MAKING DOLLARS AND SENSE OF TRANSIT FINANCE INTRODUCTIONS & OVERVIEW



INTRODUCTION TO THE INSTRUCTORS

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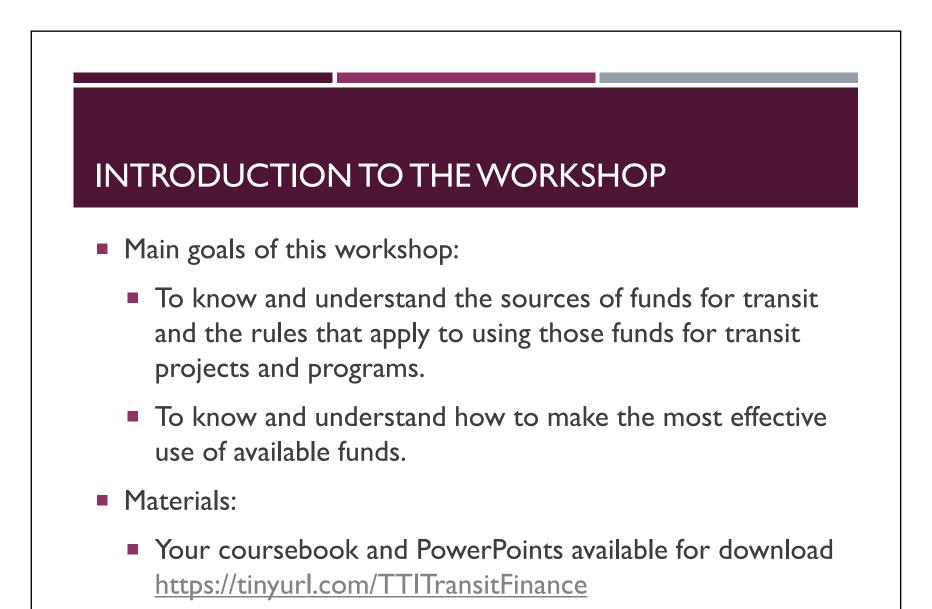


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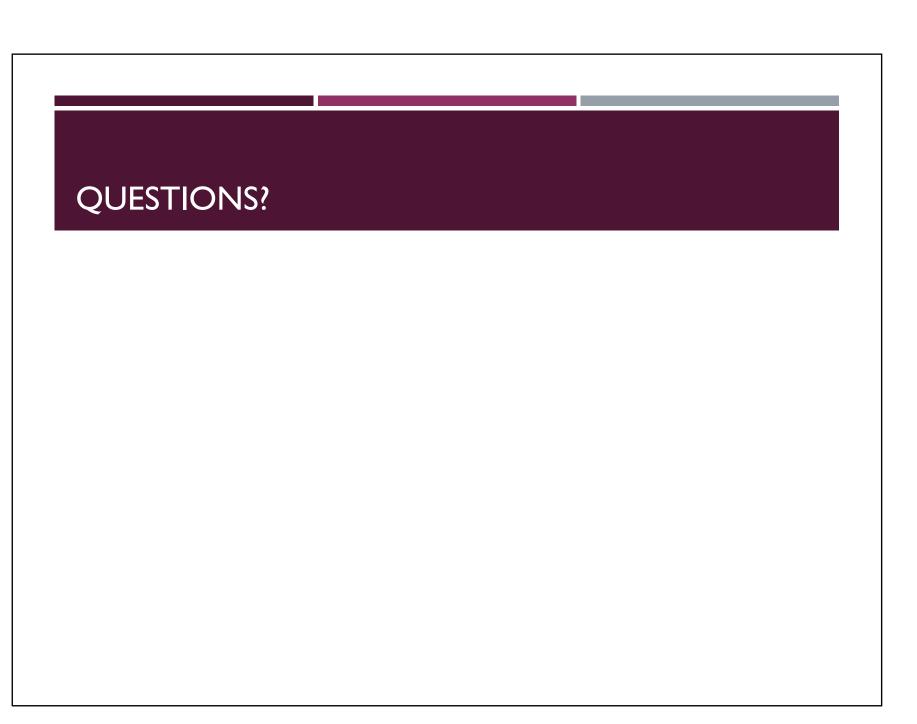
Handouts & Evaluation Forms

AGENDA

- Day One: Transit Funding Basics
 - Module I Transit in Texas
 - Module 2 How Transit is Funded
 - Module 3 –USDOT Funding Programs for Transit
 - Module 4 State Funding for Transit
 - Module 5 Local Revenue Sources and Local Match
 - Module 6 Accounting, Budgeting and Financial Management
- Day Two: Cost Allocation and Financial Reporting
 - Module 7 Allocating Costs to Transit Services
 - Module 8 Reporting Financial Data to PTN-128 and NTD

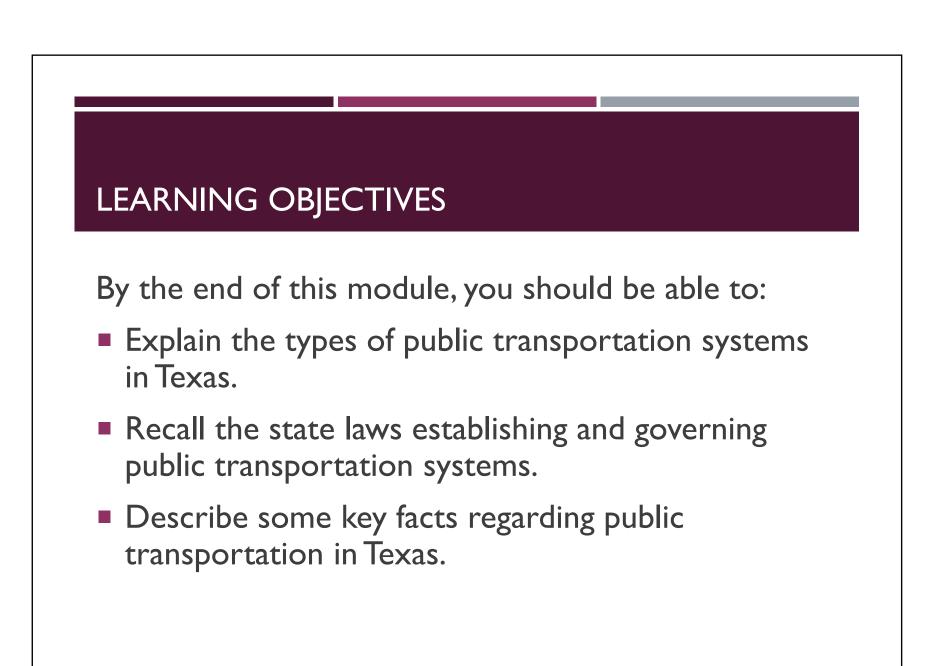
SCHEDULE: DAY I

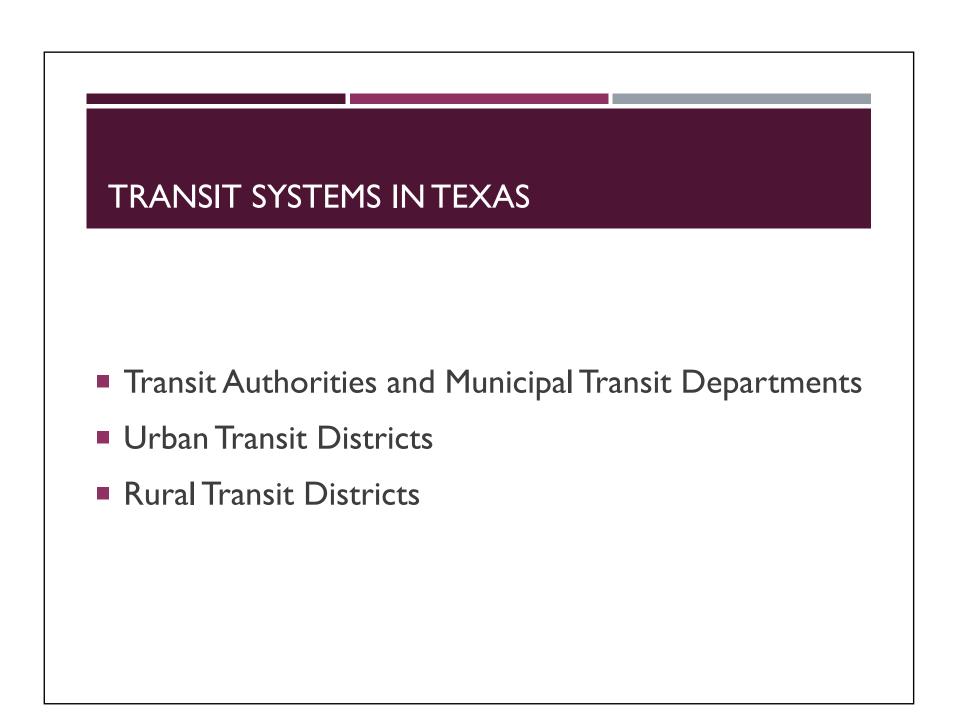
Start	End	Time	ltem
8:30 AM	8:45 AM	0:15	Overview of Course & Introductions
8:45 AM	9:00 AM	0:15	Module 1 - Transit in Texas
9:00 AM	10:00 AM	1:00	Module 2 - How Transit is Funded
10:00 AM	10:15 AM	0:15	Break
10:15 AM	11:30 AM	1:15	Module 3 - USDOT Funding Programs for Transit
11:30 AM	12:30 PM	1:00	Lunch
12:30 PM	1:30 PM	1:00	Module 4 - State Funding for Transit
1:30 PM	1:45 PM	0:15	Break
1:45 PM	3:00 PM	1:15	Module 5 - Local Revenue Sources and Local Match
3:00 PM	3:15 PM	0:15	Break
3:15 PM	4:30 PM	1:15	Module 6 – Accounting, Budgeting, Financial Management
4:30 PM	5:00 PM	0:30	Q&A
	Total	8:30	

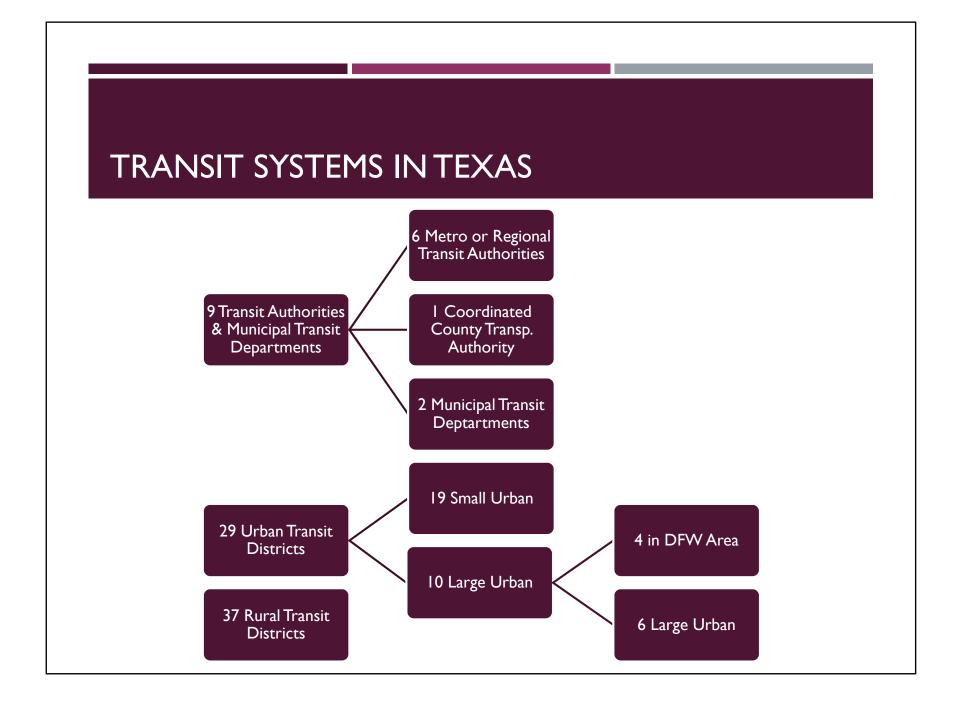


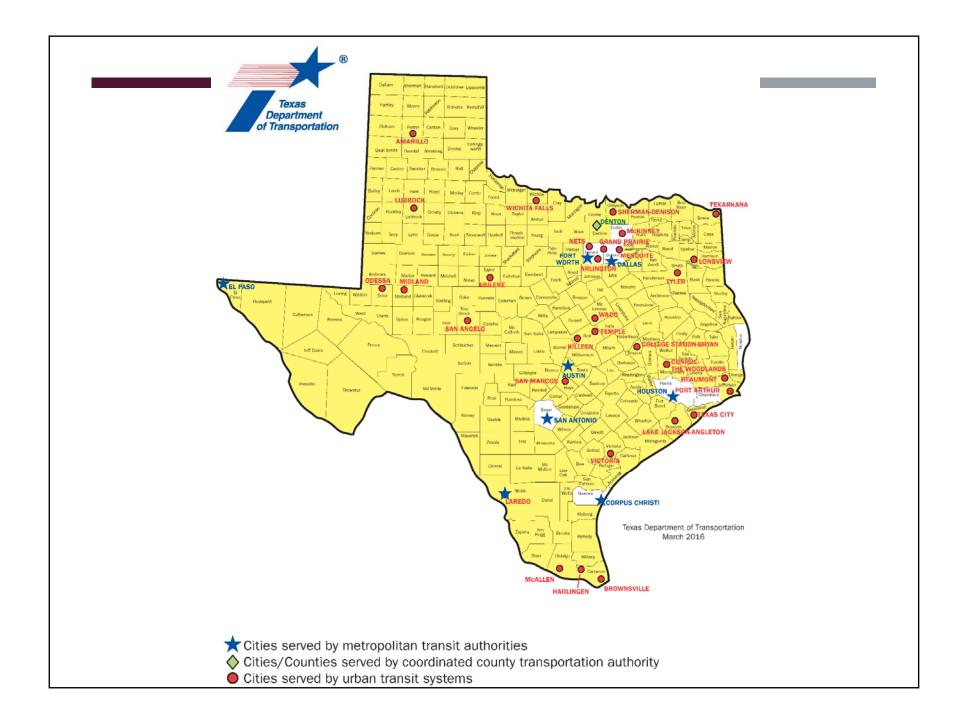
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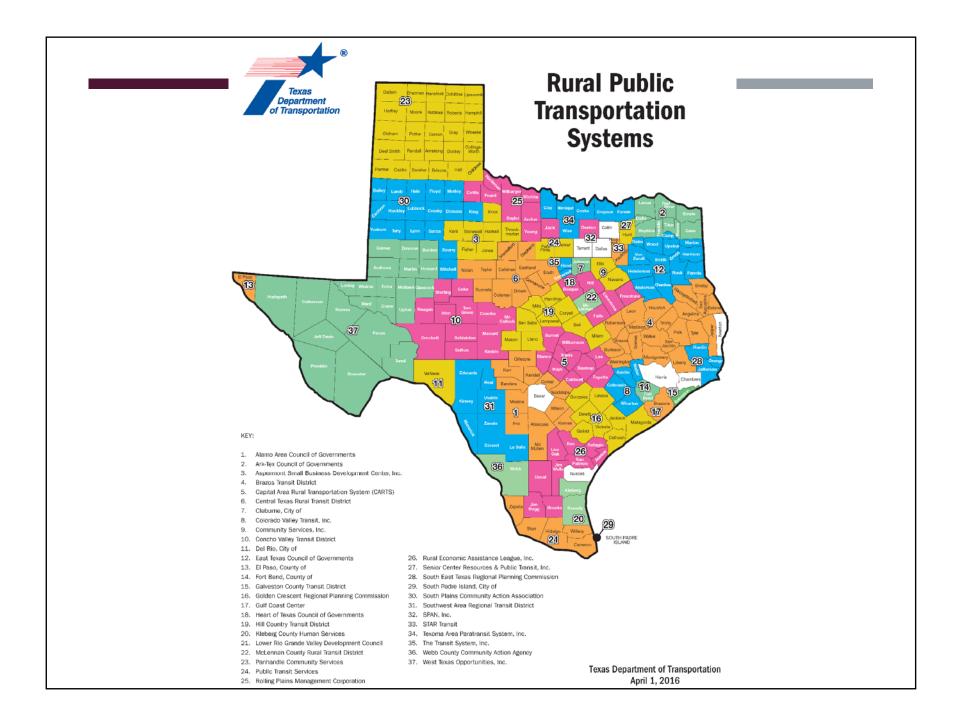


