

Legislation Text

File #: AI-2021-196, **Version:** 1

SUBJECT:

Approval of the Fiscal Year 2022 Operating and Capital Budget and Five-Year Capital Improvement Plan

FISCAL IMPACT:

Adoption of the proposed Fiscal Year (FY) 2022 budget will provide an appropriation of \$649,863,389 in FY2022 for operating and capital expenses that are supported by projected revenue and other funding sources.

STRATEGIC PLAN:

Strategic Goal Alignment:

1. Internal/External Customer Service Excellence 2. Stakeholder Engagement
 3. Financial and Environmental Sustainability 4. Staff Development 5. Agency Growth Management

Strategic Objectives:

- 1.1 Safety & Risk 1.2 Continuous improvement 1.3 Dynamic Change
 1.4 Culture of Innovation 2.1 Be an Employer of Choice 2.2 Organization Development
 2.3 Organization Culture 3.1 Resource optimization 3.2 Safety Culture
 3.3 Environmental Leadership 4.1 Educate & Call to Action 4.2 Build Partnerships
 4.3 Value of Transit 4.4 Project Connect

EXPLANATION OF STRATEGIC ALIGNMENT: The proposed FY2022 budget includes funding to maintain Capital Metro’s current services while also adding new innovative mobility initiatives, customer service enhancements and building infrastructure needed to support the region’s current and future growth. The five-year capital improvement plan identifies planned projects that support achievement of Capital Metro’s strategic goals, ensures regulatory compliance and maintains assets in a state of good repair.

BUSINESS CASE: Capital Metro has prepared a structurally balanced budget that provides the funding needed to continue delivering high-quality and efficient transportation services.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance,

Audit and Administration Committee on September 15, 2021.

EXECUTIVE SUMMARY: The proposed FY2022 budget is structurally sound and balanced. Ongoing revenue is sufficient to fund operations and will also help provide funding for needed capital investments, including replacement of transit assets nearing the end or at the end of life cycles.

Capital Metro proposes to spend \$318.6 million for operating expenses, \$4.1 million for commitments under interlocal agreements with local government entities for mobility programs and \$23.4 million to contribute to the Austin Transit Partnership for the Project Connect System Plan in FY2022.

Capital Metro will continue to respond to and recover from COVID-19, including funding to restore pre-pandemic levels of MetroExpress and MetroBus service and expanding service on several routes in the system, as well as funding for initiatives such as Pickup that will allow the agency to provide service in an efficient and cost-effective manner. Furthermore, the proposed budget provides adequate funding for MetroRideShare service and responds to a projected increase for MetroAccess service with additional funding for this mode of service.

Capital Metro prepared a five-year Capital Improvement Plan (CIP) for capital projects that support its strategic goals. The CIP is updated annually and addresses replacement or “state of good repair”, regulatory compliance and expansionary requirements for public transportation service in Central Texas. Capital Metro plans to invest \$303.8 million in capital projects during FY2022.

Significant projects and acquisitions in the proposed FY2022 Budget, including “state of good repair”, regulatory compliance and new investments, are highlighted as follows:

- On the Red Line, we will break ground on McKalla Station, which will serve Austin FC’s Q2 Stadium and the thousands of fans and Capital Metro customers who attend games, and begin construction on a new Broadmoor Station, which will serve a new, large mixed-use development. To further support increased commuter rail service, we will complete work to double track the Red Line to increase capacity.
- Continuing replacement of vehicles with battery electric powered buses on the streets of Central Texas, helping us achieve our goal to create sustainable and equitable options for the entire community.
- Construction work will gather pace on the two new MetroRapid lines serving East Austin, Expo Center and Pleasant Valley, preparing for their initial service in FY2023.
- In addition to the highlights above, we will establish the Sustainability Capital Fund, begin a reserve for the Green Line Phase II project, expand our Pickup Service offerings throughout the community, build a demand response facility to better meet our needs, roll out new customer technology systems, establish improved workforce development programs to increase our support for our staff and their careers, and much more.

