. Develop Policies That Will Effectively Advance The Goal of Accessibility

This goal will take the results of the Assessment of ADA Services related to Title I and Title II American with Disability Act and apply them to the Authority's overall umbrella of policies, practices, programs, and activities affecting fixed-route, para-transit, and administrative services. Beyond compliance with the ADA the Authority will take a leadership role in creating an awareness of and dedication to accessibility for all individuals including riders, employees, and vendors.

2. Increase Mobility Options

Improved Transportation Options can give people better options for where they live and work. For this to be possible the Authority must provide transportation services for people with various needs and abilities. Different transportation modes serve different roles; No mode is optimal for all purposes. Increasing Transportation Options tends to create a more efficient and equitable transportation system, because it allows each mode to do what it does best. This is particularly important for providing Basic Mobility to people who are economically, physically or socially disadvantaged. The Authority will continue working with other governmental entities, providers of transportation and social services and other stakeholders to provide coordinated transportation services throughout the area.

3. Continue Sustainability Program

Public transit is an important part of the sustainable transportation formula. Transit in all its forms can help shape the way we move, work and live. With transit as part of a coordinated mobility and settlement strategy, energy can be conserved, greenhouse gas emissions lowered, congestion relieved, open space preserved and the benefits of healthy, livable communities realized.

BUDGET PROCESS

Chapter 451 of the Texas Transportation Code mandates that the Authority's Board of Directors adopt an annual operating prior to the beginning of each fiscal



year and before the Authority conducts any business for that year.

Governing legislation further provides that the Board of Directors shall hold a public hearing on the proposed operating budget prior to its adoption and shall, at least fourteen days before the date of such hearing, make the proposed budget available to the public.

After adoption, the Board may amend the budget after similar public notice and public hearing as required for the original adoption. The Authority's budget would be amended if, for example, operating expenditures will exceed the budgeted amount or if significant new initiatives arise during the year.

The Board and management work together to set priorities for the coming year with the aim of focusing resources in areas identified as most critical. Management and other staff then develop strategies and budgets that accomplish the goals and objectives of the Authority's mission and Board governance. Resources for meeting these priorities are incorporated into the budget.

Using a zero based budget approach the Executive Management staff performs an in-depth review of all areas of the budget to ensure organizational cohesion with the Authority's overall mission and Board goals and priorities. The resulting budget is subsequently adopted by the Board.

An annual calendar of the budget process is shown on the following page.

CALENDAR	MONTH
Develop key assumptions and preliminary revenue estimates.	June
Review financial trends, board goals & status of current capital projects and grants.	July
Board review of any Service Plan Changes, Revenue Trends and Projections and finalize any Board Initiatives for 2012 Budget	August
Departments develop zero base budgets that support overall mission, goals and action plans.	August . September
Review and update compensation costs and present to Board for feedback	September-October
Board releases proposed budget for public review (Minimum 14-day requirement).	November
Board holds public hearing on proposed budget.	December
Board of Directors adopts budget.	December
Approved budget document is issued.	January
<i>Monitoring and Reporting</i>	<i>On-going</i>

The budget process goes beyond the initial adoption of the annual budget. There is ongoing reporting of actual results of financial activities compared to the adopted budget. This includes ongoing monitoring, adjusting and reporting to the Board and the public throughout the year at publicly held Board meetings. The Authority also posts monthly financial reports to its web site at <http://www.cccta.org>.

SERVICE LEVELS

The Authority's annual operating budget is most impacted by the hours and miles of service provided to its riders. Staff reviews service levels regularly and makes adjustments in order to maintain efficient service while meeting the needs of the residents within the service area. Major Service changes in FY 2012 include development of New Freedom funded services aimed at increasing mobility for individuals with disabilities, and a new JARC route in the Annville area of Corpus Christi aimed at low income workers and students.

Fixed Route - The Authority, both directly and through contractors, provides fixed bus route services. These services accounted for 95% of total system ridership and 73% of the total service hours for the transit system in FY 2011. The Authority anticipates approximately 5.9 million passenger trips in FY 2011, an increase of about 11% from FY 2010. The Authority anticipates that ridership will increase by about 3% in FY 2012 as the economy improves and new services are added resulting in 6.1 million trips.

Para transit Service Characteristics - For FY 2011, the Authority's %B-Line+ Curb-to-Curb Transportation Service anticipates 197,230 passenger trips a 6.0% increase over the 185,390 in FY 2010. Service hours and miles are each projected to increase by 3.5% in FY 2012. While increases are expected as the economy improves, the Authority maintains an eligibility program and training opportunities aimed at moving riders to fixed route services where appropriate. This is part of the Authority's long term plan to control costs as the population ages while simultaneously providing increased mobility options for riders.

Other Demand Response Services - Other demand-response services open to the general public and operated by contractors, include the Flexi-B (operated by the City of Port Aransas), and additional services designed to enhance mobility for individuals with disabilities being developed in 2010. Due to the addition of the new service and a possible extension of Flexi-B services, hours of are expected to increase by 20% in 2012.

Van Pool Program – Van pool service is offered to groups of people who live and work in close proximity to each other. The Authority anticipates an increase in demand for this unique public transportation service in FY 2012 due to an improved economy tempered by an increase in demand response services

Harbor Ferry - The Authority expects to continue providing this service in 2012. The service proved very successful in 2011 after not operating in 2010.

EXECUTIVE BUDGET SUMMARY

REPORTING ENTITY

The Financial Reporting Entity, as defined by Statement 14 of the Governmental Accounting Standards Board (GASB), is comprised of the primary government and its component units. The primary government includes all departments and operations of the Authority that are not legally separate organizations. Component units are legally separate organizations that are fiscally dependent on the Authority or for which the Authority is financially accountable. The reporting entity of the Authority consists only of the primary government fund. There are no component units.

BASIS OF BUDGET

The Authority's budgeted operating revenues, expenses and net income are organized into a single enterprise fund similar to a private business. The Authority uses the accrual basis of accounting for its budget, monthly accounting reports and year-end audited financial statements. The Accrual basis of accounting means that revenues are reported in the numbers when they are earned and expenses are reported when they are incurred regardless of when cash is received or paid. The only difference between the budget and audited financial reporting is compensated absences. These cannot be predicted accurately in advance and the actual difference from year to year is small, so the Authority assumes this will continue unless a major change in personnel occurs.

The Authority's Comprehensive Annual Financial Report includes fiduciary funds for two pension plans that are not included in this annual budget document. Instead of a budget process, there are performance benchmarks and actuarial assumptions used for the Defined Benefit pension plan and an annual actuarial study to follow up. Employees direct the investing activities of their funds in the Defined Contribution pension plan.

OPERATING BUDGET OVERVIEW

The operating budget for FY 2012 shows a net income of \$3.7 million before depreciation and grant-funded capital contributions. Budgeted revenues are \$32.4 million and budgeted expenses, before depreciation and grant contributions, are \$28.6 million. The difference between revenues and expenses is anticipated to generate the cash flow for required matching funds for the following year's federal formula capital grants and for locally funded capital expenditures.

General and administrative overhead expenses make up about 11.2% of the total department expenses. It is the desire of the Authority to minimize overhead costs in order to maximize the amount of resources available to those functions that directly impact its mission and service delivery.

Net assets is a category of financial equity on the Authority's balance sheet that is made up of the cumulative effect of all historical net income, including depreciation on fixed assets, and capital asset contributions from external entities. The Authority's net assets were \$59.4 million at December 31, 2010 and are forecasted to be \$61.6 million at the end of 2011 and \$64.4 million at the end of 2012 after factoring in depreciation and anticipated capital grant contributions for acquisition of capital assets.

The schedule on the following page depicts a summary of the Authority's operating budget activities for FY 2012 and the resulting effect on net assets.