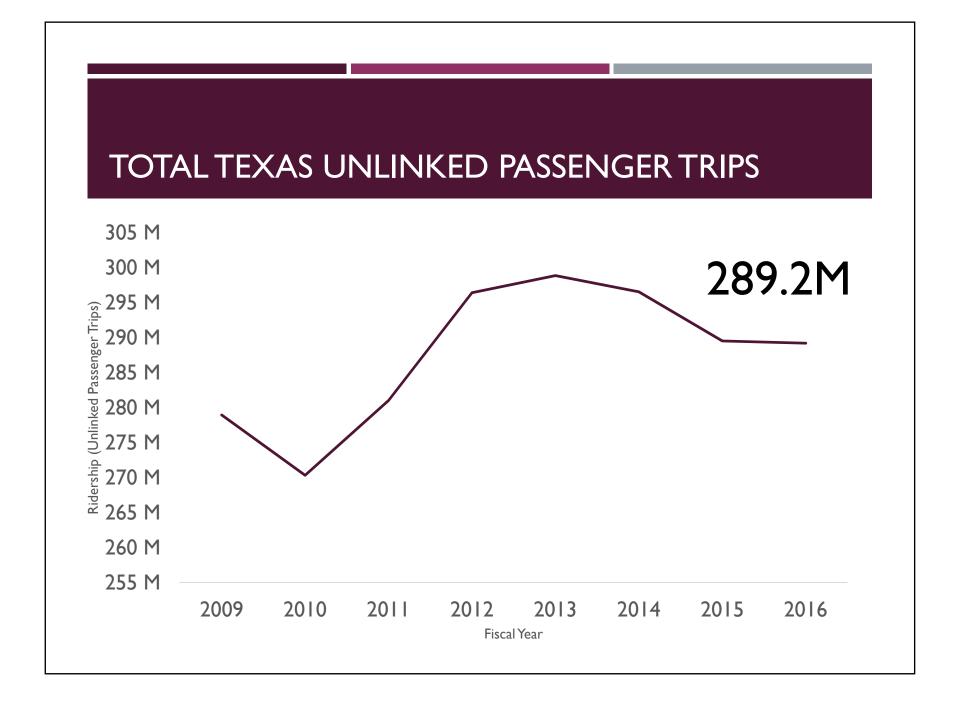




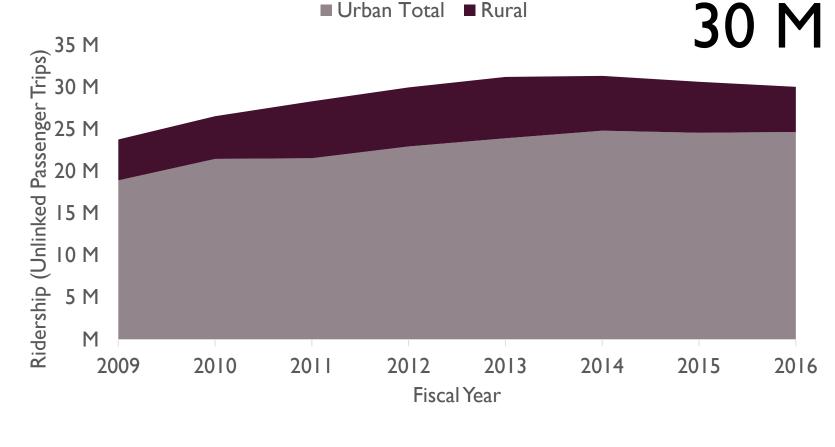


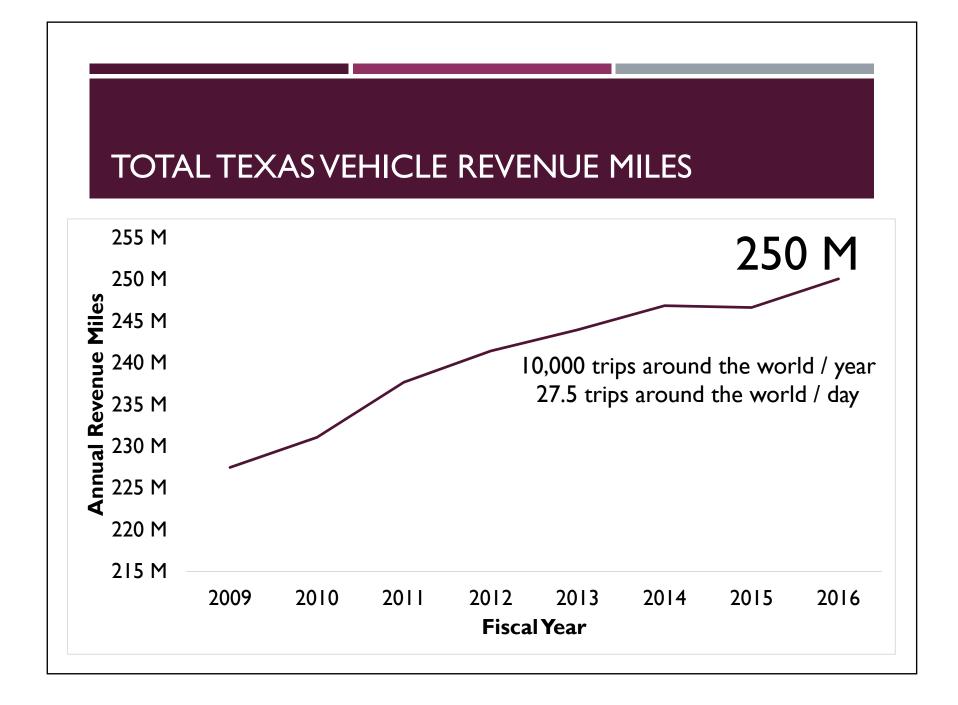


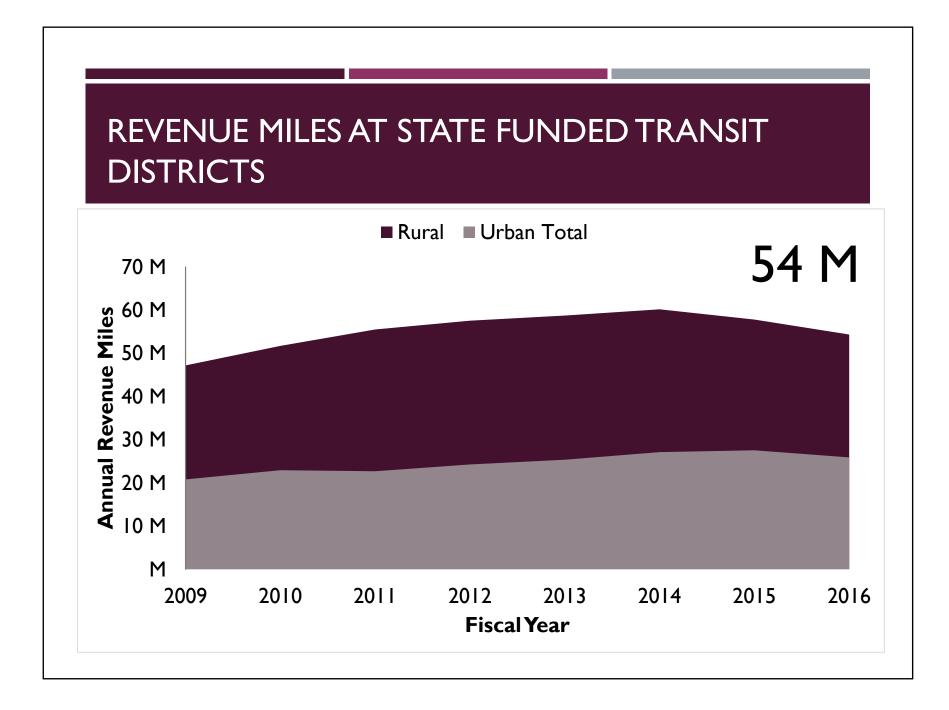


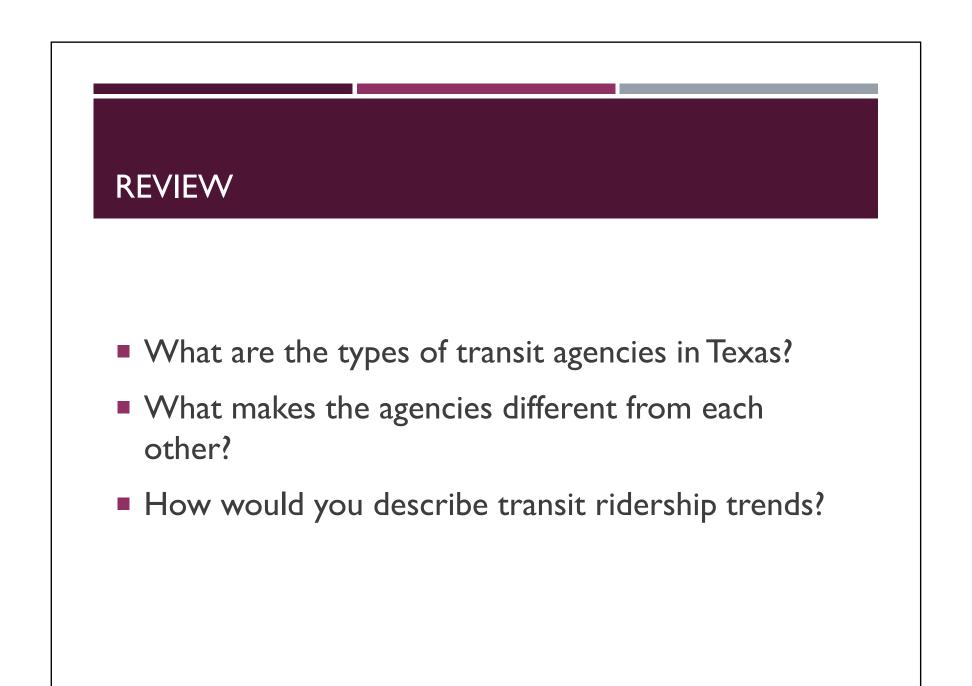


UNLINKED PASSENGER TRIPS AT STATE-FUNDED TRANSIT DISTRICTS









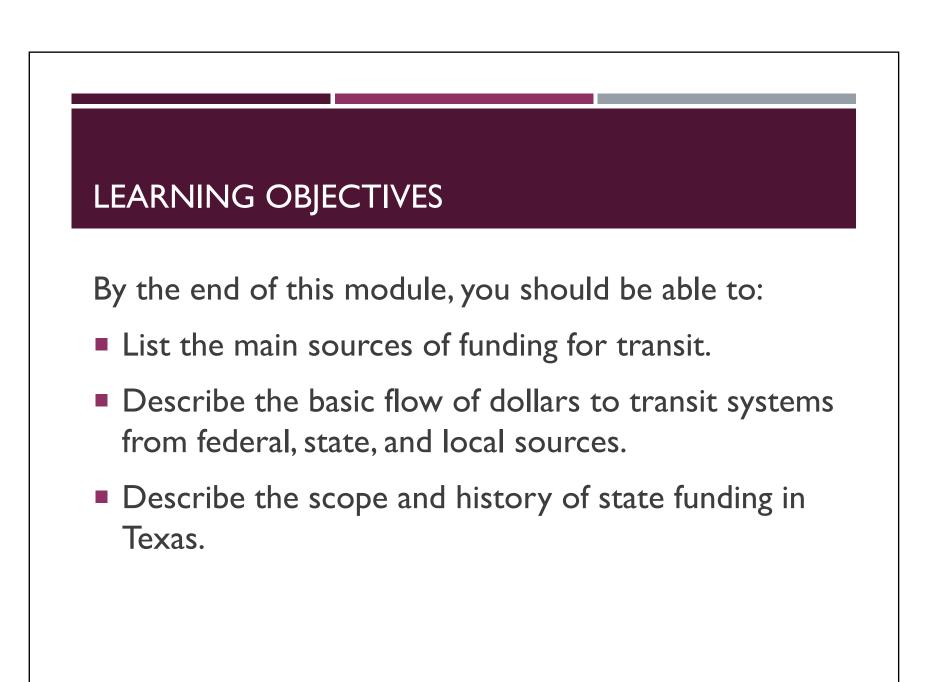


MODULE 2 HOW TRANSIT IS FUNDED





Created by hans draiman from Noun Project



SOURCES OF APPLIED REVENUES FY2016

	Transit Authorities (9)		Urban Transit Districts (29)		Rural Transit Districts (37)	
Sources of		Percent of		Percent		Percent
Applied	Revenues	Total	Revenues	of Total	Revenues	of Total
Revenues		Revenues		Revenues		Revenues
Federal FTA	\$258,640,000	10.8	\$58,326,000	47.5	\$48,058,000	47.5
Other Federal	\$244,000	0.0	\$7,000,000	5.7	\$14,177,000	14.0
State	\$829,000	0.0	\$9,655,000	7.9	\$18,144,000	17.9
Local including						
Fares	\$2,124,465,000	89.1	\$47,896,000	39.0	\$20,809,000	20.6
Total Revenues						
2016	\$2,384,178,000	100	\$122,877,000	100	\$101,188,000	100
Percent of All						
Transit	91.4%		4.7%		3.9%	
Systems						

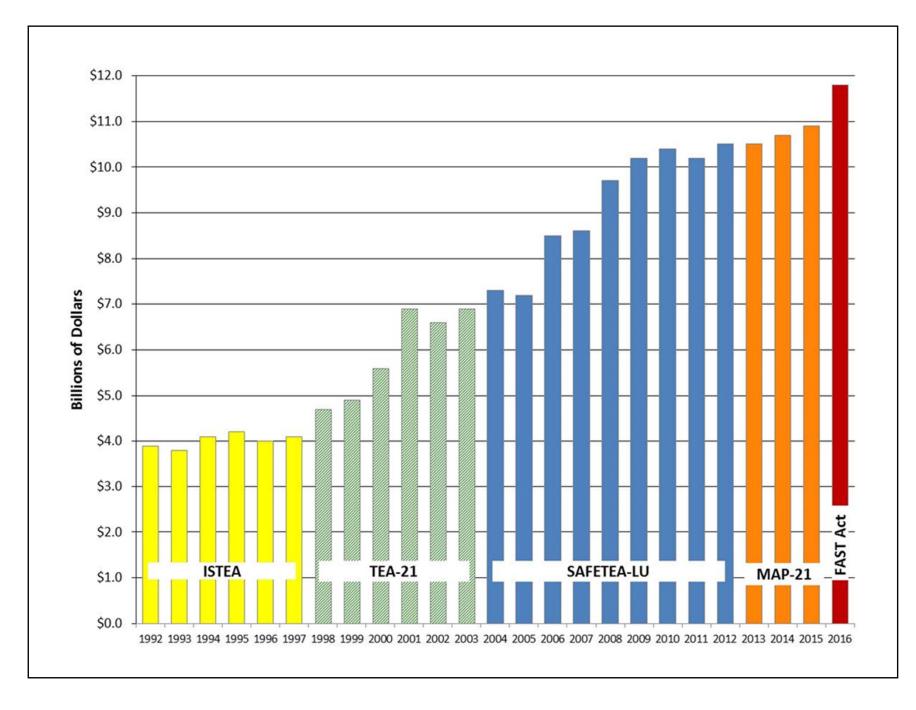


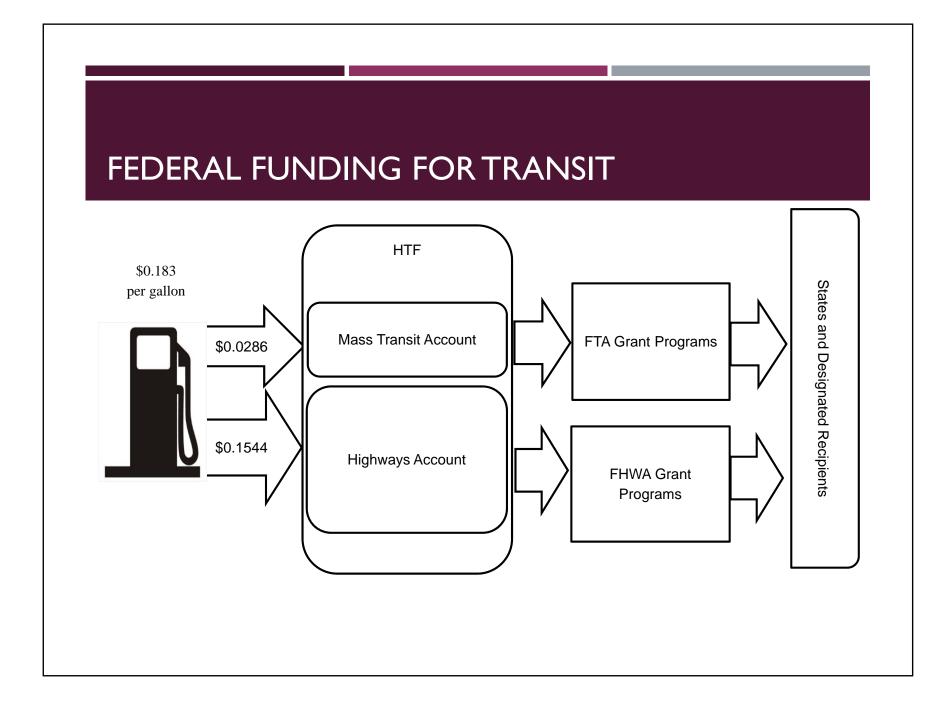
ABRIDGED HISTORY OF FEDERAL SUPPORT FOR TRANSPORTATION

- Federal support of transportation began in 19th century with the creation of the transcontinental railroad.
- Can you name the last 5 surface transportation authorization bills, including the FAST Act, and their years in effect?
- Total federal funding is 15% of revenue for Texas transit and 57% for Texas state-funded transit districts.

ISTEA	TEA-21	SAFETEA-LU	MAP-21	FAST
1992–1997	1998-2003	2004–2012	2013-2015	2016-2020

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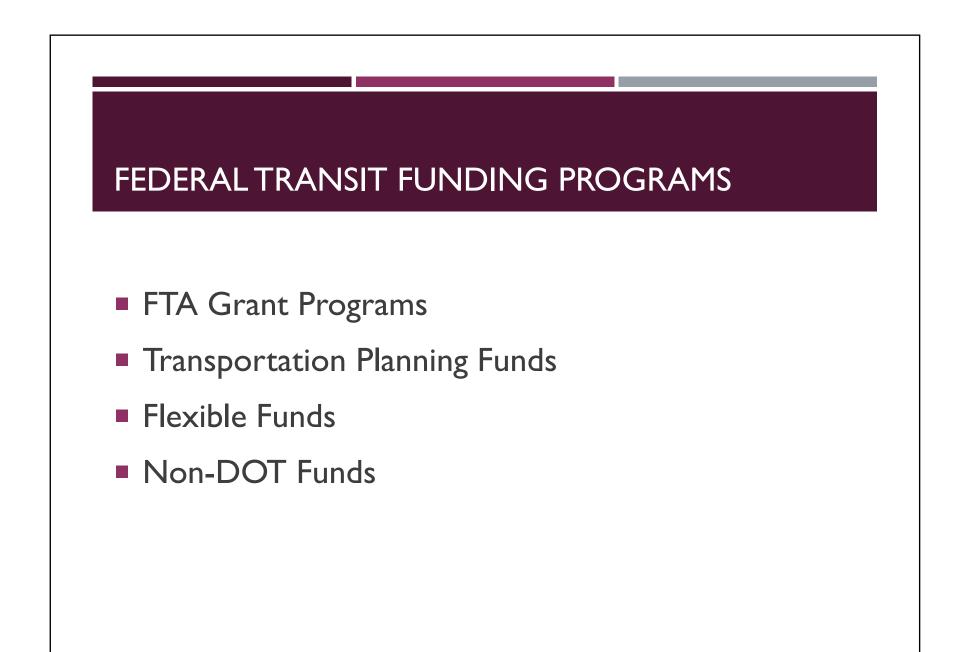


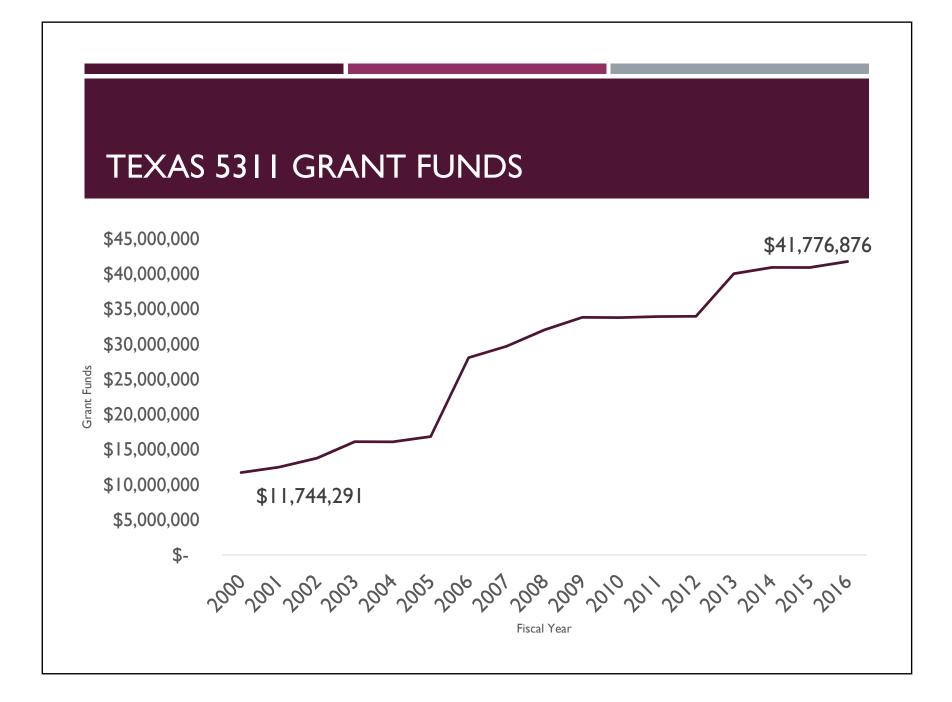


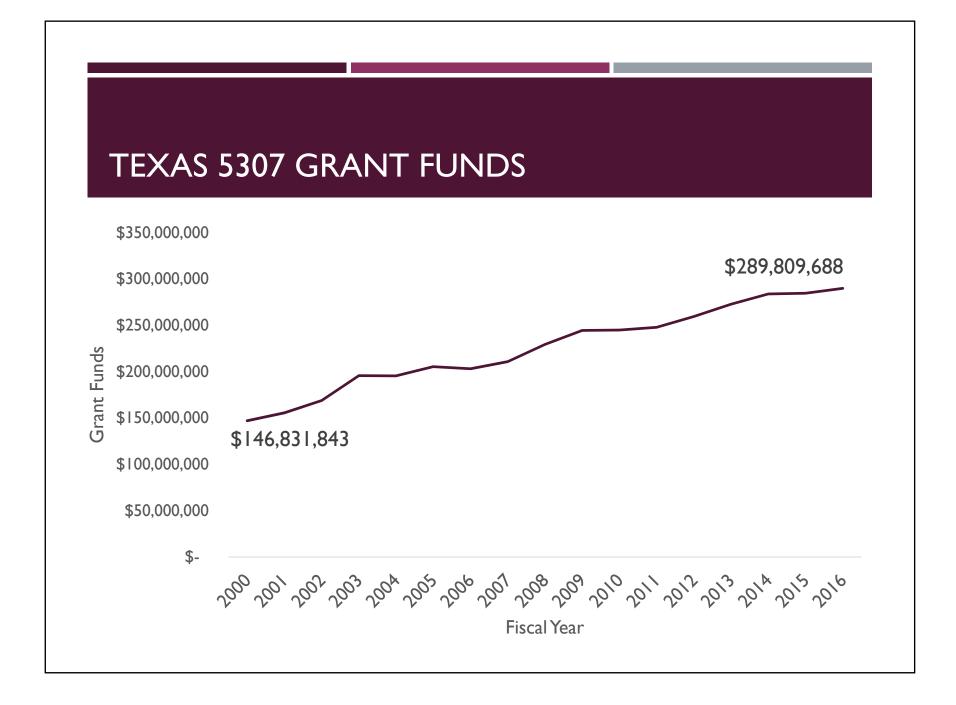
FEDERAL FUNDING PROCESS

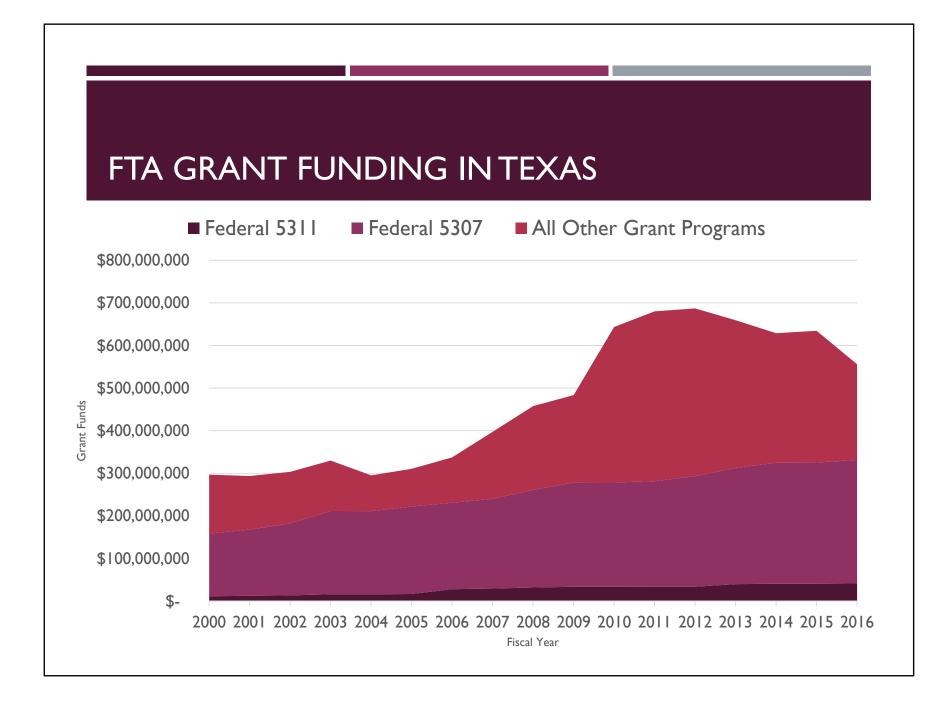
- Authorization
- Revenue Collection
- Annual Appropriation
- FTA Apportionments & Allocations