The proposed budget reflects the prudent use of projected revenue to provide funding for capital investments

needed to maintain Capital Metro’s transit assets in a state of good repair or to support enhanced services. The proposed, structurally balanced FY2022 budget totals \$649.9 million with \$8.3 million set aside for future funding of the 5-Year Capital Improvement Plan, and is comprised of the following funding and expense categories:

Budget Summary	
Funding	FY2022
Sales Tax	\$297,330,773
Passenger Revenue	18,147,285
Freight Railroad Revenue	6,492,814
Miscellaneous Revenue	6,553,816
Operating Contributions and Grants	172,283,309
Capital Grants - Federal	43,503,914
Capital Grants - State	2,045,419
Other Capital Contributions	111,802,665
Total Funding	\$658,159,995
Expenses	FY2022
Operating Expenses	\$318,607,750
Capital Project Expense	303,836,278
Funding for 5-Year Capital Improvement Plan	8,296,606
Austin Transit Partnership Contribution	23,365,670
Interlocal Agreements	4,053,691
Total Expenses	\$658,159,995

The proposed budget reflects fund balance projections of \$303.0 million by the end of FY2022 as outlined in the table that follows. Of this amount, Capital Metro will set aside \$53.1 million in reserves for two months of operating expenses, which meets the level set forth by the Texas Legislature, \$26.5 million for the budget stabilization reserve, \$10.0 million to establish the Sustainability Capital Fund, \$800 thousand set aside for the Green Line Phase II Manor Capital Reserve, \$1.3 million for a self-insurance reserve, \$2.9 million for city of Austin mobility programs and \$208.4 million for future funding of the 5-year capital improvement plan as we look forward to future needs in the region.

FY2022 Estimated Ending Fund Balance:

Projected Beginning Balance	\$294,720,746
FY2022 Projected Activity:	
+ Revenue	658,159,995
- Operating Expenses	318,607,750
- Interlocal Agreements	4,053,691
- Contribution to Austin Transit Partnership	23,365,670
- Capital Projects	303,836,278
= Projected Ending Balance	\$303,017,352
Breakdown of Ending Balance:	
Statutory Operating Reserve Requirement	53,101,291
Budget Stabilization Reserve	26,550,645
Sustainability Capital Fund	10,000,000
Green Line Phase 2 Manor Capital Reserve	800,000
Self-Insurance Reserve	1,314,600
City of Austin Mobility Programs	2,883,602
Funding for 5-Year Capital Improvement Plan	208,367,214
= Projected Ending Balance	\$303,017,352

Senate Bill 650 requires Capital Metro to prepare a five-year capital improvement plan, which is included in Appendix A of the budget document. This section provides additional information about each project category, including project descriptions, funding sources, project benefits and strategic objectives. The plan is updated annually and addresses replacement and expansion requirements for the delivery of public transportation services. The proposed FY2022 capital budget and capital improvement plan are outlined in the table that follows, summarized by project type and followed by projected funding sources.

Capital Project Type	FY2022	FY2023	FY2024	FY2025	FY2026	Total
Vehicles	\$ 41,446,000	65,362,000	15,940,000	3,843,000	91,278,000	217,869,000
Commuter Rail	43,124,069	24,395,000	3,000,000	2,750,000	3,250,000	76,519,069
Facilities	27,531,079	23,231,675	14,587,453	7,424,225	10,291,657	83,066,089
Freight Railroad	4,045,000	1,545,000	45,000	45,000	45,000	5,725,000
Information Technology	26,273,030	17,302,797	12,055,000	12,275,000	7,975,000	75,880,827
Other	6,931,650	2,462,000	2,503,633	2,405,000	2,000,000	16,302,283
Project Connect	137,994,219	107,786,504	52,027,213	325,000	732,063	298,864,999
Property and Asset Mgmt	16,491,231	12,417,608	853,950	1,107,200	976,000	31,845,999
Total Capital Projects	303,836,278	254,502,584	101,012,259	30,174,425	116,547,720	806,073,276
Funding Sources						
Grants/Contributions	157,351,998	115,928,794	56,596,225	2,750,000	8,831,414	341,458,431
Local Funding	146,484,280	138,573,790	44,416,034	27,424,425	107,716,306	464,614,829
Total Funding Sources	\$ 303,836,278	254,502,584	101,012,259	30,174,425	116,547,720	806,073,276