Corpus Christi Regional Transportation Authority
Proposed Fiscal Year 2012 Budget

**Budget Summary of Revenues, Expenses
and Changes in Net Assets
For Fiscal Year Ended December 31, 2012**

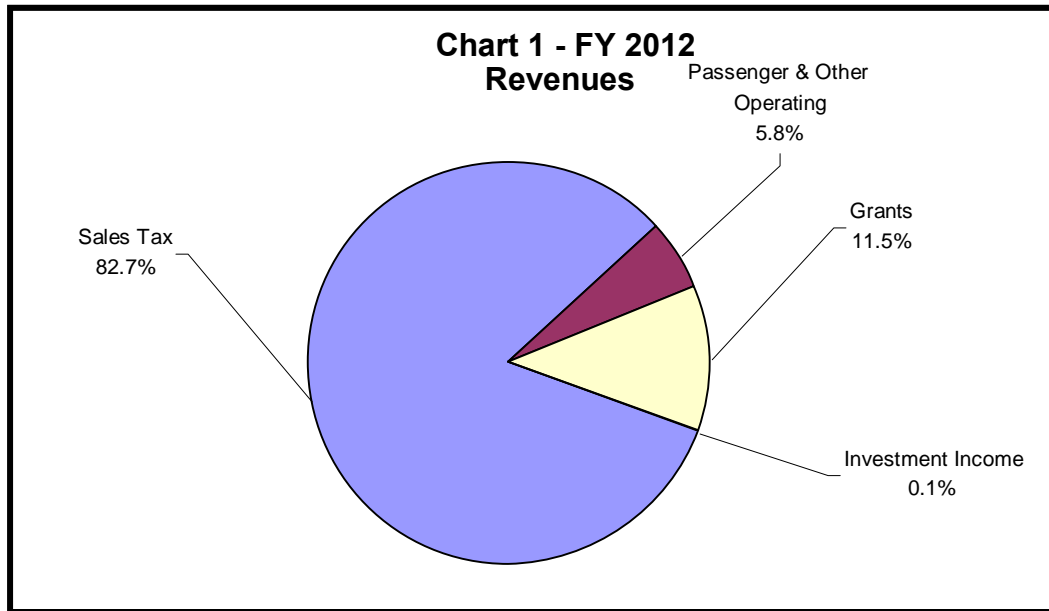
Revenues:		
Sales Tax	\$	26,760,565
Operating		1,864,750
Grants		3,708,657
Investment Income		40,000
 Total Revenues		 <u>32,373,972</u>
Expenses:		
Salaries & Benefits		10,070,648
Services		1,856,710
Materials & Supplies		4,812,112
Utilities		366,639
Insurance		2,313,185
Purchased Transportation		6,568,842
Miscellaneous		400,547
Leases & Rentals		67,957
Street Improvement Program		2,154,150
 Total Expenses		 <u>28,610,790</u>
 Net Income before Depreciation		 3,763,182
 Depreciation		 (5,600,000)
Capital Contributions		<u>4,572,000</u>
 Change in Net Assets	 \$	 <u><u>2,735,182</u></u>

Revenue Assumptions

The Authority's projected total revenues for FY 2012 total \$32.4 million and are comprised of a ½-cent dedicated sales tax, operating revenues generated from fares and other ancillary revenues, federal grants and investment income. Table 5 shows Authority revenues from all sources and comparison data. Total sources of funding are forecasted to increase 9.1% over the FY 2011 estimated year-end amounts.

Table 1 - Revenues							
Category of Revenue	2010		2011		2012		Vs. 2011 Estimated Increase/(Decrease)
	Actual	Estimated	Adopted Budget	Draft Budget	\$	%	
	Sales Tax	\$ 22,891,712	25,365,474	22,940,474	26,760,565	1,395,091	5.5%
Passenger & Other Operating	1,658,675	1,802,335	1,665,142	1,864,750	62,415	3.5%	
Grants	995,526	2,460,707	1,869,604	3,708,657	1,247,950	50.7%	
Investment Income	100,071	36,000	110,000	40,000	4,000	11.1%	
Gain on Disposal of Equipment	-	1,770	-	-	(1,770)	-100.0%	
Total Revenues	\$ 25,645,984	29,666,286	26,585,220	32,373,972	2,707,686	9.1%	

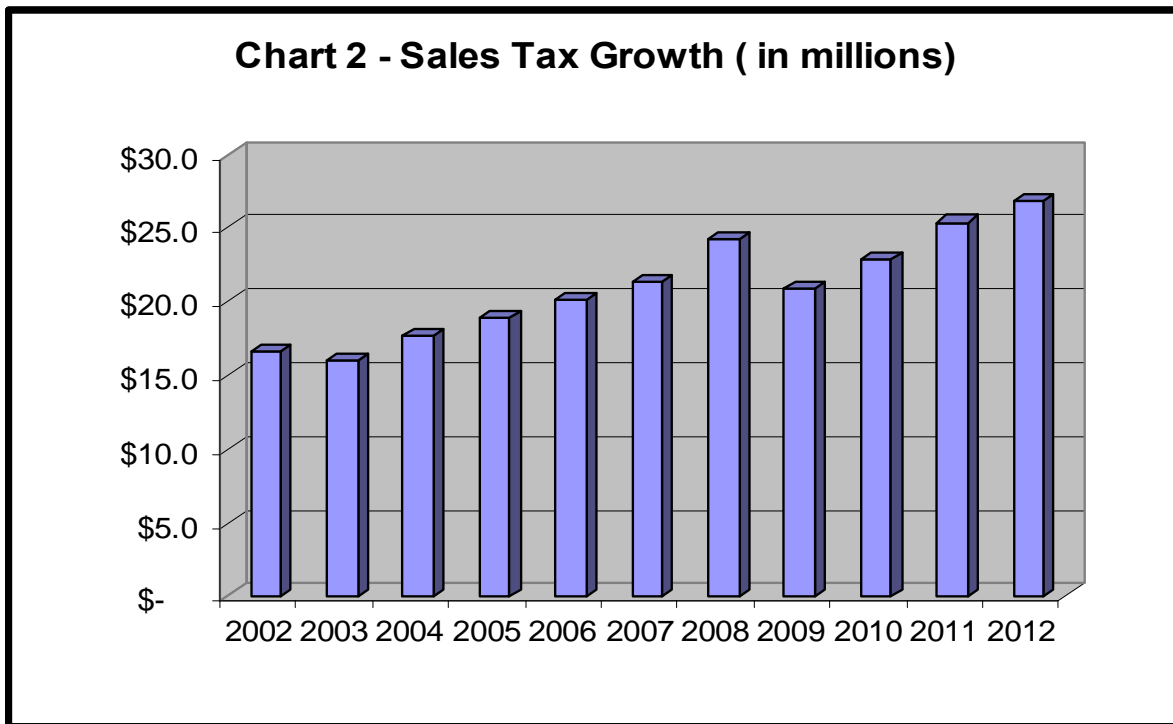
Chart 1 depicts the Authority revenues from each source as a percent of the total revenues.



Sales Tax - Sales tax is the largest funding source for the Authority's operations, making up 82.7% of its revenues. FY 2012 receipts are anticipated to exceed the FY 2011 level by \$1.4 million or 5.5% based on recent trends.

Sales tax receipts through September 2011 have increased over the same months of 2010 by about 15.6% and September 2012 was 20.2% higher than September of 2010. FY 2010 estimated year-end sales tax revenues reflect the impacts of economic recovery from the 2009 recession and increased oil and gas drilling in South Texas. This growth trend has remained steady over the last seven months.

Over the past ten years, the Authority's sales tax has grown at an average annual rate of about 3.2% despite a sharp decline in 2009 due to the recession. Only one other year during the last ten has seen a year over year drop and that was in 2003 when the Authority was mandated to refund taxes previously overpaid by manufacturing firms in the Authority's tax region during a weakened economy that was reflective of national trends. Chart 2 depicts these sales tax trends.



Operating Revenues - Revenue from passenger fares and other ancillary sources is estimated to be \$1.8 million for FY 2011 and \$1.9 million in FY 2012. This group of revenues is expected to increase in FY 2012 by 3.5% due to implementation of a new fare recovery system and an increase in the number of individuals in the work force as the recovery continues. Gen-fare the new fare recovery system has resulted in greater fare recovery in other transit systems that have implemented it.

Grants - This category of revenue is budgeted at \$3.7 and includes annual formula+ capital grant funding received from the Federal Transit Administration (FTA) for reimbursement of certain maintenance costs, along with additional funding from federal Job Access and Reverse Commute grants for New Freedom grants aimed at increasing mobility options for older individuals and those with disabilities, and grant funding associated with the long range plan. This is an increase from \$2.4 million estimated in 2011 and represents a strategic shift as the Authority utilizes more grants funding for operations.