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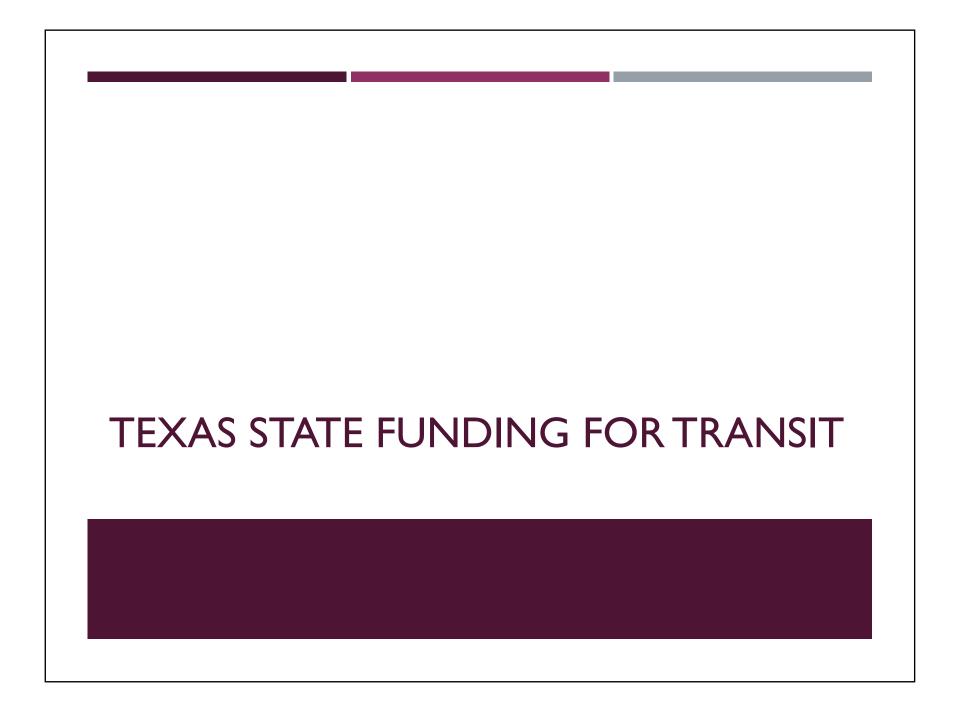




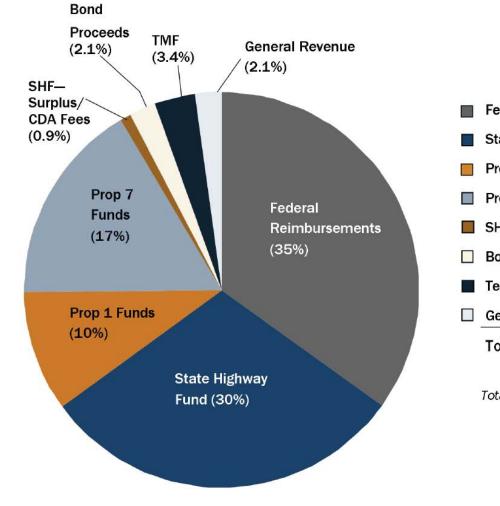


TEXAS FEDERAL FUNDING COMPARED TO OTHER STATES

- Texas ranked 20th in Federal funds for transit per capita (\$23.13) in 2015
- States with highest Federal funds for transit per capita in 2015
 - Hawaii
 - New York
 - New Jersey
 - Connecticut
 - Alaska

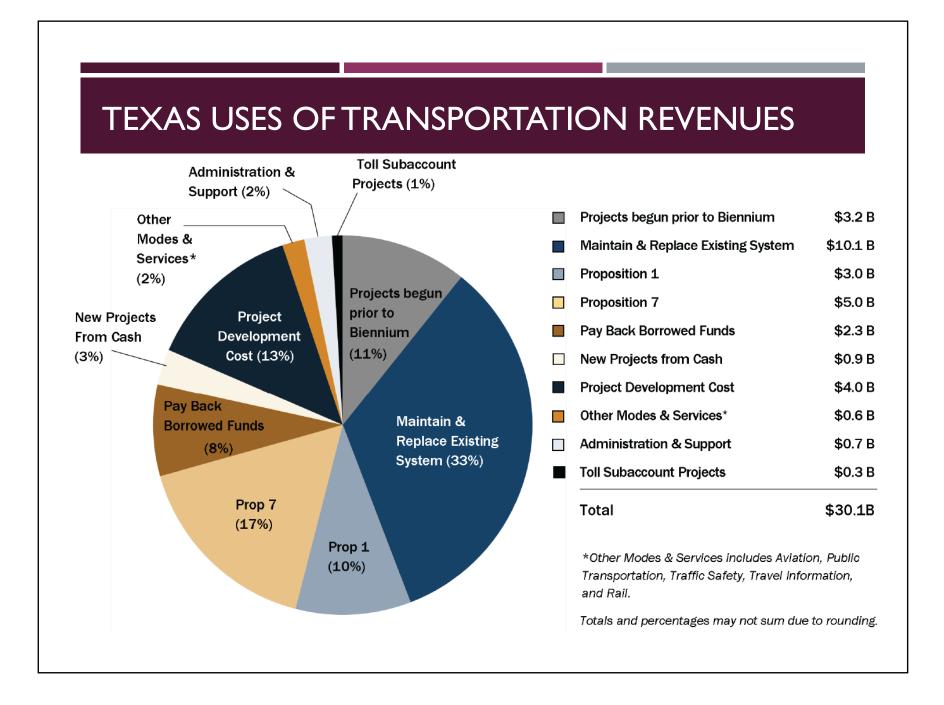


TEXAS REVENUE FOR TRANSPORTATION



Federal Reimbursements	\$10.5 B
State Highway Fund	\$9.0 B
Proposition 1 Funds	\$3.0 B
Proposition 7 Funds	\$5.0 B
SHF—Surplus/CDA Fees	\$0.3 B
Bond Proceeds	\$0.6 B
Texas Mobility Fund (TMF)	\$1.0 B
General Revenue	\$0.6 B
Total	\$30.1B

Totals and percentages may not sum due to rounding.



TEXAS STATE TRANSIT FUNDING

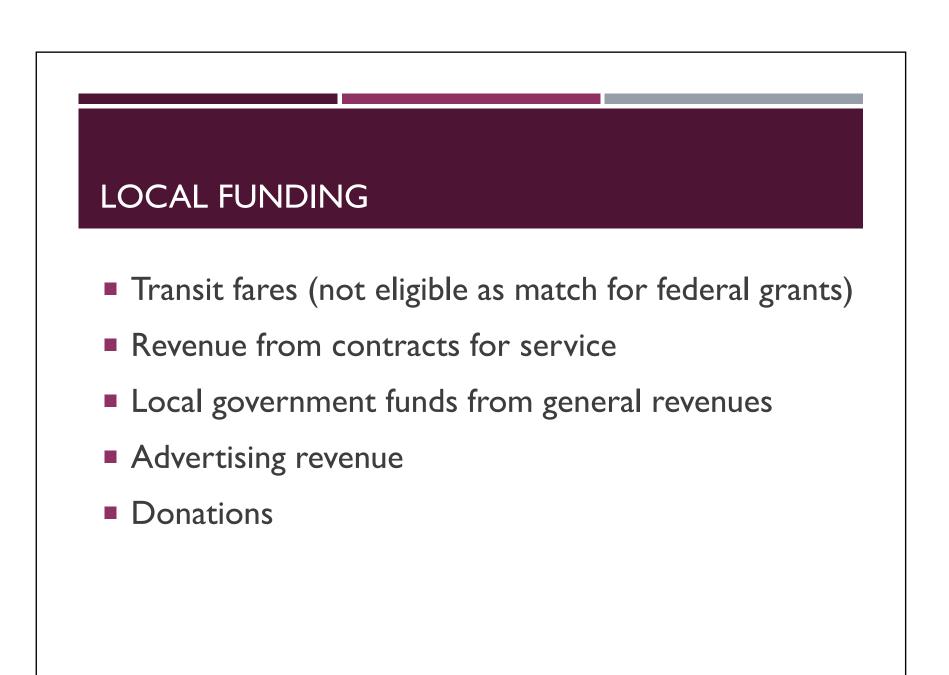
Category	Number	Eligible for State Transit Funds?	Dedicated Local Sales Tax for Transit?
Transit Authority or Municipal Transit Department ^s	9, includes Laredo	No (8) Yes—Laredo	Yes
State-Funded Urban Transit District	29	Yes	No
Rural Transit District	37	Yes	No

TEXAS STATE FUNDING FOR TRANSIT COMPARED TO OTHER STATES

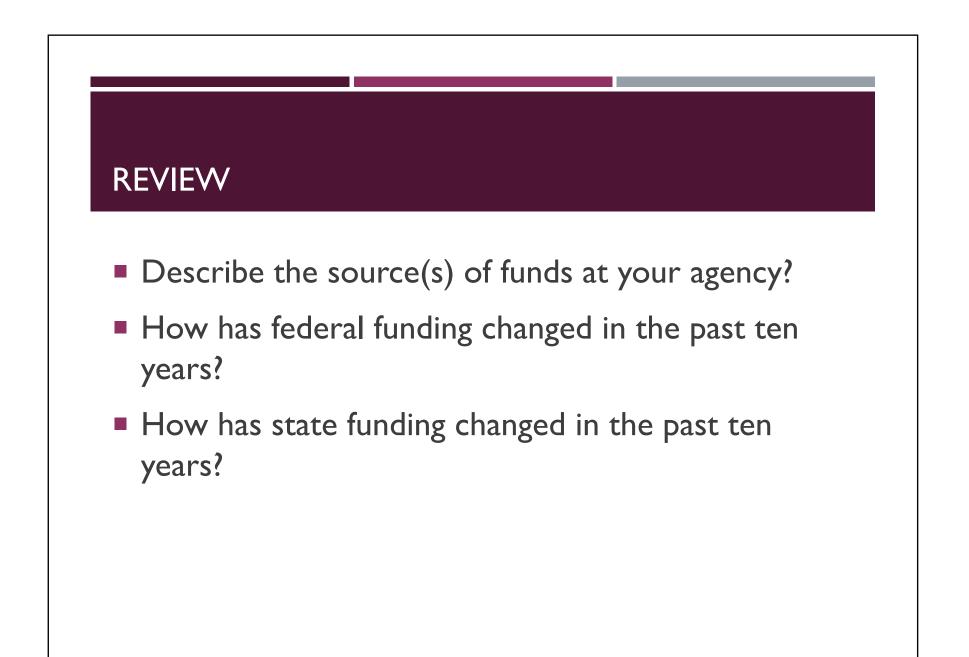
- Texas ranked 35th in State funding for transit per capita (\$1.11) in 2015
- States highest per capita
 - Illinois
 - Alaska
 - Massachusetts
 - New York

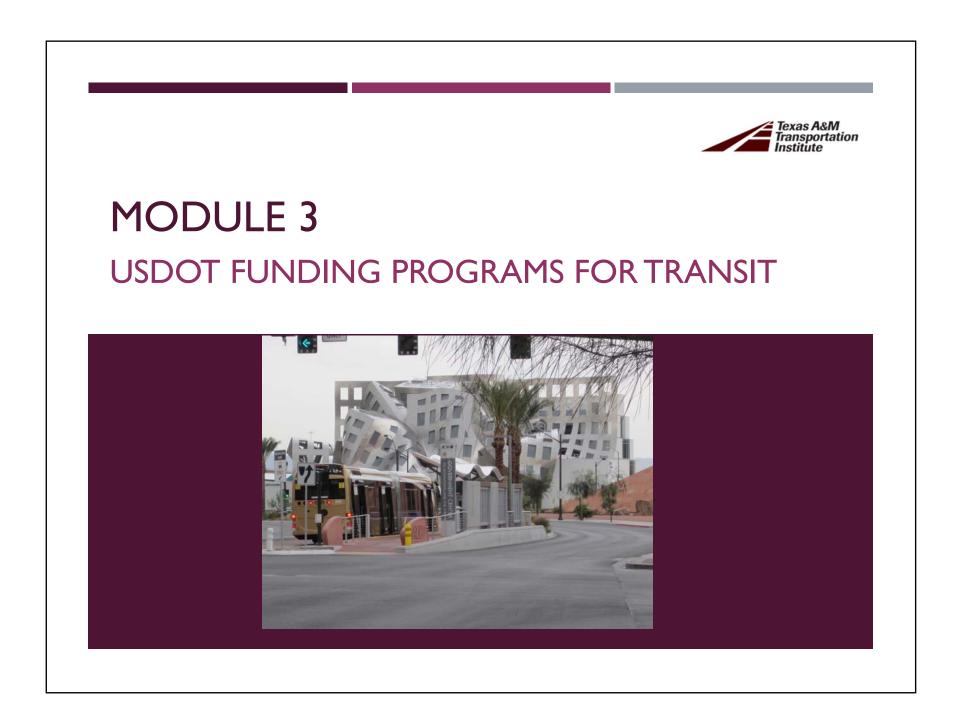
- Several states do not fund transit at all
 - Alabama
 - Arizona
 - Hawaii
 - Nevada
 - Utah

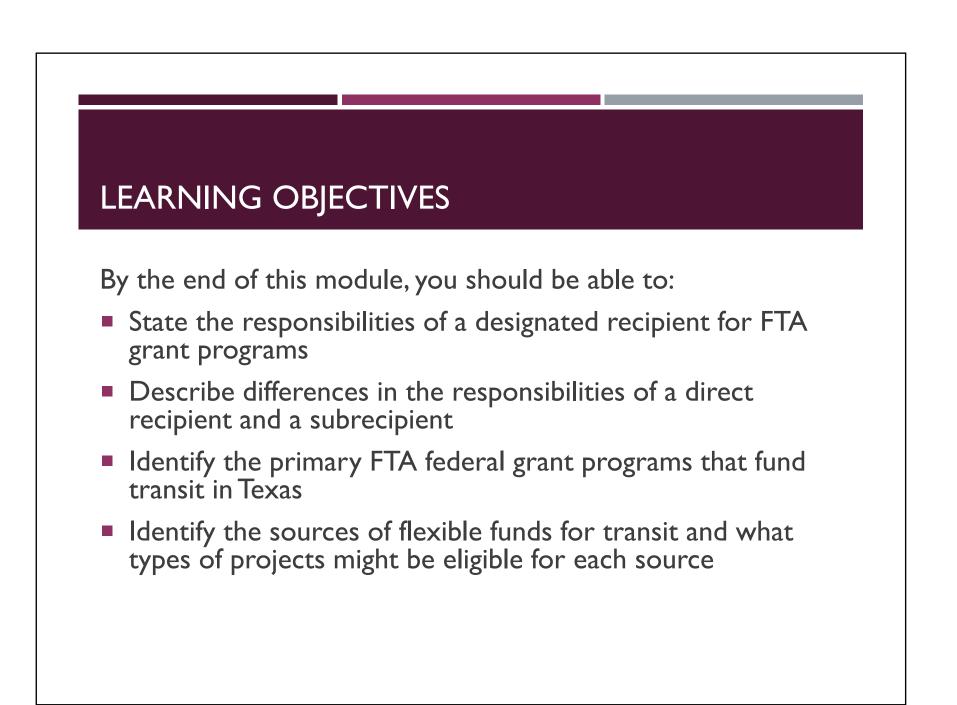


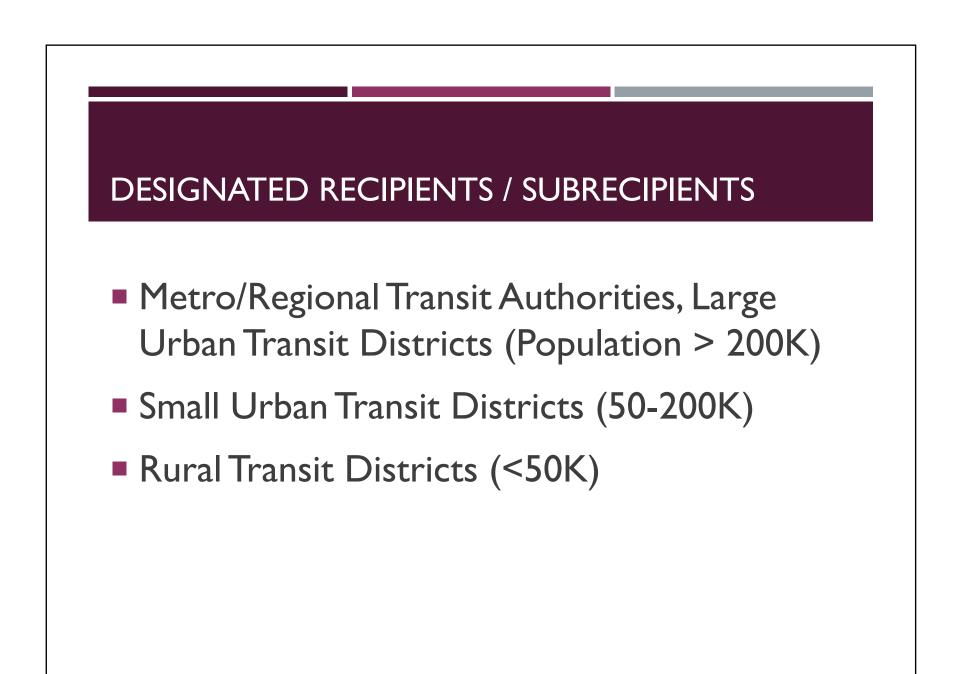


Sources of Local	Transit Authorities (9)		Urban Transit Districts (29)		Rural Transit Districts (37)	
	Davaaraa	Percent of Total		Percent of Total		Percent of Total
Revenues Fares	Revenues \$194,337,000	Revenues 8.1%	Revenues \$11,432,000	Revenues 9.3%	Revenues \$4,509,000	Revenues 4.5%
Local Contributions (Cash)	\$20,223,000	0.8%	\$19,987,000		\$6,045,000	
Contributed Services (Non-cash)	\$0	0.0%	\$7,507,000	6.1%	\$1,730,000	1.7%
Sales Tax Dedicated to Transit	\$1,783,274,000	74.8%	\$0	0.0%	\$0	0.0%
Auxiliary Transit Revenues	\$23,810,000	1.0%	\$1,291,000	1.0%	\$83,000	0.08%
Other Transportation Revenues	\$6,107,000	0.3%	\$505,000	0.4%	\$38,000	0.04%
Non-Transit-Related Revenues	\$82,475,000	3.5%	\$1,212,000	1.0%	\$237,000	0.2%
Other Contracts	\$14,239,000	0.6%	\$5,962,000	4.9%	\$8,167,000	8.1%
Local Revenues	\$2,124,465,000	89.1%	\$47,896,000	39.0%	\$20,809,000	20.6%