Over recent months, Capital Metro provided information regarding the budget process and the proposed FY2022 budget in a variety of formats for the public and sought feedback using online engagement tools, as

well as methods like virtual meetings. These outreach efforts included the following:

Presentations to Board of Directors and its Committees

May 12, 2021, Finance, Audit and Administration Committee

May 12, 2021, Operations, Planning and Safety Committee

June 28, 2021, Board of Directors

July 19, 2021, Board of Directors

August 18, 2021, Finance, Audit and Administration Committee

August 18, 2021, Operations, Planning and Safety Committee

September 15, 2021, Finance, Audit and Administration Committee

September 27, 2021, Board of Directors

Board and Committee Meetings on Microsoft Teams virtual meetings and available to the public and at Rosa Parks Board Room, 2910 East 5th Street, Austin, TX 78702

Served by routes 4, 300

Presentations to Access Advisory Committee

June 2, 2021, 5:30 - 7:00 PM

August 4, 2021, 5:30 - 7:00 PM

Microsoft Teams virtual meetings and available to the public.

Presentations to Customer Satisfaction Advisory Committee

June 9, 2021, 6:00 - 7:30 PM

August 11, 2021, 6:00 - 7:30 PM

Microsoft Teams virtual meetings and available to the public.

Proposed FY2022 Budget Document Available and Posted Online

August 22, 2021

Public Open Houses

Information made available to the public regarding the proposed FY2022 budget and five-year capital improvement plan.

August 23, 2021, 7:00 AM - 8:00 AM

Westgate Transit Center

Served by routes 30, 300, 311, 315, 318, 803

August 24, 2021, 7:00 AM - 8:00 AM

Leander Station

Served by routes 985, MetroRail, Pickup

August 25, 2021, 4:00 PM - 5:00 PM

Republic Square Park

Served by downtown routes

August 26, 2021, 4:00 PM - 5:00 PM

Norwood Walmart

Served by routes 10, 323, 325, 339

Online Webinar

Information made available to the public regarding the proposed FY2022 budget and five-year capital improvement plan.

August 27, 2021, 12:00 PM - 1:00 PM

Zoom virtual meeting and available to the public, Spanish-translated, recorded and posted on the CapMetro Blog, Facebook and YouTube.

Public Hearing on Proposed FY2022 Budget

September 15, 2021, 12:00 PM

Rosa Parks Board Room, 2910 East 5th Street, Austin, TX 78702

Served by routes 4, 300

Board of Directors Considers Adoption of Budget Proposal

September 27, 2021, 12:00 PM

Rosa Parks Board Room, 2910 East 5th Street, Austin, TX 78702

Served by routes 4, 300

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Finance

**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2021-196

WHEREAS, pursuant to Section 451.102 of Chapter 451 of the Texas Transportation Code, the budget for Fiscal Year 2022 was made available to the public on August 22, 2021, and a budget public hearing was held on September 15, 2021; and

WHEREAS, pursuant to Section 451.132(c), the Board of Directors has reevaluated the five-year capital improvement plan.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Fiscal Year 2022 budget in the amount of \$649,863,389 is adopted.

BE IT FURTHER RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the five-year Capital Improvement Plan for capital projects is amended.

BE IT FURTHER RESOLVED that the Capital Metropolitan Transportation Authority Board of Directors hereby requires the President & CEO to report at least quarterly on the operating expenses and capital project expenses of each major department in a financial report.

Date: _____

**Secretary of the Board
Eric Stratton**