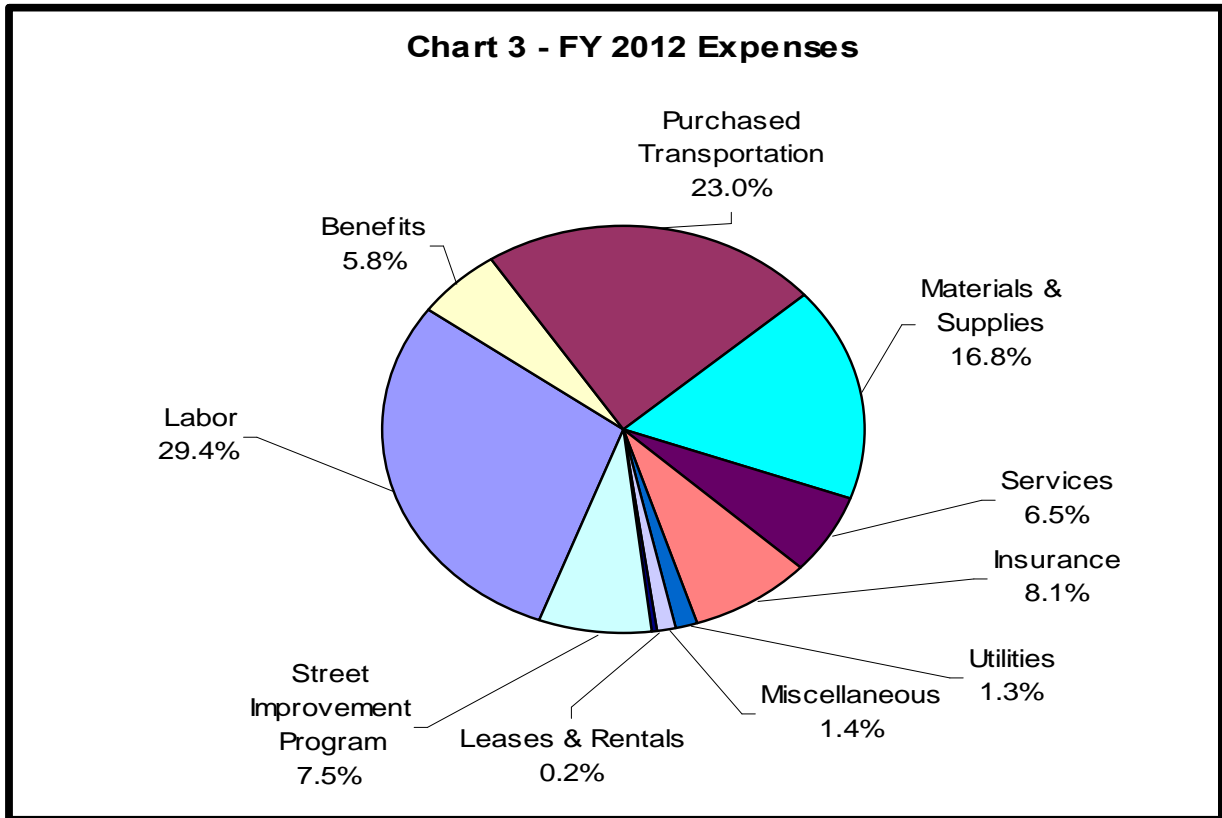
Investment Income - Investment income has been budgeted at \$40,000 for 2012 as interest rates are expected to remain at historically low rates.

Expense Assumptions

The Authority's operating expenses include all of the resources needed for all departments to carry out their objectives. Table 2 below shows comparative data on all Authority operating expenses, excluding depreciation and the Street Improvement Program, by type or %object.+ Overall, this group of expenses is budgeted to increase by 8.5% over the estimated FY 2011 levels.

Table 2 - Expenses							
Element of Expense	2010		2011		2012		Vs. 2011 Estimated Increase/(Decrease) \$ %
	Actual	Estimated	Adopted Budget	Draft Budget	Vs. 2011 Estimated		
					\$	%	
Labor	\$ 7,579,819	8,003,410	7,789,662	8,412,729	409,319	5.1%	
Benefits	1,655,962	1,368,516	1,552,339	1,657,919	289,403	21.1%	
Services	1,511,473	1,644,168	1,491,252	1,856,710	212,542	12.9%	
Materials & Supplies	3,353,562	4,528,202	3,975,696	4,812,112	283,910	6.3%	
Utilities	348,800	356,413	376,854	366,639	10,226	2.9%	
Insurance	1,750,477	2,010,402	1,918,561	2,313,185	302,783	15.1%	
Purchased Transportation	5,585,567	6,116,040	6,511,372	6,568,842	452,802	7.4%	
Miscellaneous	312,383	358,230	383,456	400,547	42,317	11.8%	
Leases & Rentals	92,550	70,043	68,008	67,957	(2,086)	-3.0%	
Property Disposal	10,828	-	-	-	-	0.0%	
Federal Interest in Disposed Property	(2,816)	-	-	-	-	0.0%	
Street Improvement Program	1,325,648	1,918,020	1,418,020	2,154,150	236,130	12.3%	
Total Expenses	\$ 23,524,253	26,373,444	25,485,220	28,610,790	2,237,346	8.5%	

Chart 3 depicts the Authority's expenses or uses of funds by expense category or object.



Labor . Labor is an element of expense that includes wages and salaries. These expenses account for 29.4% of expenses other than depreciation and are budgeted to increase by \$409,319 or 5.1% over FY 2011. This increase includes a 3% cola for staff, quality pay increases based on performance and retention incentives for new staff.

Various changes have been made to the labor force as detailed below. These changes are expected to increase operational efficiency and reduce overtime. In FY 2011 the Authority had 209.8 budgeted For FY 2012 the Authority has 209.8 budgeted FTEs (with one additional authorized but unfunded position). Changes to be made in 2011 include the following:

- ◆ Thirteen bus operator positions have been added in the Transportation Department for a net increase of 12 positions in the Operations Division.
- ◆ Two positions have been added in Program Development.
- ◆ A net of four administration positions were eliminated due to realignment.

The table below shows staffing by division.

Table 3 - Full Time Equivalent Positions					
Department	2010		2011	2012	
	Funded Positions		Funded Positions	Add/Delete	Funded Positions
Operations	173.0		174.0	12.0	186.0
Program Development	14.0		14.0	2.0	16.0
Administration	21.8		21.8	(4.0)	17.8
Total	208.8		209.8	10.0	219.8

Benefits . These expenses make up 5.8% of the expenses and include all of the customary Authority benefits except for self-funded health insurance, which is discussed below in the insurance category. These expenses are expected to increase by \$289,403 or 21.1%. Pension costs are expected to increase by about \$340,000 in 2012 due to increased staff and because the CCRTA Employee Defined Pension is not expected to meet an actuarial return on investment of 7.5%. This cost increase will be partially offset by a decrease in of about \$110,000 in workers compensation cost due to reduced rates. Life insurance costs will increase by about \$20,000 due to increased staff and increasing employer provided life insurance from \$50,000 to \$100,000 per employee.



Services . These expenses make up 6.5% of the Authority's expenses and include all purchased services except for the purchased transportation services explained below. These expenses are budgeted to decrease \$212,542 or 12.9% from the estimated FY 2011 levels. This is mostly due to the cost of the long range plan, increased costs for computer consulting and increased production costs related to marketing and customer service campaigns

Materials and Supplies . These expenses account for 16.8% of expenses and include fuel, materials and other consumable supplies. These expenses are expected to increase over the current year by \$ 283,910 or 6.3%. About \$159,000 of the increase is for fuel and related taxes and fees which are expected to increase as prices rise. Prices are not expected to rise as sharply in 2012 as they did in 2011. In addition the Authority expects to replace 10 diesel buses with CNG fueled buses by the fall of 2012 which will help reduce fuel costs on a long term basis. Other costs in this category that are expected to rise include repair parts by about \$104,000 due to inflation and aging buses and printing costs which are expected to increase by about \$18,000 primarily due to higher costs for fare media related to the new electronic fare system.

Utilities . These costs are expected to increase by \$10,226 or 2.9% over FY 2011. The increase is for increased telecommunication costs and increases in local utility costs gas and water. Costs for electricity are not expected to change significantly.

Insurance . This category includes the cost of property, liability and the Authority's self-funded Employee Health Insurance program.

Self funded employee health insurance is assumed to increase about \$299,000 to \$1,992,000 due to rising claim costs and additional staff. Accounting requirements that costs for retirees be recognized as earned will also be a major factor in increased costs. Rising health care costs are a national issue, and the Authority will be monitoring judicial review of federal legislation and related regulations as we look for ways to maintain costs and provide employees with this important benefit.