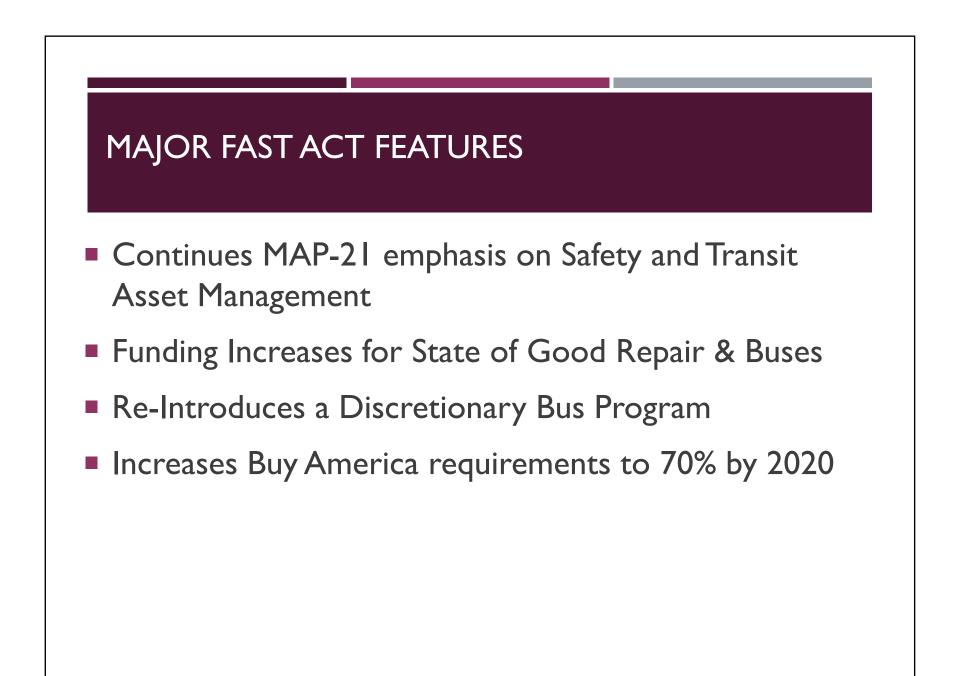


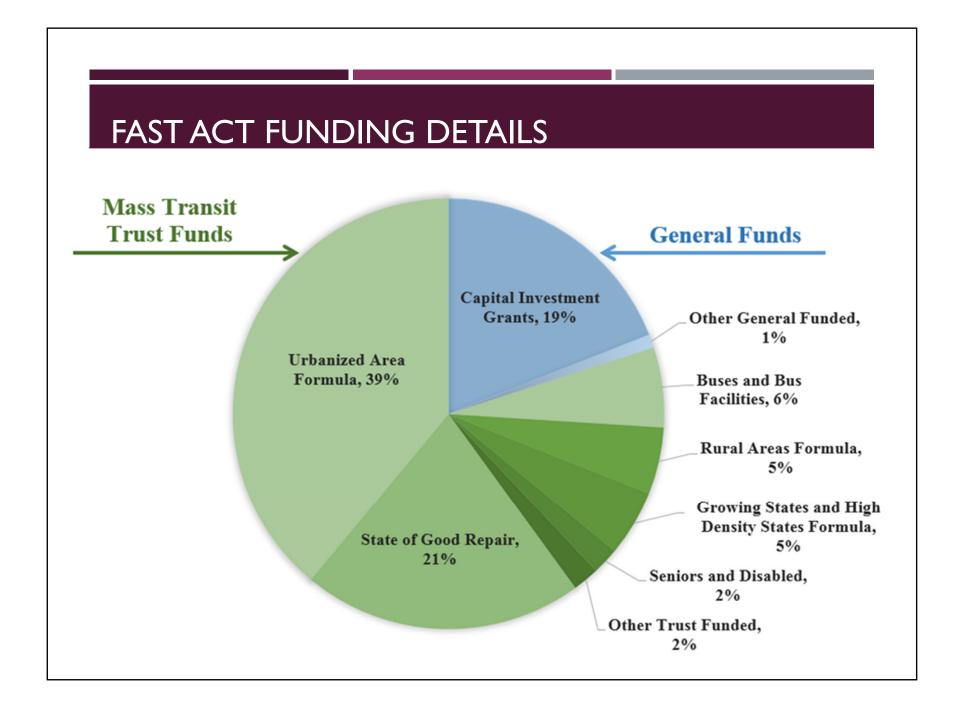
DIRECT RECIPIENTS AND SUBRECIPIENTS

- A designated recipient may authorize another public agency to be a Direct Recipient for §5307
 - One-time basis or at the time of each application submission
- Under the FAST Act, a state or local governmental entity that operates a public transportation service and is eligible to receive direct grants under §5307 or §5311 is eligible to be a direct recipient for §5339 funds
 - TxDOT elects to serve as the §5339 designated recipient for all areas under 200,000 in population
- A Designated Recipient or Direct Recipient may choose to pass its grant funds through to another agency (Subrecipient) to carry out the purposes of the grantee's agreement with FTA.
 - Does not relieve the grantee of its responsibilities to carry out the terms and conditions of the grant agreement

FIXING AMERICA'S SURFACE TRANSPORTATION ACT (FAST ACT)

- Five Year Authorization (FY2016 through FY2020)
- \$11.8 billion in 2016, increasing to \$12.6 billion in 2020
- Represents \$61.1 billion in authorized federal funds for public transportation over five years.





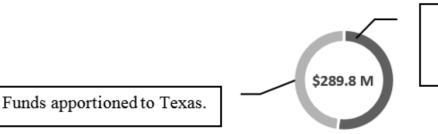
HOW IS THE FAST ACT DIFFERENT FROM MAP-21?

New Programs

- Bus and Bus Facilities Discretionary Grants §5339(b)
- Expedited Project Delivery for Capital Investment Grants Pilot Program (subsection of 3005[b] of FAST Act)
- Pilot Program for Innovative Coordinated Access and Mobility (subsection of 3006[b] of FAST Act)
- Consolidated Programs
 - Public Transportation Innovation (§5312)
 - Technical Assistance and Workforce Development (§5314)

FTA FUNDING PROGRAMS

- Sections 5303-5305 Metropolitan, Statewide, or Nonmetropolitan Planning
- Section 5307 Urbanized Area Formula Program
- Section 5309 Capital Investment Grants
- Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities
- Section 5311 Rural Areas Formula Program
- Section 5337 State of Good Repair
- Section 5339 Buses and Bus Facilities
- Section 5340 Growing States and High-Density States Formula Program



Relative value of the grant program compared to all FTA funding for Texas.

5303, 5404, 5305 METROPOLITAN, STATEWIDE, OR NONMETROPOLITAN PLANNING

- Eligible Recipients: State DOTs and MPOs
- Eligible Activities: Planning activities
 - Increase the safety and security of the transportation system
 - Increase the accessibility and mobility of people
 - Protect and enhance the environment, improve the quality of life
 - Enhance the integration, connectivity, and preservation of the transportation system
- Federal Share: Maximum 80%
- Changes under FAST Act:
 - Requires MPOs and states to establish performance targets that address national performance measures

\$10.9 M

5307 URBANIZED AREA FORMULA PROGRAM

- Eligible Recipients: Transit agencies in urbanized areas
- Eligible Activities:
 - Planning, engineering, design, and evaluation of transit projects
 - Capital investments in bus and bus-related activities; fixed-guideway
 - JARC projects for welfare recipients and low-income workers
 - For urbanized areas with populations less than 200,000, operating assistance
- Federal Share: Maximum 80% for Capital and 50% for Operating; 90% for the vehicle-related equipment attributable to compliance with the ADA, Clean Air Act, projects related to bicycles
- Changes under FAST Act:
 - Increased spending cap for ADA paratransit service to 20% of apportionment at 80% federal
 - Allows up to .5% of funds to be used for workforce development
 - See SPECIAL RULE and STIC on following slides

\$289.8 M

5307 URBANIZED AREA FORMULA PROGRAM

Special Rule

- Transit systems in large urbanized areas that operate 100 or fewer buses in fixed-route services during peak periods may use Section 5307 funds for operating
- The FAST Act expanded the eligible modes to include fixed-route and demandresponsive transit, excluding ADA complementary paratransit
- Federal operating assistance requires a 50% local match.
 - Between 76 and 100 buses may use up to 50% of the attributable share
 - 75 or fewer buses may use up to 75% of the attributable share
 - Attributable share refers to the share of the urbanized area's apportionment that is attributable to a transit system based on the transit system's share of vehicle revenue hours in the urbanized area.
- Public transportation systems within the urbanized area may agree to allocate funds by a method other than by measuring vehicle revenue hours

5307 URBANIZED AREA FORMULA PROGRAM

Small Transit Intensive Cities (STIC)

- For Small Urban transit systems that operate at a level of service equal to or above the industry average level of service for all urbanized areas with a population of at least 200,000 but not more than 999,999.
- FTA allocates STIC funds -1.5% of Section 5307 in FY2016, increasing to 2% in FY2019
- Based on level of service and performance in one or more of six categories:
 - Passenger miles traveled per vehicle revenue mile,
 - Passenger miles traveled per vehicle revenue hour
 - Vehicle revenue miles per capita,
 - Vehicle revenue hours per capita
 - Passenger miles traveled per capita
 - Passengers per capita

\$137.3 M

5309 CAPITAL INVESTMENT GRANTS

- Eligible Recipients: State and local governments, including transit
- Eligible Activities:
 - New Starts Total estimated capital cost more than \$300 million or requesting more than f\$100 million in 5309 funds
 - Small Starts Total estimated capital cost less than \$300 million or requesting less funds at \$100 million in 5309 funds
 - Core Capacity: projects that expand capacity of existing fixed guideway corridors
 - Programs of Interrelated Projects: any combination of the two
- Federal Share: Maximum 60% for New Starts; 80% for Small Starts
- Changes under FAST Act:
 - HOV/HOT lanes no longer qualify as fixed-guideway
 - BRT corridor project must have separated right-of-way to qualify as New Starts

\$18.4 M

5310 ENHANCED MOBILITY OF SENIORS AND INDIVIDUALS WITH DISABILITIES

- Eligible Recipients: Large UZAs, states, direct recipients
- Eligible Activities:
 - At least 55% funds must be used on capital or "traditional" projects
 - Buses and vans, wheelchair lifts, technology systems, etc.
 - Remaining is for additional "traditional" or other "nontraditional" projects
 - Projects selected for funding must be included in a locally developed, coordinated public transit—human services transportation plan
- Federal Share: Maximum 80%t for Capital and 50% for Operating; purchase of service is eligible for 80%
- Changes under FAST Act:
 - Includes activities under the former 5317 New Freedom Program
 - New discretionary pilot program for innovative coordinated access and mobility.

\$42.3 M

5311 NON-URBANIZED AREA (RURAL) FORMULA PROGRAM

- Eligible Recipients: States and federally recognized tribes
- Eligible Activities:
 - Planning, capital, and operating projects
 - JARC projects for welfare recipients and low-income workers
 - Each state must spend no less than 15% of its annual apportionment for intercity bus transportation – remaining funds are apportioned
- Federal Share: Maximum 80% for Capital and 50% for Operating; 80%t for ADA paratransit service (up to 20% of apportionment).
- Changes under FAST Act:
 - Includes activities under the former 5316 JARC Program
 - Revenue from sale of advertising and concessions may now be used as local match
 - Costs of private intercity bus service connecting feeder service can be used in-kind local match for intercity bus projects

5337 STATE OF GOOD REPAIR (SGR) PROGRAM

- Eligible Recipients: States and local govts with fixed-guideway
- Eligible Activities:
 - Capital projects that maintain a fixed guideway or a high-intensity motorbus system in a state of good repair
 - Rolling stock, track, line equipment, signals, power equipment, stations and terminals
 - Security, maintenance, operational support, computer hardware/software, TAM plans
- Federal Share: Maximum 80% for SGR Projects
- Changes under FAST Act:
 - High-intensity motorbus funds are to be used only for vehicle state-of-good-repair costs, and may not be used for roadway state-of-good-repair costs

\$28.9 M

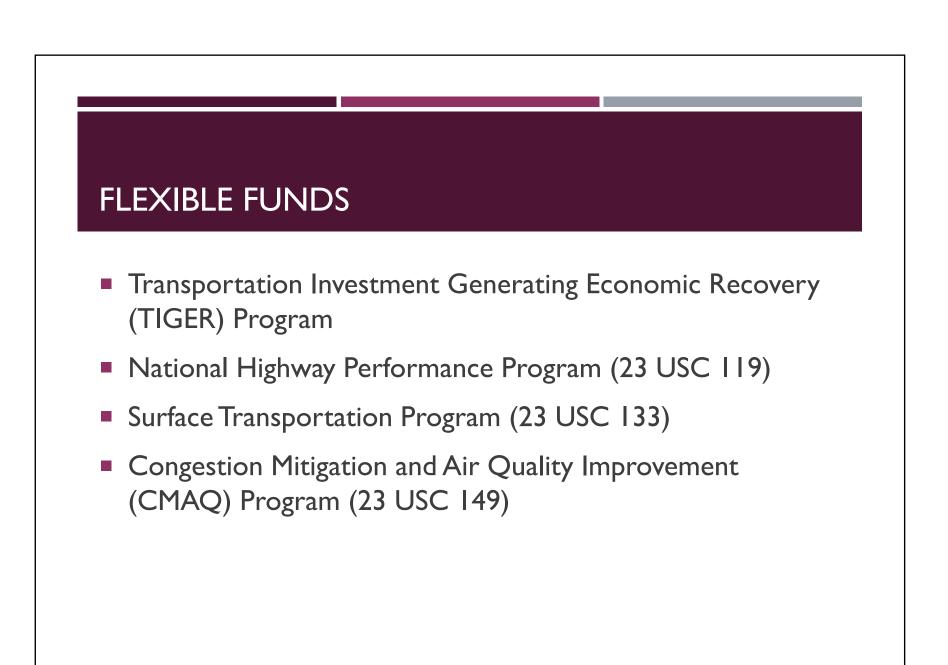
5339 BUSES AND BUS FACILITIES PROGRAM

- Eligible Recipients: State or local governmental entities and direct recipients that operate fixed-route bus service
- Eligible Activities:
 - Projects that maintain, rehabilitate, and replace capital assets
 - Projects that implement transit asset management plans
- Federal Share: Maximum 80%
 - Can exceed 80% for certain ADA, Clean Air Act, and bicycle projects
- Changes under FAST Act:
 - Includes two discretionary program for buses and bus facilities, and low- or no-emissions vehicle and related facilities



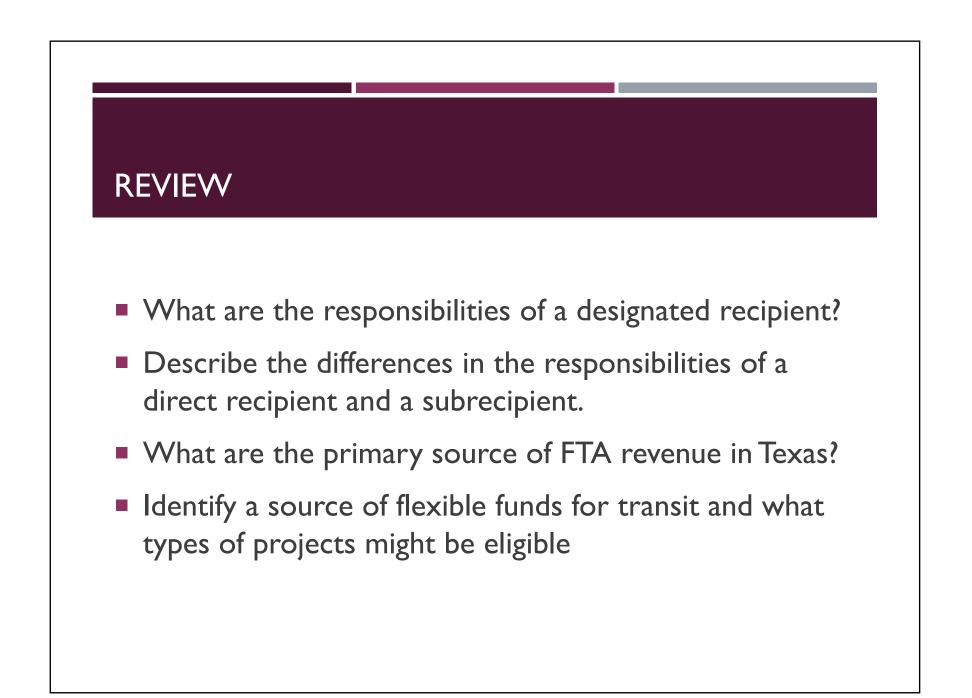
5340 GROWING STATES AND HIGH-DENSITY STATES FORMULA PROGRAM

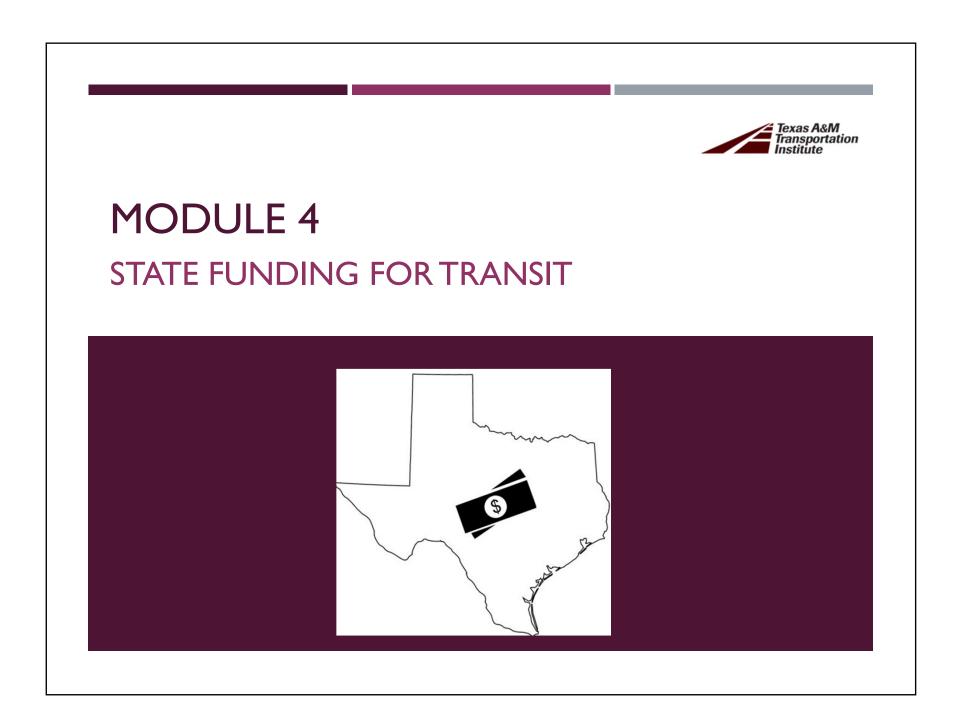
- Continued from SAFETEA-LU
- Growing States funds are apportioned based on state population forecasts for 15 years beyond the most recent decennial census (2025)
 - Each state receives a share of Growing States funds based on the ratio of projected 2025 population to the nationwide projected 2025 population
 - Amounts apportioned for each state are then allocated to urbanized and rural areas based on the state's urban/rural population ratio
- High-Density States factors distribute funds to states with population densities equal to or greater than 370 people per square mile
- Texas is eligible for the Growing States factors. As required by statute, FTA apportions §5340 funds with Section 5307 and Section 5311 funds



HELPFUL RESOURCES

- The State Management Plan: <u>http://ftp.dot.state.tx.us/pub/txdot-</u> info/ptn/programs/grant-smp.pdf
- FTA Grant Program Fact Sheets: <u>http://www.transit.dot.gov/grants</u>
- FTA Circulars: <u>http://www.transit.dot.gov/regulations-and-guidance/fta-circulars/final-circulars</u>
- FTA's FAST Act Website: <u>http://www.transit.dot.gov/FAST</u>
- Listing of FTA Grant Programs: <u>http://www.transit.dot.gov/grants</u>
- FTA Presentation on FAST Act Changes: <u>http://www.transit.dot.gov/sites/fta.dot.gov/files/docs/2015_FAST_Act_P</u> <u>resentation.pdf</u>
- CCAM Website: <u>http://www.transit.dot.gov/ccam</u>
- APTA FAST Act Guide: <u>http://www.apta.com/gap/legissues/authorization/Pages/default.aspx</u>





LEARNING OBJECTIVES

By the end of this module, you should be able to:

- Describe the steps in the state funding process.
- Discuss the Texas transit funding formula for urban and rural transit districts.