The authority has coverage for property and liability coverage through the Texas Municipal League. Those costs are expected to rise by about \$4,000 to \$321,185 primarily due to increased costs for windstorm coverage.

Purchased Transportation . This category of expense includes amounts paid to contractors to perform specific transportation services, which include certain fixed routes, Port Aransas Trolley and Flexi-B, Robstown services, Park and Rides, %B-Line+(para-transit), Harbor Ferry, and related fuel and other expenses. These expenses are budgeted to increase \$452,802 or 7.4% over FY 2011



levels. Two new grant funded services are expected to be contracted out at an additional cost of about \$205,000. These new services include a new circulator route in northwest Corpus Christi serving areas with low income housing and increasing transportation options to employment and training opportunities; and demand response services targeted at providing increased mobility options to individuals with disabilities. B-Line service costs are expected to increase about \$168,000 due to a combination of increased services and increased contractual rates.

Miscellaneous . This category includes travel and training, dues and subscriptions, advertising, and community services. These expenses will increase by \$42,317 (11.8%) in 2012 due to increased emphasis on staff training.

Leases . Leases are anticipated to be \$2,086 less due to purchase of property that was previously leased.

Loss on Disposal of Property and Federal Interest in Disposed Property . These costs are related to disposal of property and amounts due back to the Federal government when grant funded property is disposed of before the end of its useful life. These costs are usually uncontrollable and episodic and are not included in the budget.

Street Improvement Program . This represents funding provided to various cities within the Authority's service area for street improvements. The Authority approves the projects beforehand but does not retain ownership of the projects. The amount is based on sales tax funding and the allocations between participating governmental entities are determined annually by the Authority. The increase in 2011 included \$500,000 of the funding dedicated to ADA related improvements from capital to operating. The additional 2011 increase and the budgeted increase of \$236,130 in 2012 are based on the budgeted increase in sales tax.

Depreciation . The Authority's capital assets are mostly funded with grants from the FTA. Depreciation is shown above net of the FTA share so that the true effect on the Authority's bottom net income and net equity can be seen. It is estimated that the net depreciation will be \$1,028,000 a decrease of \$92,000 from 2010.

A comparative schedules pulling together the above financial information is shown on the following page.



Corpus Christi Regional Transportation Authority
Proposed Fiscal Year 2012 Budget

Corpus Christi Regional Transportation Authority
Comparative Statements of Activities
Fiscal 2010 Actual, 2011 Estimated and Proposed 2012

Description	2010	2011		2012
	Actual	Estimated	Adopted Budget	Draft Budget
Operating Revenues:				
Passenger service	\$ 1,537,772	1,682,335	1,571,692	1,742,750
Bus advertising	30,000	40,000	40,000	42,000
Charter service	3,000	-	3,000	-
Other operating revenues	55,525	80,000	50,450	80,000
Total Operating Revenues	1,626,297	1,802,335	1,665,142	1,864,750
Operating Expenses:				
Salaries & Benefits	9,235,781	9,371,926	9,342,001	10,070,648
Services	1,511,473	1,644,168	1,491,252	1,856,710
Materials & Supplies	3,353,562	4,528,202	3,975,696	4,812,112
Utilities	348,800	356,413	376,854	366,639
Insurance	1,750,477	2,010,402	1,918,561	2,313,185
Purchased Transportation	5,585,567	6,116,040	6,511,372	6,568,842
Miscellaneous	312,383	358,230	383,456	400,547
Leases & Rentals	92,550	70,043	68,008	67,957
Total Department Expenses	22,190,593	24,455,424	24,067,200	26,456,640
Operating Income (Loss)	(20,564,296)	(22,653,089)	(22,402,058)	(24,591,890)
Other Income (Expense)				
Sales Tax Revenue	22,891,712	25,365,474	22,940,474	26,760,565
Federal, state and local grants	995,526	2,460,707	1,869,604	3,708,657
Investment Income	100,071	36,000	110,000	40,000
Gain (Loss) on Property Disposition	10,828	1,770	-	-
Federal Interest in Disposed Property	(2,816)	-	-	-
Street Improvement Program	(1,325,648)	(1,918,020)	(1,418,020)	(2,154,150)
Net Income (Loss)	2,105,377	3,292,842	1,100,000	3,763,182
Depreciation	(5,203,248)	(5,840,000)	(5,500,000)	(5,600,000)
Capital Grant Revenue	3,106,602	4,720,000	4,400,000	4,572,000
Change in Net Assets	8,731	2,172,842	-	2,735,182
Net Assets, Beginning of Year	59,443,105	59,451,836	59,451,836	61,624,678
Net Assets, End of Year	\$ 59,451,836	61,624,678	59,451,836	64,359,860

CAPITAL BUDGET

Capital projects typically have a significant cost and are useful for multiple years. They can involve a single unit simultaneous purchase, manufacture or construction. The development of some of them can span more than one fiscal year and can be more complex in nature, and involve two or more components of cost (equipment, labor, professional services). Pending projects at the end of FY 2011 will be carried forward to FY 2012. Capital projects were assessed for inclusion in this budget based on the importance of each project to the Authority's mission and strategic objectives.

The FY 2012 capital budget provides funding for \$27.5 million and is made up of \$21.8 million balance on capital projects rolled forward from FY 2011 and \$5.7 million in new projects. The original budget for the rolled forward projects was \$28.7 million with \$6.7 million expended through October 31, 2011.

There are both routine and non-routine capital projects that directly support the Board's FY 2012 strategic goals. There are provisions for routine replacements of buses and equipment reaching the end of their estimated useful lives. There is non-routine project rolled forward to continue to upgrade bus stops for ADA compliance and to partner with the City of Corpus Christi to make improvements to sidewalks and curb cuts adjacent to bus stops in order to improve the path of travel and make transit service more accessible to individuals with disabilities. Funding through ARRA (American Recovery and Reinvestment Act of 2009) has made it possible to expedite what had previously been a twenty year plan to achieve this goal. A new FY 2012 construction project to build a CNG fueling facility will help achieve the goal of sustainability. A continuing project to build a new customer service center will enhance the Authority's ability to increase mobility for all residents of the services area with a particular emphasis on meeting the needs of those with disabilities and a growing population of older Americans. Purchases of land on which the facility will be built are on-going.

The Authority's capital projects are primarily funded using capital contributions from other organizations, primarily the Federal Transit Administration (FTA):

<i>FTA</i>	<i>Federal Transit Administration (80% FTA / 20% Local Matching)</i>
<i>FTA</i>	<i>Federal Transit Administration (ARRA-100% FTA)</i>
<i>HUD</i>	<i>U.S. Department of Housing and Urban Development (100% Grant funded)</i>
<i>Local</i>	<i>Corpus Christi Regional Transportation Authority (100% Local funding)</i>

Existing capital projects are reviewed by the Executive Management for consideration prior to recommending their inclusion in the final document. All new project requests submitted for consideration must be justified, consistent with the Authority's overall goals and be affordable based on the funding available. The



Board of Directors approves all projects whether or not they were approved in a previous budget.

**Corpus Christi Regional Transportation Authority
2012 Proposed Capital Budget**

Capital Budget					
	2011 Budget	Changes	2012 Budget	Expenditures To 10/31/2011	Balance
FY 2011 Rolled Forward:					
Property	\$ 3,700,000		3,700,000	527,565	3,172,435
Facilities, Bus Stops & Other Improvements	15,170,796	(758,118)	14,412,678	3,611,331	10,801,347
Vehicles	15,932,295	(8,361,262)	7,571,033	1,119,675	6,451,358
Furniture & Equipment	1,363,399	(33,965)	1,329,434	408,234	921,200
Information Technology	1,772,384	(144,121)	1,628,263	1,223,006	405,257
Miscellaneous	50,000		50,000	43,255	6,745
	\$ 37,988,874	(9,297,466)	28,691,408	6,933,066	21,758,342
FY 2012 New Requests:					
Property	\$		-	-	-
Facilities, Bus Stops & Other Improvements			3,497,226	-	3,497,226
Vehicles			1,636,451	-	1,636,451
Furniture & Equipment			20,000	-	20,000
Information Technology			471,879	-	471,879
Miscellaneous			100,000	-	100,000
	\$		5,725,556	0	5,725,556
TOTAL			34,416,964	6,933,066	27,483,898

Property - The Authority has budgeted \$3.7 million for the acquisition of real property. This includes funds for the acquisition of property on the Southside for a transfer station or park and ride facility, property in Robstown for an intermodal facility and the purchase of land near the Staples Street Station. The land near the Staples Street Transit Station will be used to both expand the Station and build a new Customer Service Center. The Authority is exploring the possibility of acquiring land from the City of Corpus Christi and Nueces County in exchange for development of land for mutual purposes. Of the amount budgeted for these projects \$527,565 had been spent as of October 31, 2011.