NOTE: The contents of this module reflect the administrative procedures for the allocation of state public transportation funds as described in the Texas Administrative Code, Title 43 Transportation, Part 1 Texas Department of Transportation, Chapter 31 Public Transportation effective FY2017. This module does not reflect pending changes resulting from appropriations and legislation by the 85th Texas Legislature.

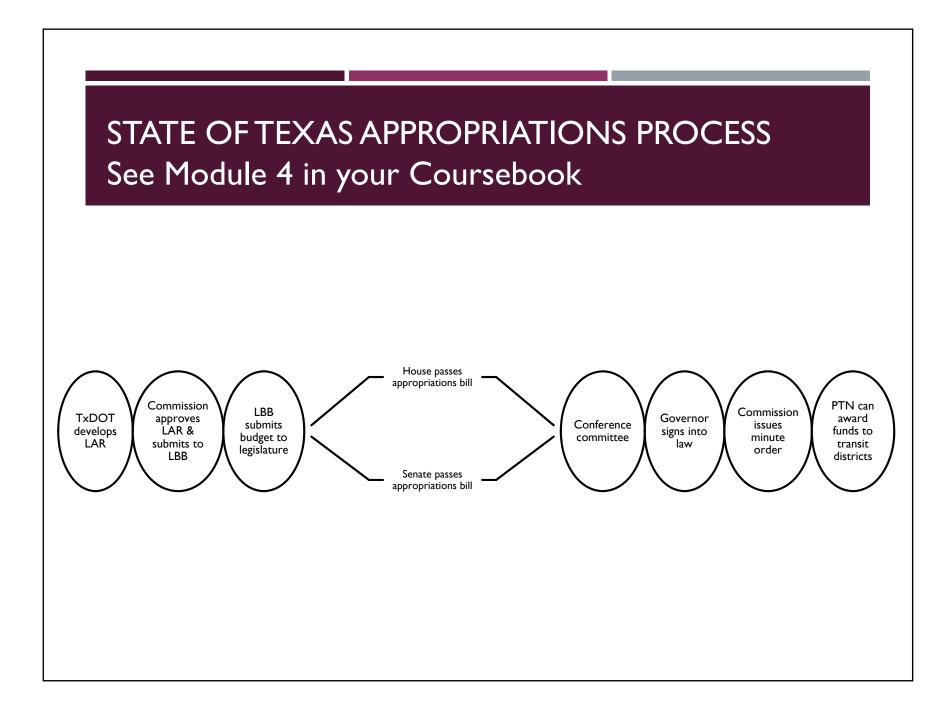
SOURCES OF STATE FUNDS FOR TRANSIT

The main sources of state revenue for the State Highway Fund are:

- Motor vehicle registration fees
- Sales tax on motor lubricants
- Motor fuel tax (\$0.20 per gallon of gasoline and diesel)

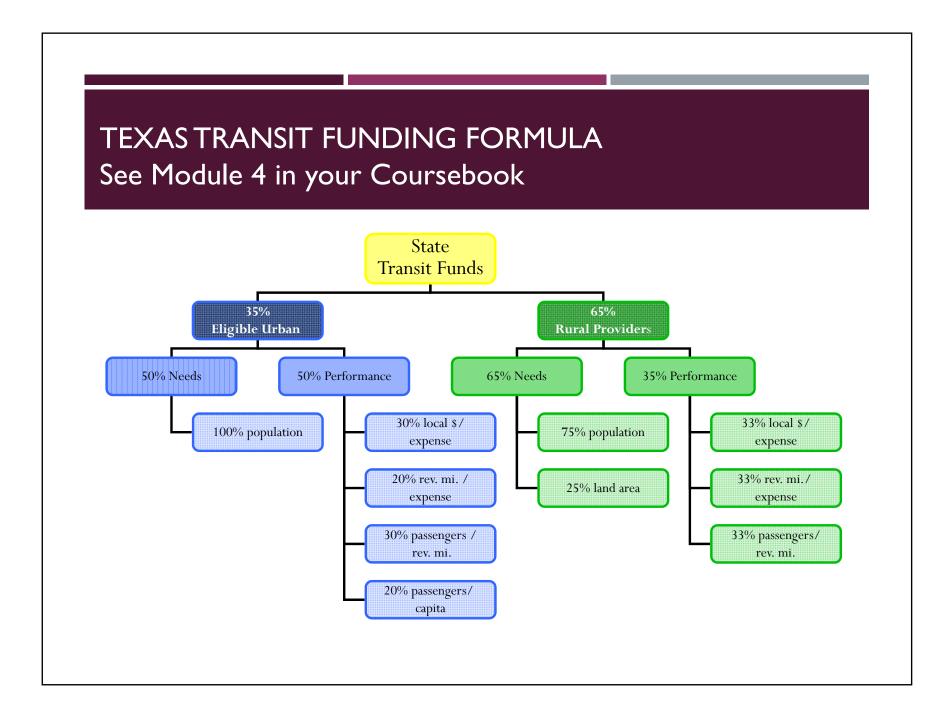
However, most sources are constitutionally guaranteed to fund highway projects or to pay down the debt from highway construction financing.

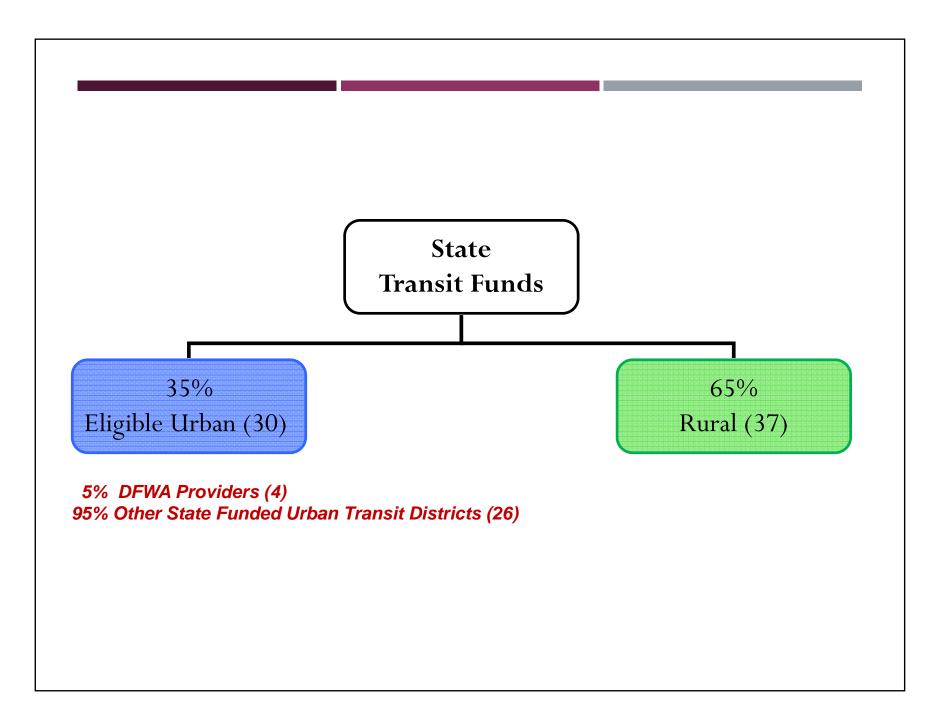
State funds that can be used for public transportation come from the parts of the State Highway Fund that are not-constitutionally dedicated, such as fees for various purposes,

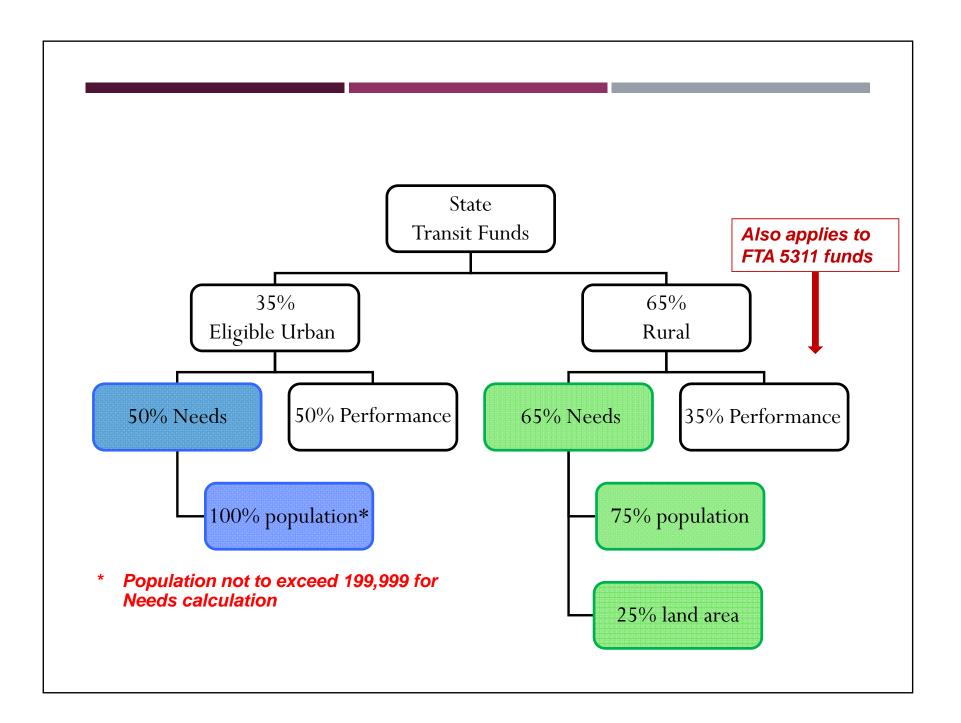


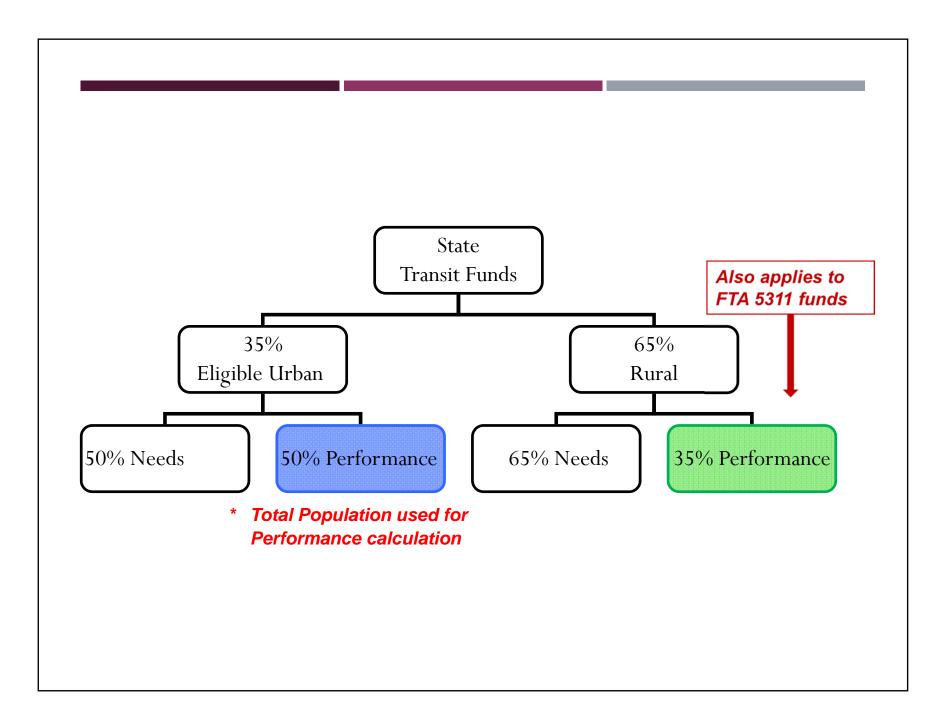
TEXAS PUBLIC TRANSPORTATION FUND

- The Texas Legislature appropriates state funding levels each biennium
- TxDOT allocates funds according to the Texas Transit Funding Formula
- Funding formula applies to \$57,482,135 per biennium or less as appropriated by the Legislature
 - Funding formula applies approximately \$28,741,068 per fiscal year
 - Any funds >\$57,482,135 per biennium are allocated according to the discretion of the Texas Transportation Commission
- State funding is split between Rural and Urban transit districts
 - 65 percent to Rural transit districts
 - 35 percent to State-funded Urban transit districts









An Increased Value for Any Measure is an Improvement in Performance PERFORMANCE MEASURES

Urban Performance

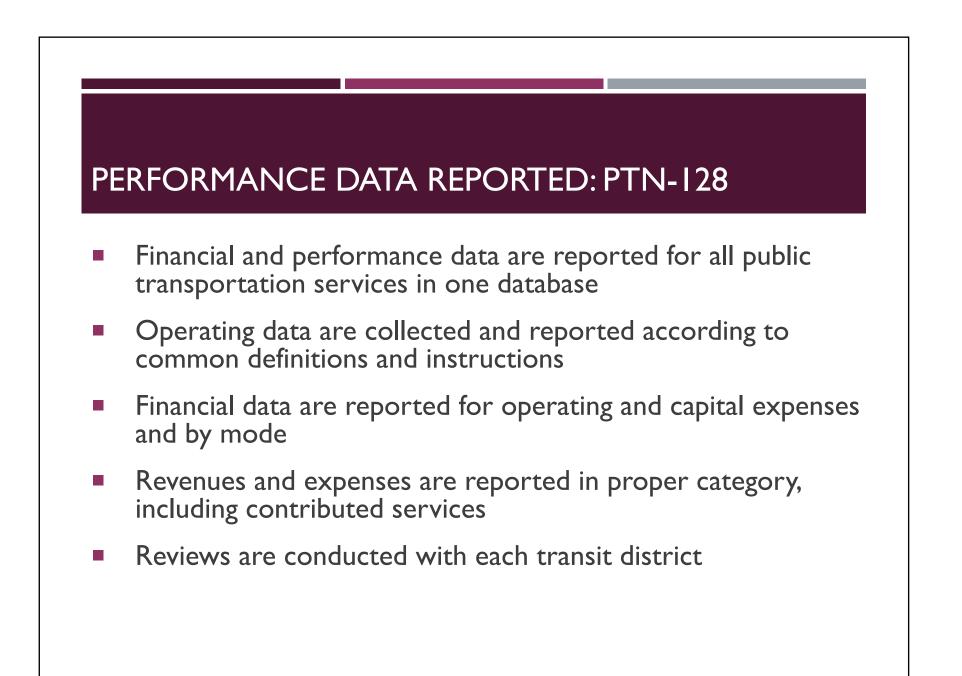
- 30% Local investment*/ Operating expense
- 30% Passengers/ Revenue mile
- 20% Revenue miles/ Operating expense
- 20% Passengers/Population for urbanized area

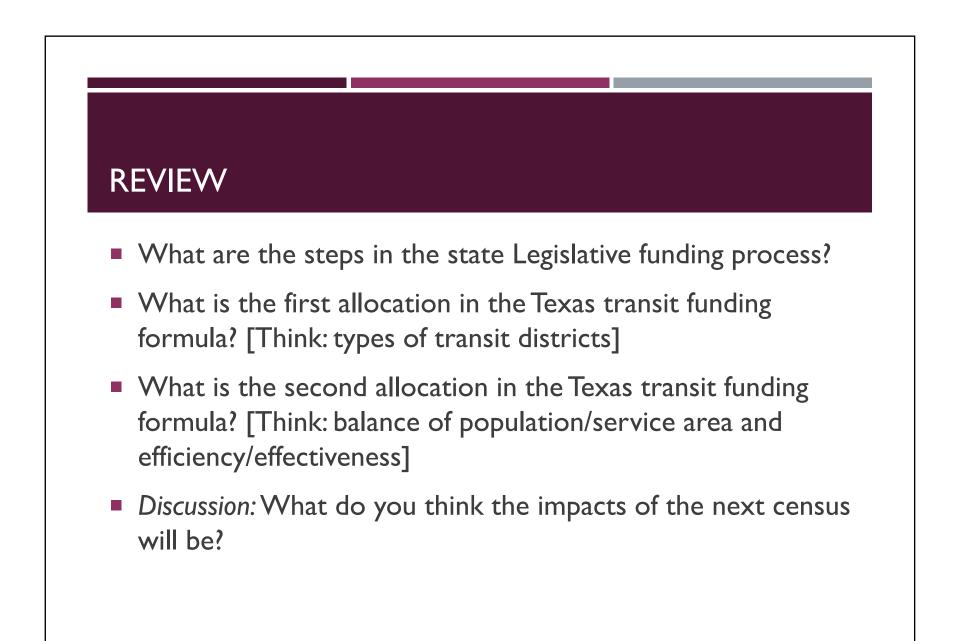
Rural Performance

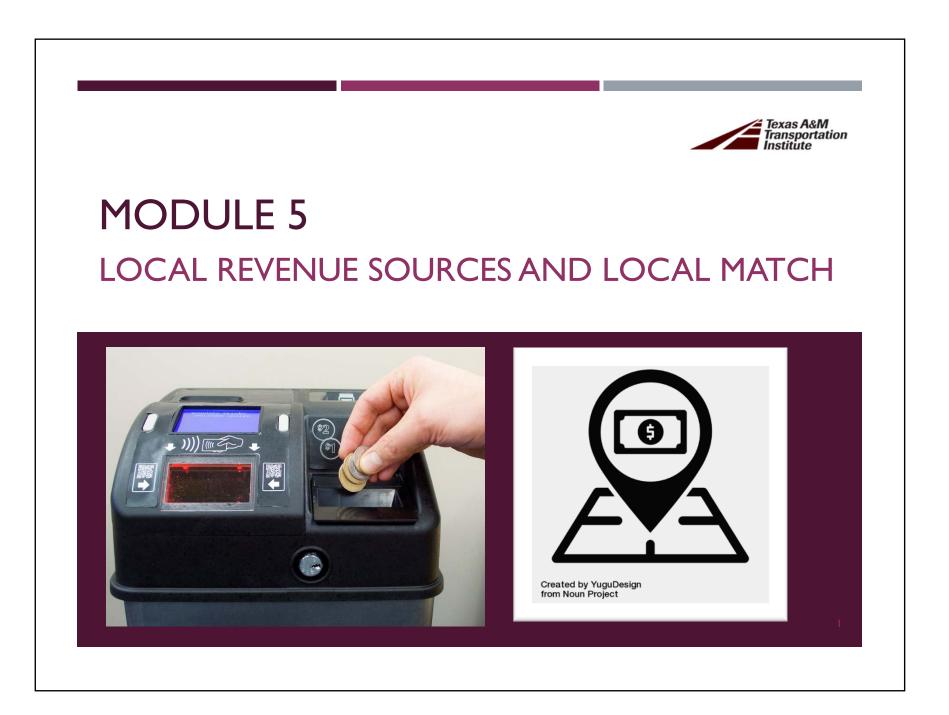
- 33% Local investment*/ Operating expense
- 33% Passengers/ Revenue mile
- 33% Revenue miles/ Operating expense