Bus Stops, Facilities & Other Improvements . The two main projects in this category are the budgeted construction costs for the Customer Service Center and expansion of the Staples Street Station (\$3.7 million) and the cost of a CNG fueling facility and related modifications to the maintenance facility (\$3.2 million).



The remaining \$11.0 million budgeted in this category of which \$3.6 million has been expended include bus stop and bus shelter enhancements, sidewalks, ADA improvements along the major corridors of the Authority's service area, streetscape projects in Corpus Christi downtown area and improvements at transit stations, park and rides, and at the Bear Lane facility.

An on going priority of the Authority is ADA related bus stop improvements. A total of \$8.2 million of funding from 5307 formula grants, ARRA grants and local funding have been budgeted for various projects to achieve this purpose including joint projects with the City of Corpus Christi street improvement program. As of October 31, 2011 \$2.9 million of these funds had been expended with a balance of \$5.3 million remaining.

Balances remaining for other projects involving improvements to facilities include \$1.2 million for upgrades to current stops, transit stations and park & rides, \$0.8 million for shelter upgrades and enhancements, and \$0.4 million for improvements at the Bear Lane Complex.

Various other bus stop shelter and bus station enhancement projects are budgeted. The scope of the projects include the costs of architects, engineers and construction involved in refurbishing or replacing obsolete amenities throughout the Authority's service area.



Figure 2 – New Bus Stop Shelter

Annual depreciation will be about \$700,000 on these capital projects when they are completed.

Vehicles – The Authority has an unexpended capital budget of \$8.1 million for vehicles including \$4.7 million for 10 new CNG buses, \$3.2 million for 26 smaller revenue vehicles to provide demand response (primarily para-transit services and fixed route services for routes with lower rider-ship. The remaining funds are \$157,000 is for maintenance vehicles.



CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

Corpus Christi Regional Transportation Authority
Proposed Fiscal Year 2012 Budget



Figure 3 - New Gillig Bus

Annual depreciation will be about \$1.1 million per year on these vehicles.

Furniture and Equipment . Included in this category are the purchase and/or replacement of office furniture and equipment, shop equipment, major equipment such as bus lifts, auxiliary equipment for the new fare box system and other equipment as needed. Approximately \$0.9 million remains of the amount budgeted for furniture and equipment. Annual Depreciation will cost about \$180,000.

Information Technology . The capital projects in this category include retrofitting on board technology for the bus fleet, various computer and printer replacements, telephone upgrades and related software. In this category a balance of about \$0.9 million remains unspent. Annual depreciation is expected to be about \$300,000.

Miscellaneous . The project ~~Unidentified Capital Purchases~~ is a contingency allotment of \$100,000 for unforeseen small capital needs that may arise during the year. This is a regular Authority practice so that staff may address those capital needs in a timely manner without having to wait for a budget amendment to be approved first.



Divisional Budgets

Operations

The Operations Division includes Transportation, Purchased Transportation, Vehicle and Facility Maintenance and Materials Management.

The tables below show the 2011 budget and the estimated 2011 expense vs. the proposed 2012 budget for each department and by type of expense.

Corpus Christi Regional Transportation Authority Operations Division Proposed Budget - Operating Expenses by Department Fiscal 2011 Budget, 2011 Estimated and Proposed 2012 Budget						
Department		2011	2011	2012	Increase/(Decrease)	
		Adopted	Estimated	Draft	from 2011	
		Budget	Actual	Budget	Estimated	Actual
					\$	%
Transportation	\$	5,041,981	5,205,329	5,365,110	159,781	3.1%
Purchased Transportation		6,574,238	6,706,145	7,182,228	476,083	7.1%
Vehicle Maintenance		5,362,059	5,521,872	5,751,391	229,519	4.2%
Facilities Maintenance		991,686	986,461	1,023,868	37,407	3.8%
Materials Management		142,421	143,155	148,506	5,351	3.7%
Total Operating Expenses	\$	18,112,385	18,562,962	19,471,103	908,141	4.9%

Corpus Christi Regional Transportation Authority Operations Division Proposed Budget - Operating Expenses by Type Fiscal 2011 Budget, 2011 Estimated and Proposed 2012 Budget						
Description		2011	2011	2012	Increase/(Decrease)	
		Adopted	Estimated	Draft	from 2011	
		Budget	Actual	Budget	Estimated	Actual
					\$	%
Wages & Benefits	\$	6,423,348	6,757,028	6,997,189	240,161	3.6%
Services		787,050	755,696	698,454	(57,242)	-7.6%
Fuel		2,158,985	2,447,995	2,607,151	159,156	6.5%
Other Materials & Supplies		1,591,174	1,840,717	1,935,481	94,764	5.2%
Health Insurance		-	-	-	-	0.0%
Purchased Transportation		6,511,372	6,116,040	6,568,842	452,802	7.4%
Other Expenses		640,456	645,486	663,986	18,500	2.9%
Total Operating Expenses	\$	18,112,385	18,562,962	19,471,103	908,141	4.9%

The Transportation Department's proposed 2012 budget increase is \$159,781 (3.1%) over the estimated cost for 2011. About \$131,158 of the increase is due to salaries and benefit increases. These include a 3% cost of living adjustment and an increase in the starting wage for bus operators. The cost of adding thirteen operators is expected to be partially offset by decreased overtime. Changes in run cutting and efforts to reduce turnover are also expected to help reduce overtime costs. The other major cost increase is for increased contracted security on buses and at transit stations.

The increase in Purchased Transportation includes about \$200,000 to cover increased B-Line Costs due to an estimated 3.5% increase in ridership along with an increase in contractual rates and increased fuel costs. The new Annville Rt. 28 and new on demand services for individuals with disabilities will add another \$205,000 in expense. (Grant revenues will cover about half of this amount). Other significant changes include an increase of about \$87,000 in costs for existing contracted fixed routes and a decrease of about \$47,000 in costs for the Harbor Ferry as a result of ending service at Labor Day.

The proposed Vehicle Maintenance budget for 2012 is \$229,519 (4.2%) higher compared to estimated actual 2011 expenses. The increase is primarily due to anticipated increases in fuel costs of about \$160,000 due to increased prices and reduced fuel efficiency of aging buses. Parts and materials costs are also expected to increase about \$125,000 due to both aging buses and increases in prices. Salary and benefits costs are expected to increase by about \$60,000 due to the COLA, quality pay increases and other wage adjustments. Savings are expected in contracted services since the repainting of the fleet will be completed in 2011.

The proposed 2012 budget for Facilities Maintenance is \$37,407 (3.8%) more than the estimated actual expenses for 2011. Facilities Maintenance has had at least one staff vacancy for most of the year. The majority of the increase in salaries and benefits will be due to full staffing. An enhanced campaign to make repairs at the transfer stations and park and rides will also increase overtime. Additional funds have also been budgeted for staff training.

The proposed 2012 budget for Materials Management is \$5,351 (3.7%) more than the estimated actual 2011 expenses. About half of the increase is in wages and benefits due to the cost of living adjustment. Increases in travel and training and increased supply cost for a bar code inventory system account for the rest of the increase.



Program Development

Program Development includes Service Development, Customer Service, Marketing & Communications and Program Management

The tables below show the 2011 budget and the estimated 2011 expense vs. the proposed 2012 budget for each department and by type of expense.

Corpus Christi Regional Transportation Authority Program Development Division Proposed Budget - Operating Expenses by Department Fiscal 2011 Budget, 2011 Estimated and Proposed 2012 Budget						
Department		2011	2011	2012	Increase/(Decrease)	
		Budget	Estimated	Draft	from 2011	
			Actual	Budget	Estimated	Actual
					\$	%
Customer Programs	\$	399,777	377,747	521,931	144,184	38.2%
Service Development		221,631	441,285	533,360	92,075	20.9%
Program Management		103,040	106,649	126,155	19,506	18.3%
Marketing & Communications		360,482	360,394	408,632	48,238	13.4%
Total Operating Expenses	\$	1,084,930	1,286,075	1,590,078	304,003	23.6%

Corpus Christi Regional Transportation Authority Program Development Division Proposed Budget - Operating Expenses by Type Fiscal 2011 Budget, 2011 Estimated and Proposed 2012 Budget						
Description		2011	2011	2012	Increase/(Decrease)	
		Adopted	Estimated	Draft	from 2011	
		Budget	Actual	Budget	Estimated	Actual
					\$	%
Wages & Benefits	\$	636,745	639,756	774,039	134,283	21.0%
Services		129,450	320,769	424,413	103,644	32.3%
Other Materials & Supplies		174,466	190,638	220,099	29,461	15.5%
Other Expenses		144,269	134,912	171,527	36,615	27.1%
Total Operating Expenses	\$	1,084,930	1,286,075	1,590,078	304,003	23.6%

The budgeted increase for Customer Programs is primarily due to a \$69,000 increase in salaries and wages. A new Mobility Coordinator position has been budgeted and the Eligibility Specialist position was vacant for a number of



months in 2011. The budget has been increased by \$13,000 for professional services related to eligibility, mobility training and the Authority's ADA initiative. Printing of bus passes previously budgeted in Communications and Marketing resulted in an increase of about \$46,000. An additional \$7,000 has been budgeted for Travel & Training and an additional \$6,000 has been budgeted for contracted maintenance agreements for the new CAF software.

Service Development's budget includes a \$51,000 increase in salaries and benefits due primarily to the Director of Planning Position being filled for the entire year. The COLA and quality pay programs will also contribute to the increase in salary and benefits. An increase of \$33,000 in services is budgeted for the completion of the long range plan along with \$12,000 for increased staff training.

Program Management's budgeted increase includes about \$8,500 for salaries and benefits due to the recommended cost of living adjustment and prior year merit increases. The budget for Travel & Training has been increased by about \$4,800 and \$5,500 in budgeted environmental engineering costs has been transferred from the Facilities Maintenance Department.

The Marketing and Communications budget includes an increase of \$51,500 in productions costs for major initiatives including updates and enhancements to the Authority's website, a new system map, a %Low to Ride+video and the %Quick Response+ program. Salaries & benefits are budgeted to increase by about \$5,400 due to the COLA and quality pay. Printing costs are expected to decrease by about \$25,000 and Community Services are expected to increase by a similar amount due to realignment of costs and duties between departments.



Administration

Administration includes the CEO's office, General Administration, Human Resources, Contracts & Procurement, MIS, and Finance.

The tables below show the 2011 budget and the estimated 2011 expense vs. the proposed 2012 budget for each department and by type of expense.

Corpus Christi Regional Transportation Authority Administration Proposed Budget - Operating Expenses by Department Fiscal 2011 Budget, 2011 Estimated and Proposed 2012 Budget						
Department		2011	2011	2012	Increase/(Decrease)	
		Budget	Estimated	Draft	from 2011	
			Actual	Budget	Estimated	Actual
					\$	%
Office of the CEO	\$	764,240	784,721	700,051	(84,670)	-10.8%
General Administration		155,149	152,707	301,696	148,989	97.6%
Management Information		319,972	244,639	334,700	90,061	36.8%
Contracts and Procurement		134,450	144,986	145,386	400	0.3%
Finance and Accounting		339,903	337,962	388,254	50,292	14.9%
Human Resources		3,023,983	2,917,043	3,525,372	608,329	20.9%
Inter-County Mobility		132,188	24,329	-	(24,329)	-100.0%
Total	\$	4,869,885	4,606,387	5,395,459	789,072	17.1%

Corpus Christi Regional Transportation Authority Administration Proposed Budget - Operating Expenses by Type Fiscal 2011 Budget, 2011 Estimated and Proposed 2012 Budget						
Description		2011	2011	2012	Increase/(Decrease)	
		Adopted	Estimated	Draft	from 2011	
		Budget	Actual	Budget	Estimated	Actual
					\$	%
Wages & Benefits	\$	2,281,908	1,975,142	2,299,420	324,278	16.4%
Services		574,752	567,703	733,843	166,140	29.3%
Other Materials & Supplies		51,071	48,852	49,381	529	1.1%
Health Insurance		1,596,332	1,693,000	1,992,000	299,000	17.7%
Other Expenses		365,822	321,690	320,815	(875)	-0.3%
Total Operating Expenses	\$	4,869,885	4,606,387	5,395,459	789,072	17.1%

There have been a number of changes in duties and personnel within the Administration. The DBE department has been replaced with a General Administration Department that includes the Managing Director of Administration,



the Grants Manager, and an Administrative Aide. Costs associated with these functions along with any pass through grant costs related to regional mobility have been absorbed into this Department. Four management level positions have been eliminated within the Division and one added along with the elimination of one administrative aide.

The budgeted increase of \$324,278 in salaries and benefits is primarily due to a budgeted increase of about \$340,000 in pension costs. Based on year to date performance the defined benefit plan's year end market valuation along with an increase in the number of staff is expected to increase pension costs. A budgeted decrease of \$38,000 in workers' compensation costs will help offset the increased pension costs and \$25,000 budgeted for an internship program to provide graduate students with an opportunity to gain hands on experience in transit.

An increase of \$299,000 has been budgeted for health insurance due to anticipated increases in participation due to added staff, increases in stop loss insurance, medical inflation, aging staff, and required recognition of costs associated with future benefits for retiree participation in the Authority's health plan.

Increases in budgeted service costs include Computer Consulting (\$51,000); pass through costs from the Regional Mobility grant (\$58,000), a required performance audit (\$32,000), and increased costs for contracted maintenance (\$22,000).

FINANCIAL POLICIES AND PRACTICES

This section provides a summary of the financial policies that guide the operations of the Authority. This budget document presents the Authority's operations presented in accordance with Generally Accepted Accounting Principles (GAAP).

The Authority's primary financial goal focuses around providing effective and efficient transportation services and systems to the public in a financially responsible manner. Recognizing long-term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies and assumptions, the Authority strives to increase operating efficiencies while living within its means and continuing a trend of advancing and enhancing services without issuing debt. In order to maintain public trust and to best utilize funds, a number of procedures are in place to safeguard and maximize available resources.

In short, the broad financial goals of the Authority are to:

- Operate under a balanced budget
- Continue to operate absent of debt
- Safeguard and maximize resources
- Not increase its sales tax rate from the present .5%

The following guidance and policies are in place in order to achieve these goals.

Budget And Financial Plans

The Authority operates under a balanced budget. The Authority's definition of a balanced budget is in accordance with the Texas Transportation Code, Section 451.103, wherein a state transit authority may not spend operating money in excess of the total amount specified for operating expenses in the annual operating budget. Further, though funds are not officially labeled as appropriated, expenses that exceed the total approved operating budget require Board approval of a Budget Amendment.

The Authority utilizes the zero-based budgeting concept. Developed in the 1970s, this concept causes an organization to prepare its operating budget from a zero base with all proposed expenditures at levels of zero. Each proposed line item expense must then be justified. This process does not assume the status quo of former operating levels. Departmental reviews are conducted with the Executive Management staff.



Each annual budget is performed in conjunction with long-range projections to determine the effects of decisions made in the current budget on future years' funding.

The requested uses of one-time revenues are analyzed to determine the effects on future operations.

Operating and Non-operating Activities

The Authority accounts for its operations as a proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus. Revenue and expenses are recognized on the accrual basis. In accordance with Statement Number 20 of the Governmental Accounting Standards Board (GASB), the Authority has elected not to follow accounting standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

The Authority's primary activity is transit operations designed to provide high quality, customer-focused, effective and efficient transportation services and systems for its communities. Transit operations include planning bus routes, customer service, para-transit services, purchased transportation services, maintaining equipment, facilities and buses, hiring and training personnel who deliver transit services, and providing security, administration and management of the transit system.

Operating revenues include passenger fares generated from directly or indirectly operated transportation services, advertising revenues, and other ancillary revenues.

Operating expenses include all direct and administrative expenses involved in daily operations of the transit system. Operating expenses also includes depreciation on assets to reflect the use of those capital resources over their useful life in the operations of the system.

Non-operating revenue consists of the half cent sales tax levied on the sales of certain taxable goods and services in the Authority's service area, federal capital grants that are received to reimburse for certain maintenance expenses, investment income and income from the disposal of assets.

Non-operating expenses include programs to fund street maintenance, emergency street repair, transit corridor improvements, pedestrian and bicycle safety/access, sidewalks, transit centers, and transit capital improvements.