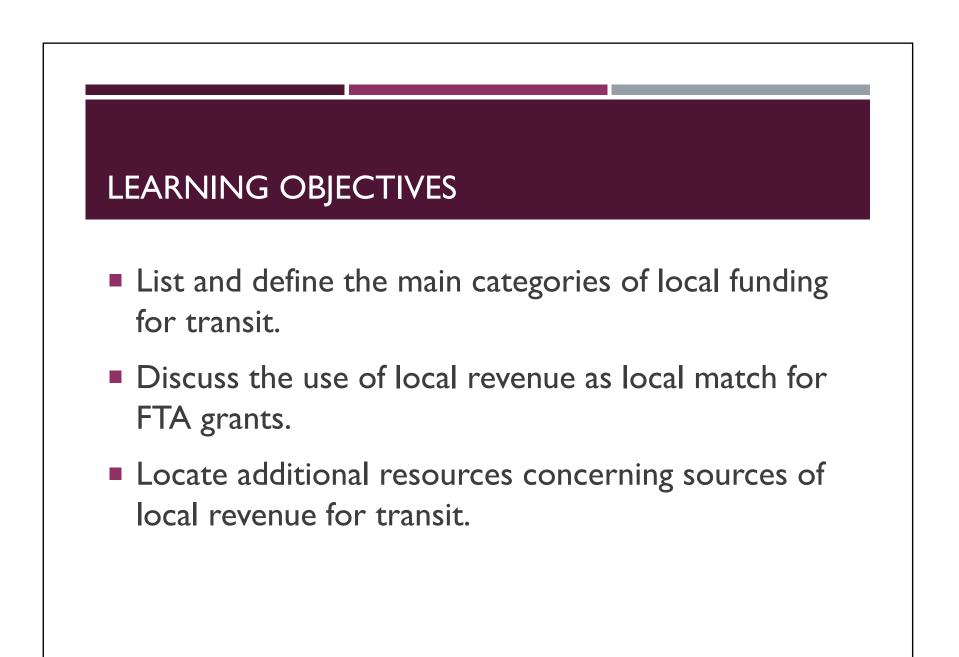
* Local investment includes Federal programs <u>other than</u> Section 5307, Section 5311 Formula grants and Section 5339 and 5303 grants

Includes local funds operating and capital

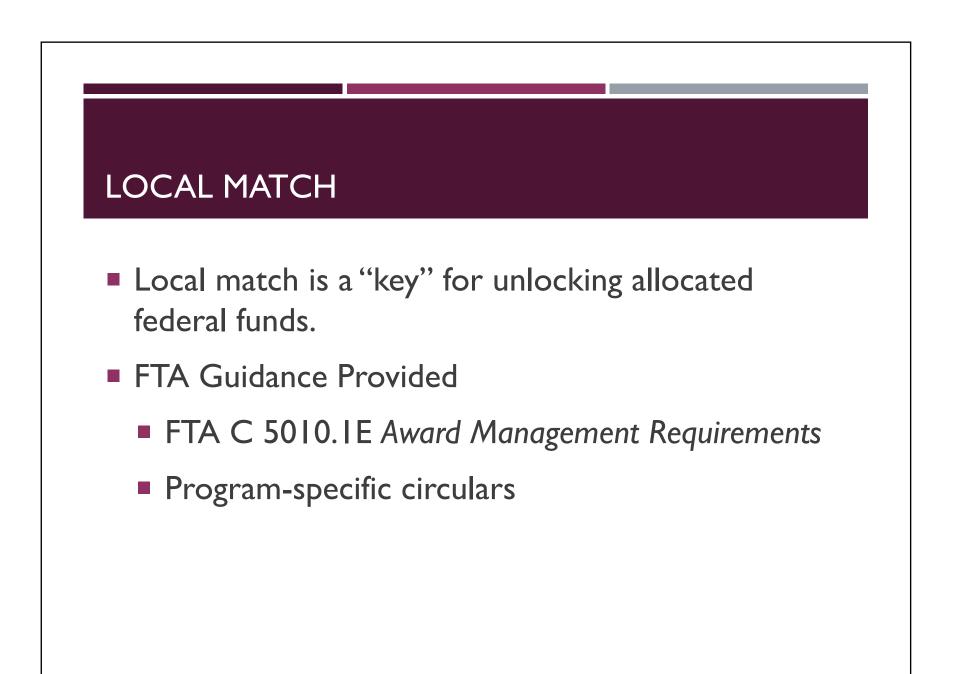








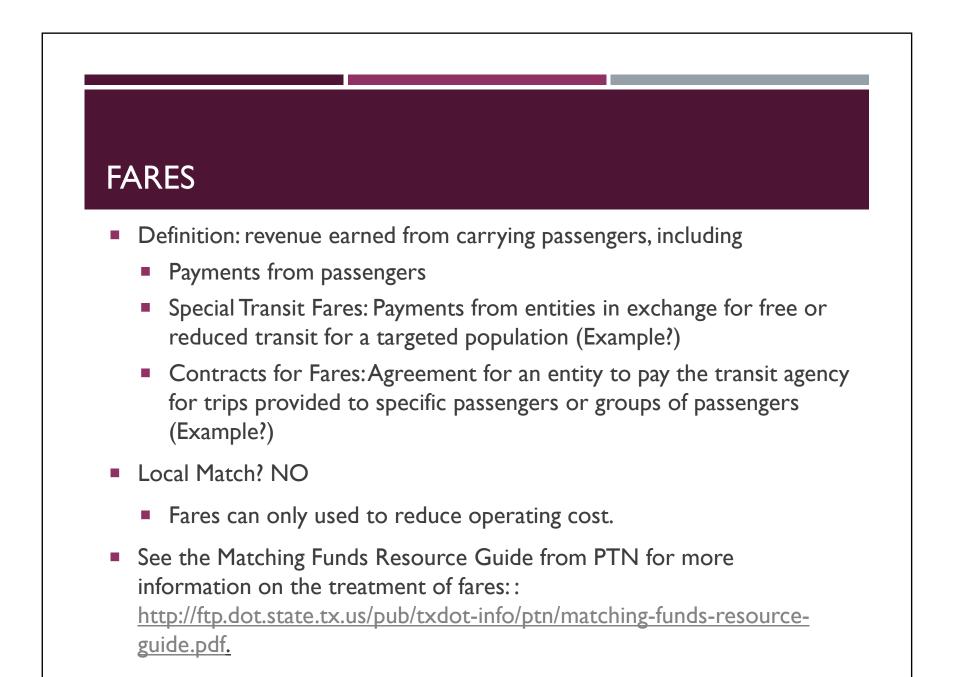
	Transit Authorities (9)		Urban Transit Districts (29)		Rural Transit Districts (37)	
Sources of Local	D	Percent of Total		Percent of Total		Percent of Total
Revenues Fares	Revenues \$194,337,000	Revenues 8.1%	Revenues \$11,432,000	Revenues 9.3%	Revenues \$4,509,000	Revenues 4.5%
Local Contributions (Cash)	\$20,223,000	0.8%	\$19,987,000		\$6,045,000	
Contributed Services (Non-cash)	\$0	0.0%	\$7,507,000	6.1%	\$1,730,000	1.7%
Sales Tax Dedicated to Transit	\$1,783,274,000	74.8%	\$0	0.0%	\$0	0.0%
Auxiliary Transit Revenues	\$23,810,000	1.0%	\$1,291,000	1.0%	\$83,000	0.08%
Other Transportation Revenues	\$6,107,000	0.3%	\$505,000	0.4%	\$38,000	0.04%
Non-Transit-Related Revenues	\$82,475,000	3.5%	\$1,212,000	1.0%	\$237,000	0.2%
Other Contracts	\$14,239,000	0.6%	\$5,962,000	4.9%	\$8,167,000	8.1%
Local Revenues	\$2,124,465,000	89.1%	\$47,896,000	39.0%	\$20,809,000	20.6%



LOCAL REVENUE CATEGORIES

DETAILS FOR EACH OF THE EIGHT CATEGORIES

5



LOCAL CONTRIBUTIONS (CASH)

- Definition: funds allocated to transit out of general revenues of another entity. These funds are often part of the government's annual budgeting process from general revenues rather than dedicated funds for transit.
- Local Match:YES

CONTRIBUTED SERVICES (NON-CASH)

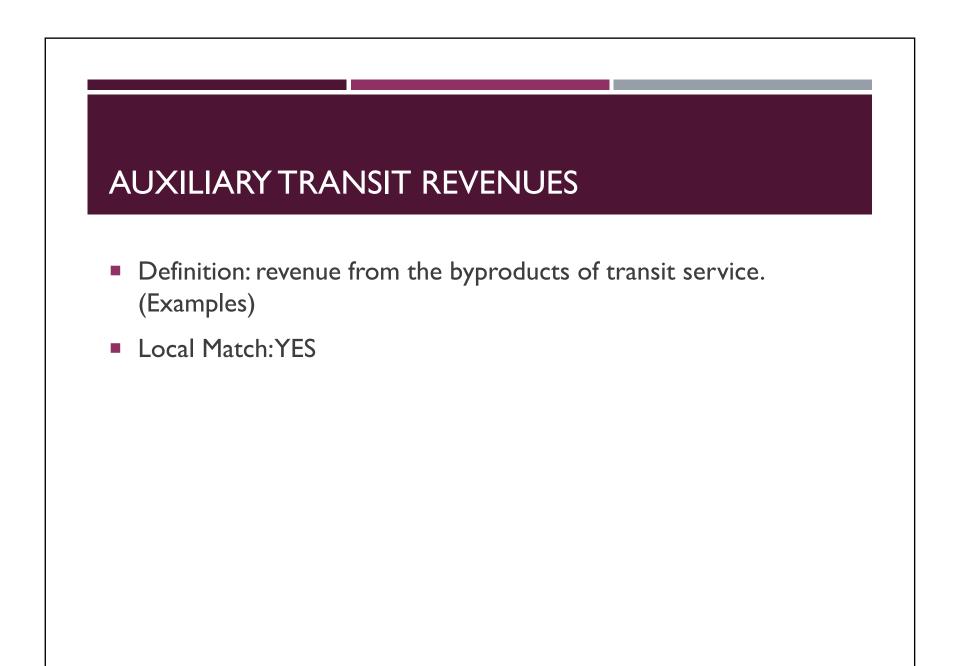
- Definition: Contributed services are receipt of non-cash assets or services from another entity that benefits the transit operator. (Example?)
 - Only contributed services if there is *no obligation to pay* for the services or assets.
- Centralized services (e.g., municipal transit department using centralized city IT resources) should be reported as contributed services (if no expectation of payment)
- Documenting value: fair market value
- Reporting: must be reported both as cost and revenue
- Local Match:YES But...
 - OMB and FTA policy determines what contributions are eligible as match
 - Recipient must formally document value
 - Contribution must be for an cost or activity necessary to accomplish the project
 - Contribution cannot be counted toward other local match

SALES TAX DEDICATED TO TRANSIT

- Definition: a local tax imposed by an independent political entity with legal authority to do so. The tax is dedicated to funding transit.
- 9 transit areas in Texas that are supported by local sales tax
- State sales and use tax = 6.25%; local taxing is capped at 2% for a Total 8.25% maximum
- Local Match:YES

Type of Authority or Governmental Entity b	Principal City or County	Agency	Sales Tax Rate (Percent)
Metropolitan Rapid Transit Authorities (Texas Transportation Code, Chapter	Houston	Metropolitan Transit Authority of Harris County	1.00%
451)	San Antonio	VIA Metropolitan Transit San Antonio Advanced Transportation District*	0.50% 0.25%
	Austin	Capital Metropolitan Transportation Authority	1.00%
	Corpus Christi	Regional Transportation Authority	0.50%
Regional Transportation Authorities (Texas Transportation Code, Chapter 452)	Dallas	Dallas Area Rapid Transit	1.00%
	Fort Worth**	Fort Worth Transportation Authority	0.50%
Municipal Transit Departments (Texas	El Paso	El Paso Mass Transit Department	0.50%
Transportation Code, Chapter 453)	Laredo	Laredo Transit Management, Inc.	0.25%
Coordinated County Transportation Authority (Texas Transportation Code, Chapter 460)	Denton County– Denton, Lewisville	Denton County Transportation Authority	0.50%

* Revenues generated from the 0.25 percent sales tax in the city of San Antonio dedicated to advanced transportation projects. ** The City of Grapevine dedicates a part of the municipal sales tax (0.375 percent) to fund the TEX Rail commuter rail service in Grapevine. The City of North Richland Hills provides funding from available sources equal to 0.375 percent municipal sales tax to fund TEX Rail commuter rail service in that city.



OTHER TRANSPORTATION REVENUES

- Definition: revenues from transportation services that are not open to the general public, for example:
 - Charter service
 - Exclusive school bus service
 - Note: FTA prohibits these activities unless waiver is granted by FTA
- Local Match: NO (unless waiver granted by FTA)
- See also: PTN charter compliance document <u>http://ftp.dot.state.tx.us/pub/txdot-</u> <u>info/ptn/charter_compliance.pdf</u>

NON-TRANSIT-RELATED REVENUES Definition: funds earned from activities not associated with the provision of transit service Investment earnings Sales of maintenance services Renting revenue vehicles, buildings, and property, parking fees

- (park-and-ride fees are fare revenue)
- Local Match:YES

OTHER CONTRACTS

- Definition: funds earned from non-federal or state contracts for public transportation service. (Usually with city, county, or another transit agency.)
- Note: report funds from contracts for service as contract revenue to NTD ONLY IF
 - There is a written agreement between the buyer and the seller of transportation
 - The buyer pays the *fully allocated costs* of operating the service.
- Otherwise, report revenue according to state or local government or other source type.

CONTRACTS FOR PUBLIC TRANSPORTATION-HUMAN SERVICES COORDINATION

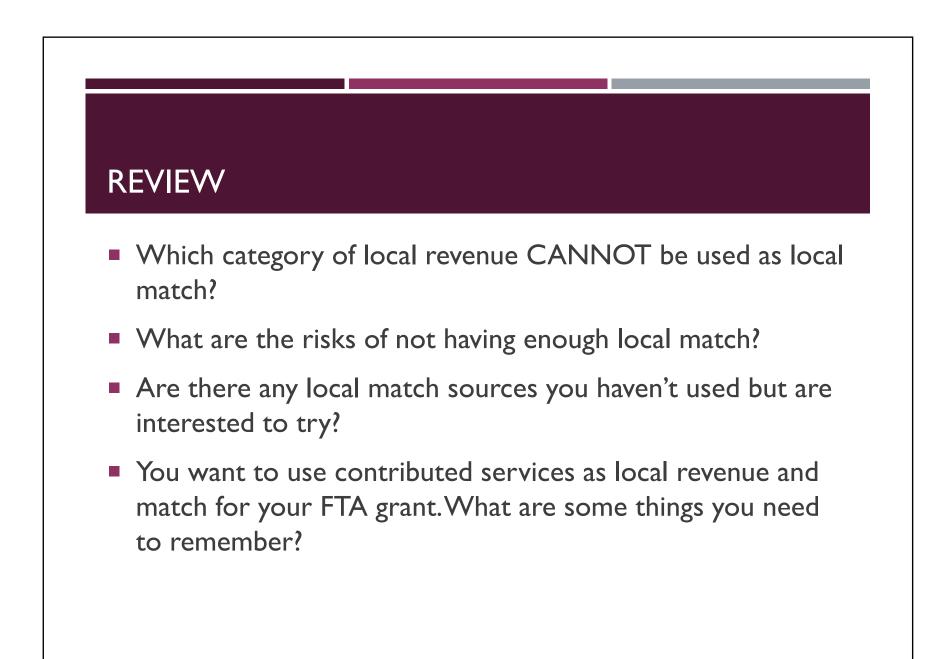
- Transit agencies may obtain revenue from contracts for coordinated transportation, e.g.:
 - Medicaid NEMT
 - Human Services / Social Services agency
- §5310 and §5311 (sub)recipients have a choice:
 - Apply contract revenue to reduce operating costs (treat like farebox revenue)
 - Apply contract revenue as local match

	Option I:	Option 2:	
	Apply	Use Contract	
	Contract	Revenue to	
	Revenue as	Decrease	
	Local Match	Project Costs	Comments
1 Operating Costs	\$100,000	\$100,000	
Income to Reduce Operating Cost			
2 Fare Revenue	(\$25,000)	(\$25,000)	
Coordinated Service			Only annihied worder Ongelen
Contract (used to reduce		(\$30,000)	Only applied under Option #2
3 project costs)			#2
4 Net Operating Cost	\$75,000	\$45,000	Line I + 2 + 3
Sources of Revenue			
Maximum FTA Operating			
5 Assistance (50%)	(\$37,500)	(\$22,500)	50% of net operating cost
	¢ 37 F 00	¢22 500	Equal to FTA operating
6 Required Local Match	\$37,500	\$22,500	assistance
Coordinated Service Contract	¢20.000	—	Only applied under Option
7 (used as local match)	\$30,000		#I
8 Additional Local Match Needed	\$7,500	\$22,500	

See Module 5

EXAMPLES OF APPLIED REVENUES

TEXAS TRANSIT DISTRICT LOCAL REVENUES





MODULE 6 ACCOUNTING, BUDGETING AND FINANCIAL MANAGEMENT



LEARNING OBJECTIVES

By the end of this module, you should be able to:

- Compare cash-based and accrual-based accounting
- Explain the use and value of a good chart of accounts.
- Explain variable and fixed costs.
- Explain the importance of matching revenues to expenses.
- Explain the difference between a cost allocation plan and an indirect cost rate proposal.

And other exciting lessons about Accounting, Budgeting, and Financial Management.

PART I:ACCOUNTING AND BUDGETING

HOW DO ACCOUNTING AND BUDGETING DIFFER IN PERSPECTIVE?

Accounting

Deals with financial transactions that have already happened.



Looks backwards in time

Budgeting

Aims to predict what will happen financially in the future.



Looks forward in time

GENERAL ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Basic Principles

- Cost Principle "Cost" refers to the amount spent (cash or cash equivalent) when an item was originally obtained. All values are listed as the cost to obtain or acquire an asset, not adjusted to any type of increase in value.
- Revenue Recognition Principle The revenue recognition principle states that all revenue must be reported when it is realized and earned, not necessarily when the cash is received.
- Matching Principle This accounting principle requires transit agencies to use the accrual basis of accounting. The matching principle requires that expenses be matched with revenues.
- Full Disclosure Principle information important to financial statements must be disclosed.