Use of Estimates

The preparation of the budget and financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Cash and Investments

The Authority utilizes investment strategies and procedures that most effectively accomplish the primary goals of preservation of capital and liquidity to meet all obligations in a timely manner. Earnings will be maximized as a subsidiary goal and from the full investment of all available funds.

Cash and Cash Equivalents . All Authority deposits with financial institutions are fully insured, or collateralized by securities held by a third party agent in Authority's name. Cash and Cash Equivalents include cash on hand, cash in banks, U.S. government issues with original maturities of less than 90 days.

Investments . The Authority reports all investments at fair value provided that the fair values of these investments are not significantly affected by the impairment of the credit standing of the issuer or by other factors. All changes in fair value are reported as unrealized gains and losses within the Statement of Revenues, Expenses, and Changes in Net Assets. For all investments stated at fair value, the Authority used Bloomberg and Unaffiliated Market Participants as the source for determining fair value.

The Authority is authorized to invest in approved securities as outlined in the Texas Government Code, Chapter 2256, otherwise known as the Public Funds Investment Act (Act). These securities include repurchase agreements and direct and indirect obligations of the United States of America, certificates of deposit of state or national banks, savings and loan associations or credit unions which have membership in the FDIC, FSLIC or CUNA, commercial paper fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States, bankers' acceptances, SEC-regulated, no load money market funds and local government investment pools. Certificates of deposit in amounts greater than \$100,000 may be placed with banks, savings and loan associations, or credit unions provided they are secured by collateral pledged directly to the Authority. Investments are held in safekeeping in the name of the Authority.

The Authority's investment policy applies to operating, reserve, and capital funds and is fully compliant with the Public Funds Investment Act. The policy is required to be approved by the Board annually. It is the policy of the Authority that all available funds shall be invested in conformance with legal and administrative guidelines.

Investments shall be made with the primary objectives of:

- ◆ Preservation and safety of principal
- ◆ Liquidity to meet operating needs
- ◆ Diversification of investments to minimize risks
- ◆ Maximization of return on the portfolio

The standard of prudence used by the Authority is the "prudent person rule" and shall be applied in the context of managing the overall portfolio within the applicable legal constraints.

Inventories

Inventory consists of repair parts and fuel. Parts are valued using a weighted average cost method and fuel is valued using the first-in first-out method. Items are systematically identified and periodically audited. Inventory of capital assets is audited on a biennial basis as required by the FTA. Parts inventory is audited annually using cycle counts.

Capital Assets and Depreciation

Fixed assets for capitalization and financial reporting purposes are all items purchased that have a useful life of more than one year, are of a tangible nature and have a value of \$750 (\$500 for information technology) or more to place the asset into service. Items of less than \$750 (\$500 for information technology) are not considered fixed assets unless they form an integral and essential part of another piece of equipment or structure considered to be a fixed asset or a part of a Capital Project.

Individual assets that cost less than \$750, but that operate as part of a network system (i.e., telephone system, computer system) will be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is 1 year or more. A network is determined to be where individual components may be below the \$750 but are interdependent and the overriding value to the Authority is on the entire network and not the individual assets.

Classification of Fixed Assets:

1. Land and improvements: Purchased land will be carried in the Fixed Assets accounting module at acquired cost. Costs may include, but are not limited to, expenses for services incidental to the acquisition and other charges incurred in preparing the land for use, such as environmental assessments, appraisals, etc. In order for improvements to be capitalized, the improvement should be considered permanent and should add value or improve the use of the land. Examples of improvements are fences, retaining walls, landscaping, drainage systems, etc. In the event the Authority issues debt to finance a land purchase, the cost to be capitalized would include both the acquisition cost and any capitalized interest expense from the outstanding debt.
2. Buildings: All buildings will be valued at purchase price or construction cost. Cost should include all charges applicable to the building acquisition including fees for brokers, appraisers, engineering consultants, and architects. In the event that the Authority issues debt to finance a building purchase, the cost to be capitalized would included both the acquisition cost and any capitalized interest expense from the outstanding debt.
3. Equipment and Machinery: All items of tangible property not permanently affixed to real property, which are needed in carrying out the operations of the Authority. Installation cost should be included in the capitalized amount. Examples are furniture, hydraulic lifts/jacks, milling machinery, floor scrubber, computers, etc.
4. Vehicles: All equipment that must be titled and bear a license tag. Buses, vans, and cars are examples.
5. Assets In Progress: This is primarily used in conjunction with Capital Projects. Capital Project costs are accumulated until completion, when cumulative costs are transferred to the appropriate fixed asset account. The capitalization policy does not apply in these cases, and all costs must be recorded to give accurate values.

6. Improvements: Additions and Modifications to Existing Assets: Costs are often incurred in connection with fixed assets after the original acquisition costs have been established. In general, any expenditure, which is definitely an addition to a fixed asset, or an integral part of it, that changes its useful life, should be classified as a capital expenditure and the original acquisition costs adjusted. If a component part, such as an engine or transmission, is rebuilt or replaced, the remaining un-depreciated amount of the original component will be expensed and the new component will be depreciated over the remaining life of the asset. If the original component part cost cannot be determined, the cost of the new part will be expensed. The additions of an air-conditioning system to a building, or replacing or rebuilding an engine or transmission for a bus are some examples of capitalized expenses.

Items Not Considered to be Fixed Assets:

1. Land: Any costs associated with finding a piece of land, regardless of amount, that does not result in the purchase of a specific property are not capitalized and must be expensed. This includes any legal fees, appraisals or assessments.
2. Maintenance and Repair Replacements: The replacement costs of component part(s) of a fixed asset, not the entire asset itself, during a maintenance and repair operation which also enhances the performance or life of the asset are not generally considered to be capital asset additions or modifications. For example, replacing an original disk drive with a higher capacity disk drive in a personal computer, or changing worn or damaged brakes on a bus is considered to be maintenance and repair expense.

With respect to asset improvements, costs should be capitalized if:

- A. The estimated life of the asset is extended by more than 25%, or
- B. The costs result in an increase in the capacity of the asset, or
- C. The efficiency of the asset is increased by more than 10%, or
- D. Significantly changes the character of the asset, or
- E. In the case of streets and roads - if the work done impacts the "base" structure.

Otherwise, the costs should be expensed as repair and maintenance.

3. Materials and Supplies: Any materials and supplies, regardless of cost, that is not permanent and will be consumed within a year are not considered a fixed asset.



Guidelines set forth in the Office of Management and Budget (OMB) Circular A-102 are adhered to with regards to capitalization policies.

Capital assets are recorded at cost and are depreciated over their useful lives using the straight-line method as follows:

	<u>Estimated Useful Lives</u>
Buildings and improvements	20-40 years
Transit Stations	5-20 years
Improvements	10 years
Revenue equipment	2-14 years
Other equipment	3-5 years
Office furniture and fixtures	5 years

Depreciation is presented as a separate operating expense in the Statement of Revenue, Expenses and Changes in Net Assets. Expenditures for renewals and betterments that increase property lives are capitalized, and maintenance and repair costs are charged to operations as incurred. Discussion of the Capital Budget is detailed in a subsequent section.

Risk Management

The Authority is exposed to various risks of loss related to third party liability claims; theft of, damage to, and destruction of assets; errors and omissions and injuries to employees. The Authority has a contract with an outside insurance company to provide all-risk property coverage with various limits on property and equipment of the Authority.

As a governmental unit, Authority's general and automobile liability are limited by the Texas Tort Claims Act to \$100,000 for each person and \$300,000 for each occurrence for bodily injury or death and \$100,000 for each occurrence for injury to or destruction of property.

The Authority operated a self-insurance program for workers' compensation claims until November 30, 2004. After that, the Authority was fully insured through the Texas Municipal League (or a commercial carrier). The Authority provides employees healthcare benefits, which include medical, drug, dental, and vision. These benefits are provided through a self-funded insurance arrangement through a third party administrator. The coverage includes specific deductibles for up to \$65,000 per individual claim and an annual aggregate estimated at about \$1.2 million.



Revenues

Passenger fares and charter services . User charges for utilizing the transit system. Fares are recorded as revenue when the cash fare is collected or a bus pass is sold regardless of when it is used. When the Authority began operations in 1985, the base fare was \$0.50. In 1999, the Authority increased its para-transit fares from \$0.50 to \$0.75. In FY 2006, the base fare was increased to \$.75 with a \$.10 transfer fee. In 2011 the fare system was simplified by dropping the student fare from .35 to point .25 and eliminating the transfer fee.