GENERAL ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Constraints

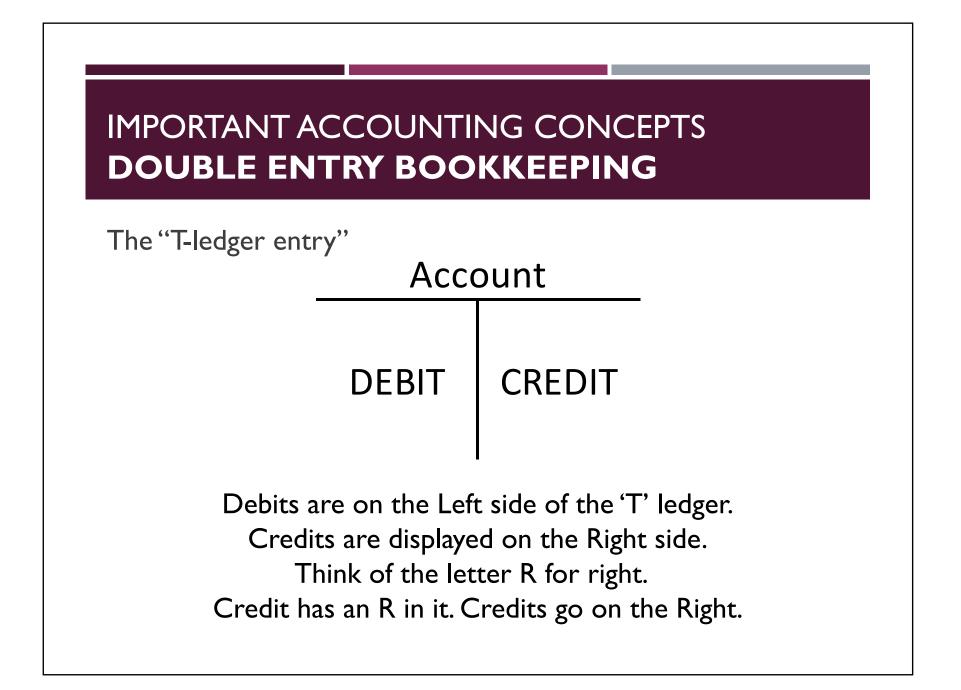
- Objectivity Accounting information should be reliable, verifiable, and objective.
- Materiality Significance of a financial item should be considered. Financial statements can use rounding.
- Consistency Accounting practices should be consistent when applying accounting principles, procedures, practices.
- Prudence Accounting practices should be reduce the likelihood of overstating assets and income.

IMPORTANT ACCOUNTING CONCEPTS THE ACCOUNTING EQUATION

The accounting equation is the basis of all accounting practice:

Assets = Liabilities + Capital

- Assets Resources that provide potential future benefit
- Liabilities Obligations that will result in probably future outlay of an asset
- Capital Represent the ownership accounts of the organization, includes accumulated earnings (reserves) or losses and the current year's revenue and expense accounts



IMPORTANT ACCOUNTING CONCEPTS DOUBLE ENTRY BOOKKEEPING

DEBIT

- Increases in:
 - Asset accounts
 - Expense accounts
- Decreases in:
 - Liability accounts
 - Capital accounts
 - Revenue accounts

<u>CREDIT</u>

- Increases in:
 - Liability accounts
 - Capital accounts
 - Revenue accounts
- Decreases in:
 - Asset accounts
 - Expense accounts

IMPORTANT ACCOUNTING CONCEPTS DOUBLE ENTRY BOOKKEEPING

Every financial transaction is recorded in accounting records using the double entry bookkeeping system

 At least one account is debited and at least one account is credited in every transaction

Double bookkeeping entry: Debit and Credit

 Regardless of the number of accounts involved in any transaction, the total dollar amount of the debits must equal the total dollar amount of credits

Debit \$ = Credit \$

IMPORTANT ACCOUNTING CONCEPT BASIS OF ACCOUNTING

Cash Basis

 Revenues and expenses recorded when cash is received or paid out

Accrual Basis

- Expenditures are recorded as soon as they result in liabilities for benefits received, whether or not the payment is made
- Revenues are recorded when earned, whether or not the receipt of revenues takes place in the same reporting period

IMPORTANT ACCOUNTING CONCEPT DIFFERENCES IN CASH OR ACCRUAL

Cash Basis

- Simpler
- Appropriate when time between transaction and cash flow is short

Accrual Basis

- Requires more accounting transactions, time-consuming tasks reduced with financial accounting software
- More accurate and complete picture of financial condition
- Required for financial reporting to the National Transit Database

Translation Cash Basis to Accrual Basis

FINANCIAL STATEMENTS

Financial Statements for Transit Agencies, prepared at least annually

Balance Sheet

- Assets
- Liabilities and Capital

Statement of Income and Accumulated Reserves

- Revenues
- Operating Expenses
- Capital Expenses
- Net Income (Loss)
- Accumulated Reserves (Losses)

FINANCIAL STATEMENTS **Net Income (Loss) and Accumulated Reserves** NTD and PTN-128: Annual Revenues = Annual Expenses If Net Income, adjust Revenues to increase (credit) Accumulated Reserves in Capital Accounts If Net Loss, must balance from another source of Revenues to cover Loss or draw from (debit) Accumulated Reserves in **Capital Accounts**

THEMES: BALANCE, BALANCE AND BALANCE

- Transit agencies follow good business practices, generally accepted accounting principles
- Matching principle, revenues = expenses
- Accounting equation, assets = liabilities + capital
- Double entry bookkeeping, debits = credits
- Accrual accounting, expenditures recognized when obligated (incurred), revenues recognized when earned, always balance
- Financial statements
 - Balance Sheet, assets = liabilities + capital including reserves
 - Income Statement, revenues = expenses



UNIFORM SYSTEM OF ACCOUNTS (USOA)

- USOA is the accounting structure required by Federal Transit laws
- Should be used to report to the NTD Refer NTD Policy Manual

https://www.transit.dot.gov/ntd/uniform-system-accounts-usoa

(See Handout 6-A)

- Transit agency should establish its chart of accounts to suit the needs of management, governing board, sources of funding
- Chart of accounts can be flexible and adaptable, can be truncated or expanded but not materially changed

See example chart of accounts in the Coursebook, pages 6-17/18

OPERATING EXPENSES

- Salaries and Wages
- Fringe Benefits
- Employee Compensation
- Services
- Materials and Supplies

- Utilities
- Casualty and Liabilities Cost
- Leases and Rentals
- Purchased Transportation
- Other Operating Expenses

OPERATING EXPENSES BY FUNCTION -HANDOUT 6-B

- Vehicle Operations
- Vehicle Maintenance
- Non-Vehicle Maintenance
- General Administration

If applicable

- Planning
- Purchased Transportation

Let's test your knowledge

- Close Coursebook
- Try <u>Handout 6-B</u>
- Assign operating expense line items in chart of accounts to by Function
- Check or mark, do not assign \$
- See Coursebook, pages 6-22/23 for answers

OPERATING EXPENSES BY VARIABLE/FIXED COST -HANDOUT 6-C

Variable Costs

- Change with services provided
- Hours-driven costs involve operating expenses (Operator wages and benefits, for example)
- Miles-driven involve costs for vehicle maintenance and also fuel expenditures

Fixed Costs

- Do not change with level of services provided (hours, miles)
- Include Administration, other fixed costs

Let's test your knowledge

- Close Coursebook
- Try Handout 6-C
- Assign operating expense line items in chart of accounts by Variable or Fixed
 - Note Variable by Hours-Driven or Miles-Driven
- Check or mark, do not assign \$
- See Coursebook, pages 6-24/25 for answers

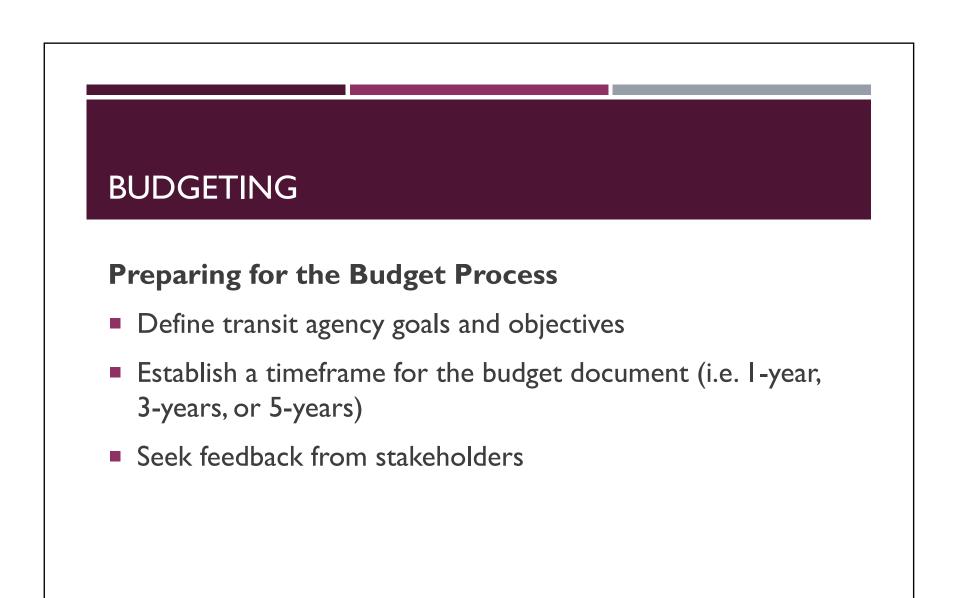
CAPITAL EXPENSES

- Facilities
- Guideway (Fixed)
- Passenger Stations
- Administration Buildings
- Operations & Maintenance
 O&M Facilities

- Rolling Stock
 - Revenue Vehicles
 - Service Vehicles
- Fare Revenue Collection Equipt
- Communications & Info Systems
- Other Capital Expenses

STATE OF GOOD REPAIR FOR CAPITAL ASSETS State of Good Repair (SGR) according to FTA The condition at which a capital asset is able to operate at a full level of performance for these three criteria: Is able to perform its designed function. Ι. Does not pose a known unacceptable safety risk. 2 Its life-cycle investments have been met or recovered. 3.

TRANSIT ASSET MANAGEMENT Transit Asset Management (TAM) required by FTA Final Rule for Transit Asset Management (TAM) (49 Code of Federal Regulations Part 625) in July 2016 TAM requirements vary depending on whether a transit agency is classified as a Tier I or Tier II provider Requires reports to NTD's Assent Inventory Module on SGR



BUDGETING – OPERATING PLAN

Budget Process

- Analyze goals and objectives
- Explicitly list major assumptions used to prepare the budget
- Estimate revenues and expenses for the budget timeframe
 - Use chart of account line items
 - Identify revenue to balance with estimates of expenses
- Balance estimated expenses to identified sources of revenue
- Compile findings into a complete budget document

BUDGETING – CAPITAL PLAN

Capital Budget Process

This discussion focuses on the revenue vehicle fleet

- Replace existing vehicles consistent with SGR
- Plan for regular vehicle replacement schedule
- Provide for fleet expansion consistent with growth in ridership and new services
- Plan for predictable capital budget
- Develop at least 5-year Capital Plan to reflect revenue planning to support SGR and TAM (contributes to Financial Plan)

BUDGETING – BUSINESS PLAN

Benefits of Preparing a Business Plan

- Budget complements the short range plan of the agency
- Ties short range plans supported by the budget summaries
- Communicates goals and objectives
- Defines performance measures to evaluate outcomes



FTA'S EXPECTATION OF FINANCIAL MANAGEMENT

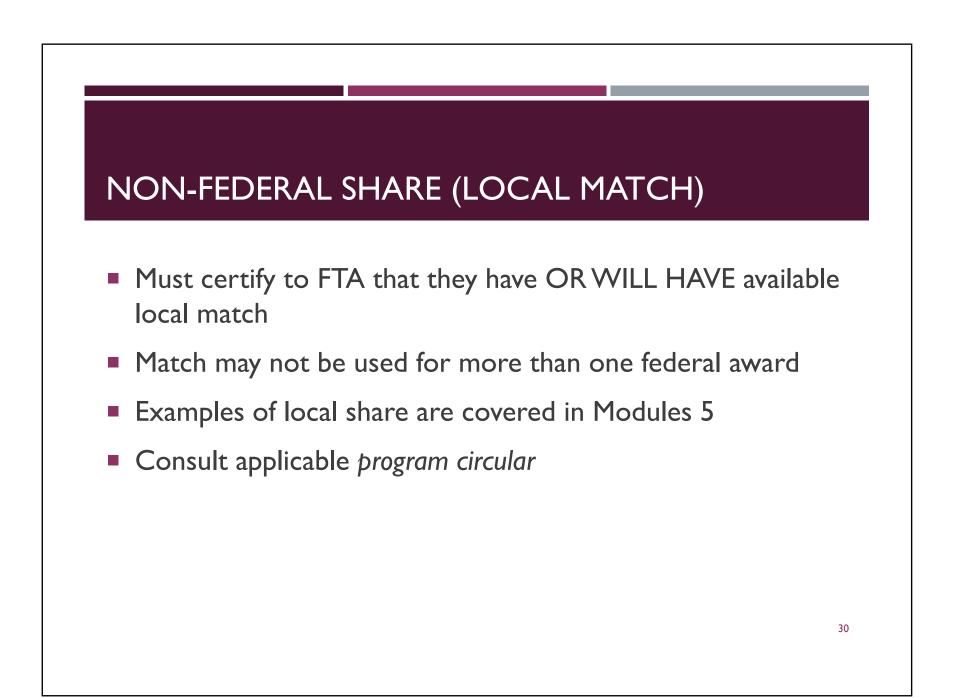
- Why does the FTA care about your financial management?
 - FTA has a vested interest in ensuring that grant recipients are financially capable and have appropriate financial management practices in place
- Good financial management at transit agencies benefits EVERY TAXPAYER and EVERY RIDER
- FTA Financial Management Guidance in FTA C 5010.1E Award Management Requirements

- FTA Financial Management expectations consist of
 - Internal Controls
 - Local Match
 - Financial Plans
 - Allowable Costs
 - Indirect Costs
 - Program Income
 - Annual Audit
 - Payment Procedures

INTERNAL CONTROLS

- Definition: a process to ensure
 - Effectiveness and efficiency of operations.
 - Reliability of reporting for internal and external use.
 - Compliance with applicable laws and regulations.
- Why have internal controls?
 - Efficient operations, keeping costs within limits and legal requirements
 - Safeguard against waste, loss, and misuse
 - Timely collection and accounting for revenues
 - Accurate and reliable financial and statistical reports

- Elements of Internal Controls
 - Integral part of management systems
 - Supportive attitude among managers and employees
 - Experienced, competent employees performing work
 - Specific needs identified and valid controls put in place
 - Adoption of polices, plans, and procedures (e.g., separation of duties)
 - Regular program of testing
- Self Assessment: <u>https://ecihstp.org/wp-content/uploads/sites/8/2016/05/16.-</u> <u>Internal-Control-Self-Assessment-Tool.pdf</u>
- Must have robust financial 29 management systems



FINANCIAL PLAN

- Recipients must have financial plan available to the FTA upon request. The plan:
 - Be a multi-year plan (3-5 years) for operating and capital revenues and expenses.
 - Demonstrate the source(s) of local match, the amounts of match from each source, and the time frame for acquiring local match funds.
 - Indicate adequate revenues to maintain and operate the existing system and to complete the annual program of projects.

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ALLOWABLE COSTS

- Not all costs of all activities are eligible for federal financial support.
- See program-specific circular and 2 CFR 200
- Criteria for allowable costs
 - Necessary, reasonable
 - Authorized and not prohibited under state or local laws and regulations
 - Consistent with policies, regulations, and procedures
 - Treated consistently (e.g., same cost should be treated the same way)
 - Adequately documented
 - Not included as a cost of any other federally-assisted program
 - Not incurred before its award is made

DISALLOWED COSTS

- FTA will exclude:
 - Any cost incurred before the date of the award
 - Any contract cost that should have been approved by FTA bus wasn't
- Note:
 - Just because FTA pays for it, doesn't mean the cost was allowed
 - Just because the project is closed doesn't mean the FTA might not ask for its money back if it was used incorrectly

INDIRECT COSTS Indirect costs are: Incurred for a common or joint purpose benefiting more than one cost objective. Not readily assignable to the cost objectives specifically

- INOT readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.
- Originating in the recipient department as well as those incurred by other departments in supplying goods, services, and facilities to the recipient department.

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FTA REQUIREMENTS FOR INDIRECT COSTS

- If you intend to seek payment for indirect costs you must have (or be using) an approved:
 - Cost Allocation Plan OR
 - Indirect Cost Rate (from an Indirect Cost Rate Proposal)
- Indirect costs must be a separate line item in a project budget to be eligible for reimbursement
- CAPS and ICRPs must be approved by the recipient's assigned cognizant federal agency.
- CAPS and ICRPs and their use are reviewed by FTA comprehensive reviews
- See Table 6-9 in Module 6 in your Course book

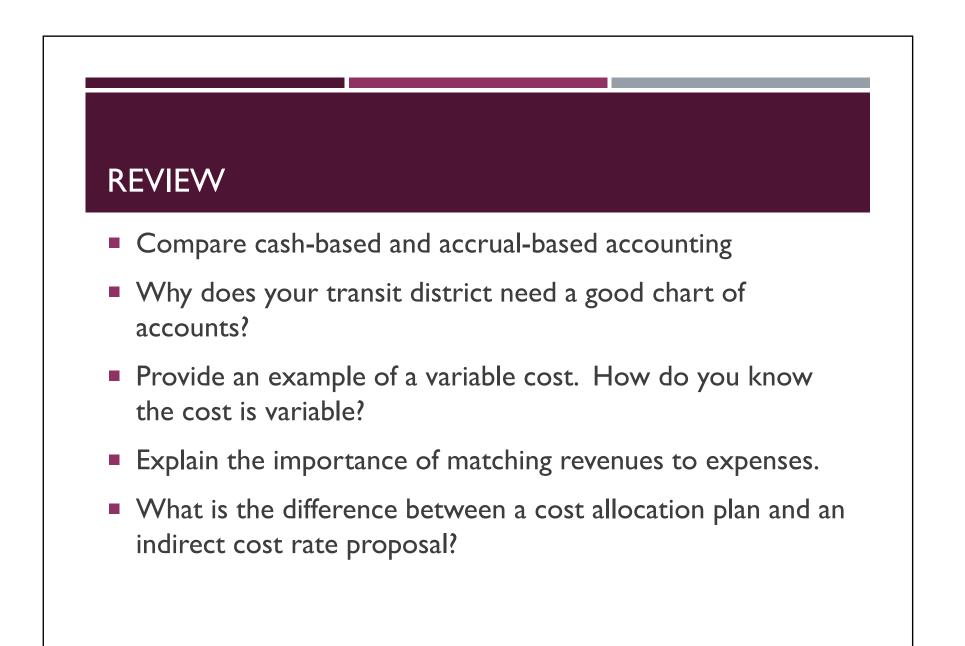
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Type of Organization	Cost Allocation Question	Recommended Approach
Municipal Gov't or County Gov't	A city or county government asks the appropriate methodology to recover its costs for various central service departments (purchasing, audit, human resources/personnel, legal, etc.) under its various Federal awards.	Central Services Cost Allocation Plan
Municipal Gov't or County Gov't	A city or county government operates transit services as a function of a larger department, for example the Department of Public Services and Transit. The city or county government asks the appropriate methodology to claim the costs of departmental overhead and shared costs under its Federal transit grants.	Indirect Cost Allocation Plan
Non-profit Organization (e.g., COG / RPC)	A non-profit organization operates several major programs or activities, including transit services. The agency asks the most appropriate methodology to claim the costs of agency overhead costs under its various Federal awards.	Indirect Cost Rate Approved by Cognizant Agency
Transit Provider	A transit provider asks the most appropriate methodology to include certain transit administrative direct costs in its cost analysis of individual services. These costs include salary and personnel costs, facility related costs, and other expenses that cannot by directly accounted for as variable costs.	Transit Service Cost Allocation Plan
Transit Provider	A transit provider receives funding under both Section 5307 Urban and Section 5311 Rural grant programs. FTA requires a methodology to allocate costs between the two programs.	Urban/Rural Cost Allocation Plan
Transit Provider	A transit provider receives local funding from multiple local jurisdictions (for example, city/county governments). The transit provider asks the appropriate methodology to allocate costs by jurisdiction.	Jurisdictional or Service Area Cost Allocation Plan
Transit Provider approved to operate Charter	An FTA grantee asks the most appropriate methodology to document eligible charter service pursuant to 49 CFR Part 604.	Charter Services Cost Allocation Plan

PROGRAM INCOME Definition: "gross income earned that is directly generated by a supported activity, or earned only as a result of the federal award during the period of performance" FTA encourages recipients to earn income to defray program costs. Examples • Fees for services performed. Use or rental of real or personal property acquired under an award. License fees and royalties on patents/copyrights. Uses of Program Income For capital or operating public transportation expenses As local match for future public transportation projects 37

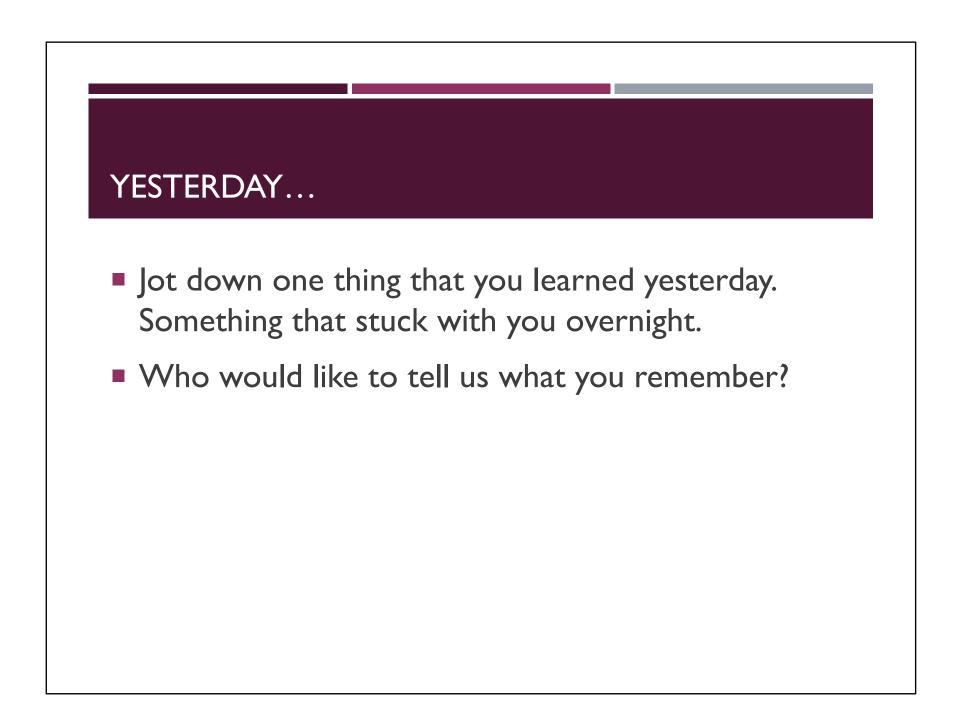
ANNUAL AUDIT

- All recipients that expend \$750,000 or more in a year in federal assistance from all sources must have a single audit conducted.
- The audit must be conducted by an independent, outside auditor.
- The purpose of the single audit is to protect the federal interest and investment and ensure:
 - Financial statements fairly present the recipient's financial position in accordance with generally-accepted accounting principles.
 - The recipient has internal accounting and control systems to provide assurance of management of grants in compliance with applicable federal, state, and local laws and regulations.
 - The recipient has complied with laws and regulations related to financial transactions and to FTA grant programs.