In 1996, the Authority's fare recovery ratio (the ratio of fare revenue to the cost of providing the service) was approximately 9%. For 2009, the ratio was about 7.4%. The current fare structure and revenue levels are expected to generate approximately \$1 million in fare revenue in Fiscal 2011 and an overall fare recovery ratio of about 7%.

A fare increase was implemented in 2006 with the following objectives:

- ◆ Improve system equity
- ◆ Increase revenue with minimal impact on rider-ship and without necessarily increasing base fares
- ◆ Reduce the opportunity for fare evasion
- ◆ Simplify the administration of the fare system for the operators
- ◆ Improve the clarity of fare structure to customers

In mid 2011 the Authority implemented a new electronic fare collection system to provide improvements in critical functions, such as passenger data collection and revenue control. This new technology allows the Authority to streamline the tickets and passes program, simplify administrative requirements for vehicle operators and allow them to focus on safety and customers. Tighter enforcement of the program will be achieved through improved technology. In the transit industry, such fare collection systems appear to have yielded higher levels of fare enforcement.

The table below shows the Authority's fare box recovery ratio over time.

Year	Fare box Recovery Ratio	
		Percentage
2000		8.36%
2001		7.48%
2002		6.85%
2003		6.79%
2004		6.55%
2005		6.58%
2006		7.31%
2007		7.88%
2008		7.62%
2009		7.41%
2010		6.93%
2011 est.		7.16%

Sales Tax Revenue - The Authority's ½ cent sales tax revenue is accrued on a monthly basis based upon information provided by the Comptroller of Public Accounts. The Authority receives allocations on a monthly basis for two months prior. Sales tax continues to be the primary funding source for operations. The Authority's ½ cent sales tax has not changed since it began in 1985.

Capital Replacement and Improvement Grants - The Authority funds its capital improvements with sales taxes and grants from the Federal Transit Administration (FTA). Revenue is recognized when all eligibility requirements have been met. The grantor retains a reversionary interest in the capital asset over the estimated useful life of that asset.

Expenses

Compensated Leave . Substantially all employees of that Authority are eligible to receive compensation for vacations, holidays, illness and certain other qualifying leave. For certain kinds of leave, the number of days compensated is generally based on length of service. Vacation leave, which has been earned and vested but not paid, has been accrued in the accompanying financial statements. Sick leave, which has been earned and vested and is expected to be paid is accrued for employees eligible for retirement.

Procurement . All Authority procurements are to be in accordance with sound public contracting policies and procedures. These policies are designed to provide timely delivery of goods and services, provide quality customer service and savings through obtaining most competitive market price to meet or exceed the agency's needs, maintaining effective and user-friendly processes and systems, building strategic partnerships with internal customers,



maintaining a pool of qualified suppliers and obtaining maximum value from supplier relationships, and providing education tools for procurement team, customers and suppliers.

Certain Authority personnel have written authorization to perform purchasing and those purchasers must certify sufficient budget funding.

The Authority uses a variety of procurement methods. Selecting the correct one is dependent on several factors. One important factor is the estimated price. A brief description of the items needed is provided to vendors, who provide quotes by an established deadline. If vendors are not available in an internal database, the Authority uses the Internet, phone books, industrial guides, etc. There is always review of the methods used by a member of the procurement staff.

- ◆ Under \$500 . One quote is required if the cost is determined to be fair and reasonable and the vendor is able to meet delivery and other requirements.
- ◆ \$500 to \$2,000 . Require a minimum of two oral quotes from vendors.
- ◆ \$2,000 to \$5,000 . Require a minimum of two written quotes from vendors
- ◆ \$5,000 to \$25,000 . Require written quotes from vendor outreach.
- ◆ Over \$25,000 . These larger transaction require more sophisticated methods than those used for smaller purchases. Special efforts are made to make the vendor community aware of the Authority's requirements. The Authority generally accepts bids or proposals from any vendor who wishes to participate in a competition. Solicitations are advertised. Board approval is required.

The basic types of procurement methods used for larger purchases are *Invitation for Bids* (IFB) and *Request for Proposals* (RFP). Generally, goods/commodities are purchased via IFB, whereas, services are generally purchased via RFP. In both cases, the Authority develops and provides advance notice to vendors in its vendor database. The notice gives a basic description of the item to be purchased, the order of magnitude and prompts vendors to return the notice to the Authority.

The solicitation is developed and includes a detailed purchase description and/or statement of work, contractual terms and conditions, and instructions on how to submit an offer to the Authority. Solicitations remain open long enough for a response.

For IFB's the Authority awards contracts to the most responsive, responsible bidder offering the lowest price. A bid is responsive if it meets all the material requirements of a solicitation as outlined in the original requirement. A bidder is responsible if (s) he can demonstrate the capacity and the willingness to perform



(i.e., proper equipment, manpower, financial resources, technical expertise, etc.). To say then that, when the IFB method of procurement is used, the "low bidder" always gets an award is incorrect. An award is made to the "low bidder" only if the bidder meets both tests of responsiveness and responsibility.

For RFP's, award is not based on price alone, but other weighted factors of importance specified in the solicitation. Selection for award is done by an evaluation team that independently evaluates the proposals submitted.

For each solicitation issued, the Authority assigns a Contracts Administrator as primary point of contact to assist vendors. In addition, a conference is generally scheduled well in advance of the bid/proposal submission deadline so vendors may obtain clarification from the Authority.

After evaluation of all offers, the Authority awards a contract. Contracts in excess of \$25,000 require approval by the Board of Directors prior to award.

There are other infrequently used procurement methods. They include sole source, statutory professional services for disciplines that require State of Texas licensing, and emergency procurements.

Expenditure Accountability

Invoices are reviewed at multiple levels. Monthly budget variance reports provide operational accountability. Capital project budgets are monitored and reported to the respective project manager.

Debt

Section 451.352 of the Texas Transportation Code authorizes the Authority to issue bonds at any time and for any amounts it considers necessary or appropriate for the acquisition, construction, repair, equipping, improvement, or extension of its transit authority system. The Authority currently has no long-term debt and has no immediate plans to use such funding. There is no limit on the Authority's ability to incur bonded indebtedness as long as the bonds are issued in accordance with the law.

Reserves

There are presently five reserves with specific uses attached to them. They are each explained as follows:

- ◆ Operating Reserve - This reserve is designed to meet emergency operating needs due to revenue shortfalls and unforeseen major operations-related

expenditures. It is available to fund operations as needed throughout the year. The amount of annual funding shall be determined as follows: 14% of departmental operating expenses.

- ◆ Grant Matching Reserve - This reserve is designed to cover the local share of grants authorized for the RTA, specifically including (1) those grants already under contract between the RTA and the granting authority, (2) pending grants for which applications have been submitted by the RTA, and (3) any other grants which have been authorized by the federal government or other funding source but are not yet the subject of a grant contract or application.
- ◆ Capital Acquisition Reserve - This reserve is designed to address capital acquisition needs to be funded from 100% local funds. Each year, the Authority Board shall appropriate into this reserve an amount equal to the total amount from the Capital Budget scheduled that year for acquisitions which require using 100% local funds. Funds shall be allocated into the reserve on a quarterly schedule as revenues are received during the year. Funds shall be used for capital acquisitions funded with 100% local funds during the year in accordance with the adopted Capital Budget.
- ◆ Capital Replacement Reserve. This reserve is designed to address capital replacement needs to be funded from local funds or grants anticipated to be authorized in the future that will require a local match. The initial amount of this reserve is set at \$1,000,000 and is scheduled to reach a maximum of \$5,000,000. Each year, the RTA Board shall appropriate into this reserve an amount equal to 10% of the depreciation amount budgeted for the year. Funds shall be allocated into the reserve on a quarterly schedule as revenues are received during the year. Funds shall be used for capital replacements by transfers to the Grant Matching Reserve once a grant has been authorized or for locally-funded purchases through the Capital Budget.
- ◆ Employee Benefits Reserve. This reserve is designed to restrict a portion of net assets for funding of employee benefit costs, including health and retirement. This reserve shall be adjusted as needed to maintain an amount equal to one year's amortization of the Defined Benefit Pension Fund Unfunded Actuarial Liability and 20% of average annual health care costs over the most recent five years. The maximum amount of the Employee Benefits Reserve can not exceed \$1.2 million.



Corpus Christi Regional Transportation Authority
Proposed Fiscal Year 2012 Budget