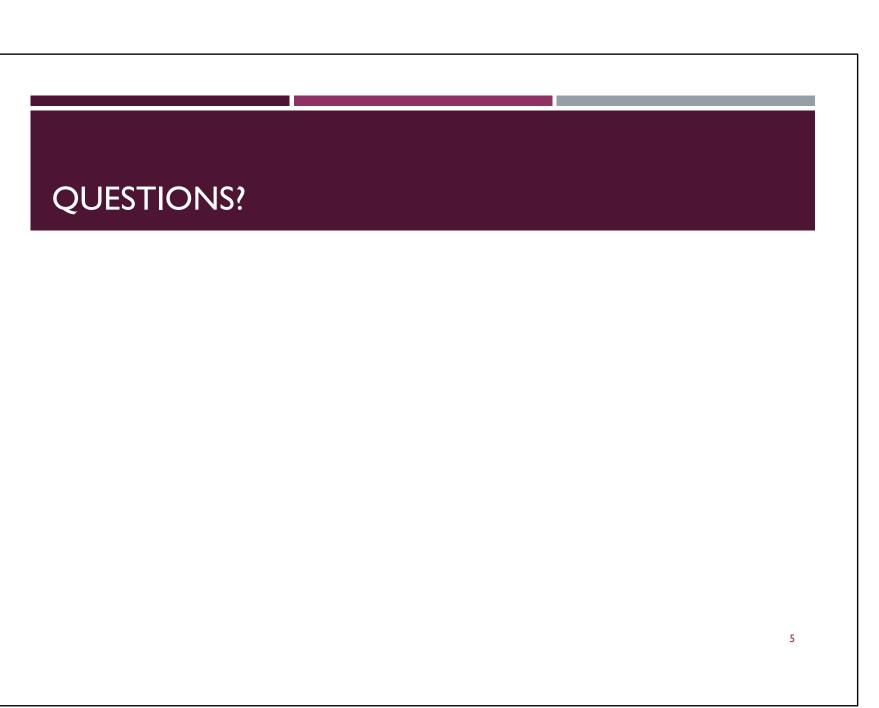
AGENDA

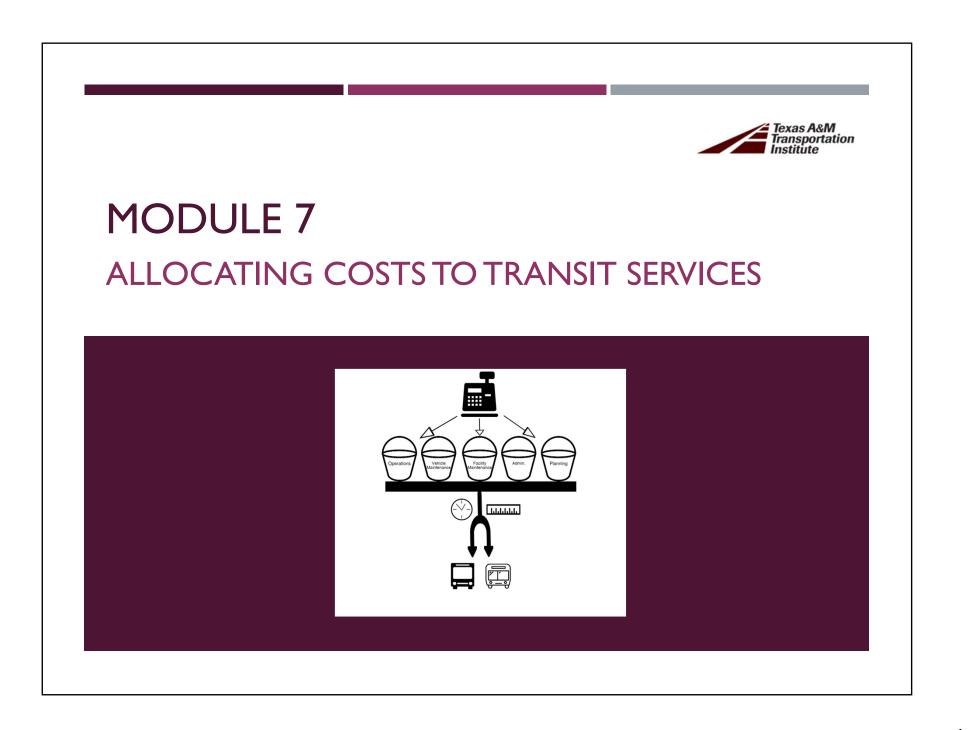
- Day One: Transit Funding Basics
 - Module I Transit in Texas
 - Module 2 How Transit is Funded
 - Module 3 –USDOT Funding Programs for Transit
 - Module 4 State Funding for Transit
 - Module 5 Local Revenue Sources and Local Match
 - Module 6 Accounting, Budgeting and Financial Management
- Day Two: Cost Allocation and Financial Reporting
 - Module 7 Allocating Costs to Transit Services
 - Module 8 Reporting Financial Data to PTN-128 and NTD

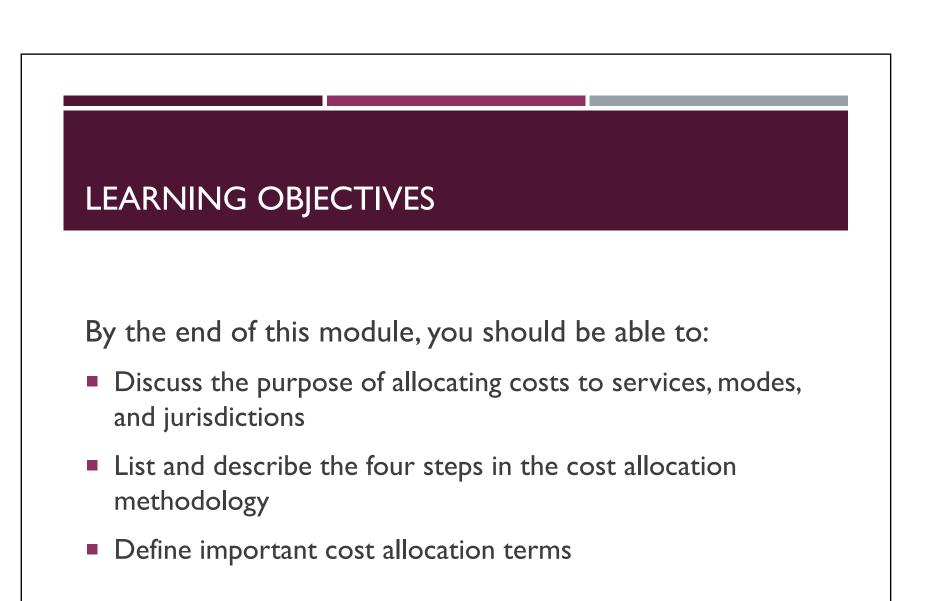
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SCHEDULE: DAY 2

Start	End		Time	ltem
8:30	AM	9:05 AM	0:35	Introductions and Review
9:05	AM	10:25 AM	I:20	Module 7 – Allocating Costs to Transit Services
10:25	AM	10:40 AM	0:15	Break
10:40	AM	12:00 PM	1:20	Module 8 - Reporting Financial Data to PTN-128 & NTD
		Total	3:30	
				4







DO YOU STRUGGLE WITH NTD AND PTN-128 REPORTING COMPLEXITY?

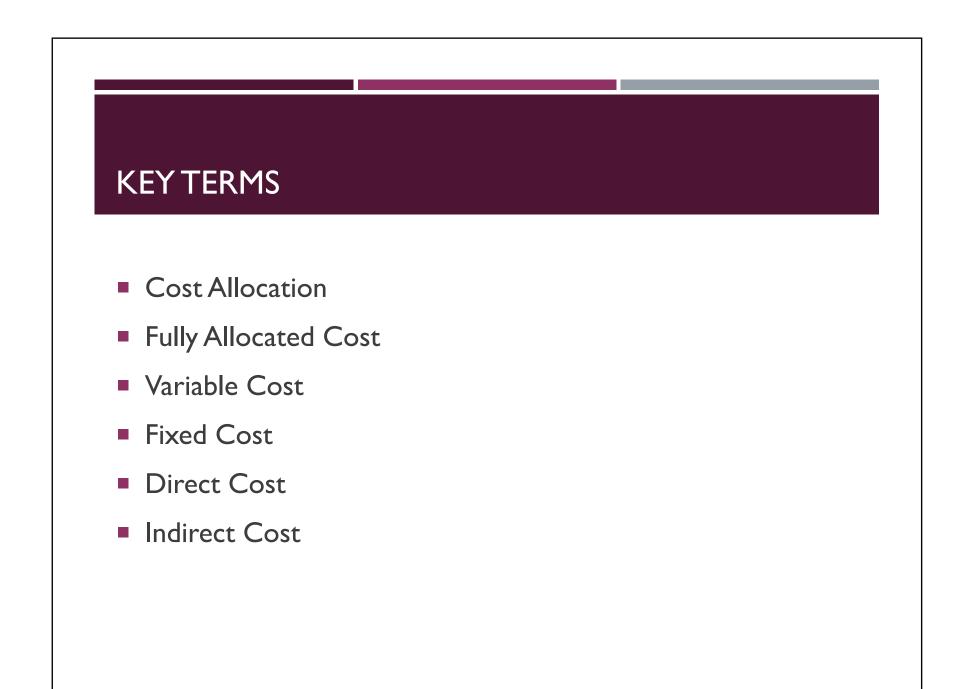
NTD and PTN-128 reporting requires that transit agencies report:

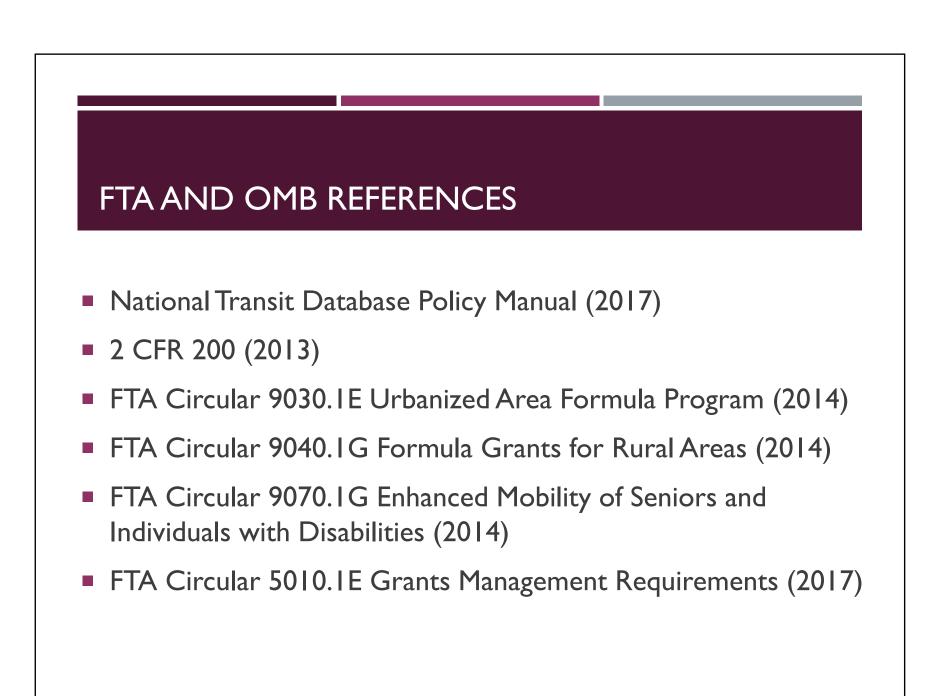
- By mode—fixed-route bus, commuter bus, demand response...
- By jurisdiction—urbanized, non-urbanized

NTD "Full Reporter" requires that transit agencies identify expenses:

- By service type—directly operated or purchased
- By sponsored service—e.g.. Medicaid NEMT, university

Your transit agency needs a good model to allocate costs by service





ACCOUNTING METHODOLOGY— TWO VARIABLE

Consider using a model based on Two Variables.

Two Variable Cost Allocation:

- Vehicle Hours
- Vehicle Miles

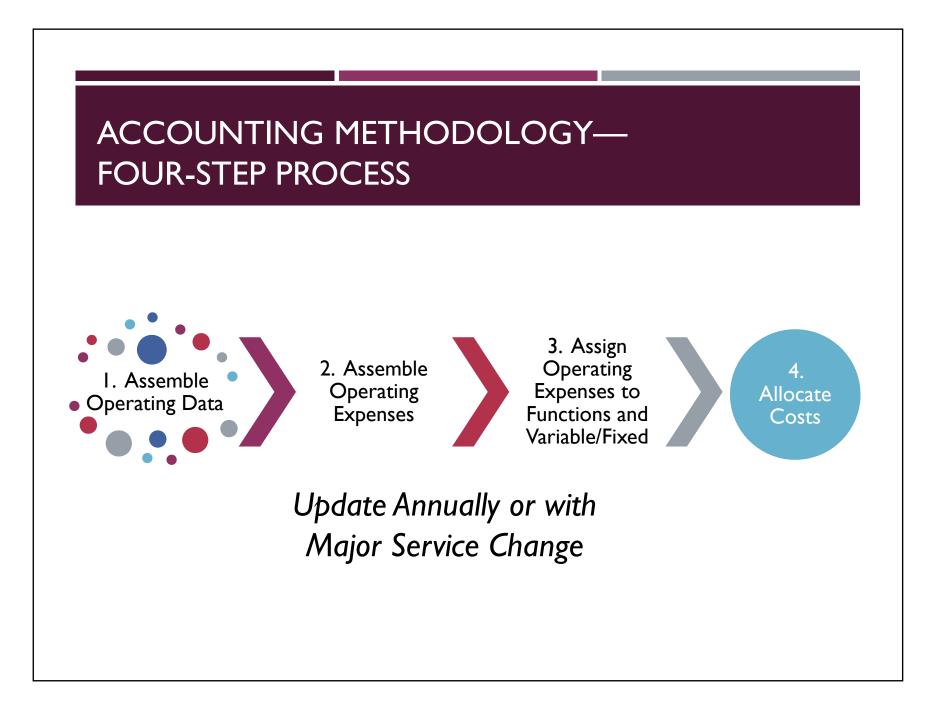
BASIS OF THIS ACCOUNTING METHODOLOGY

Based on methodologies described in:

- AASHTO MTAP Comprehensive Financial Management Guidelines for Rural and Small Urban Public Transportation Providers
- TCRP Report 144 Sharing the Costs of Human Services Transportation
- TCRP Report 101 Toolkit for Rural Community Coordinated Transportation Services.



COST ALLOCATION STEPS I. Assemble Operations Data (vehicle hours, miles, passenger trips) 2. Assemble Operating Expenses into a Chart of Accounts 3. Assign line item expenses to transit functions 4. Allocate variable and fixed-cost expenses, to service modes, types, sponsored service and jurisdictions using two variables: vehicle miles and vehicle hours





Need Three Pieces of Information— Hours, Miles, Passengers by mode, service, funding source, jurisdiction (urban/rural)

			Total Vehicle	Total Vehicle	Total Passenger
Route	Funding Source	Mode	Hours	Miles	Trips
FIXED ROUTI	E				
Route 1	Section 5307 Small Urban	MB	3,591	57,276	29,488
Route 6	Sectin 5311 Rural	MB	1,258	22,575	1,257
Route 14	Section 5307 Large Urban	MB	2,473	53,965	8,163
Yellow	Section 5307 Small Urban	CB	3,010	62,565	6,076
Purple	Section 5307 Small Urban	CB	2,580	50,740	6,076
DEMAND RES	SPONSE				
General Public	Section 5311 Rural	DR	2,300	22,200	3,021
Sponsored Serv	vices:				
Veterans	Section 5311 Rural	DR	675	12,180	501
Adult Day Care	Section 5311 Rural	DR	1,989	41,280	5,237

2. Assemble Operating Expenses	
Account Description	Annual Total Operating Expense
Total Operating Costs	\$3,799,051
Salaries	\$1,329,261
Drivers	\$837,984
Dispatch	\$90,565
Maintenance	\$179,144
Office Staff	\$221,567
Fringe	\$699,920
Drivers	\$441,239
Dispatch	\$47,687
Maintenance	\$94,328
Office Staff	\$116,666
Utilities	\$23,515
Fuel/ Oil	\$456,130
Tires	\$39,518
Training	\$1,123

Need Year-End Total Operating Expenses by Line-Item Chart-of-Account Format

3. Assign Operating Expenses to Functions and Variable/Fixed Assign Line-Item Expense to Functions Why? NTD & PTN-128 Reporting Assign Line-Item Expense by Variable Costs & Fixed Costs

			Variable Cost			Fixed Cost	
Account Description	Annual Total Operating Expense	Operations	Operations- Fuel	Vehicle Maintenance	Facility Maintenance	Administration	Planning
Total Operating	\$3,799,051	\$1,730,086	\$456,130	\$570,679	\$18,662	\$1,013,494	\$10,000
Salaries	\$1,329,261	\$928,549		\$179,144		\$221,567	
Drivers	\$837,984	\$837,984					
Dispatch	\$90,565	\$90,565					
Maintenance	\$179,144			\$179,144			
Office Staff	\$221,567					\$221,567	
Fringe	\$699,920	\$488,926		\$94,328		\$116,666	
Drivers	\$441,239	\$441,239					
Dispatch	\$47,687	\$47,687					
Maintenance	\$94,328			\$94,328			
Office Staff	\$116,666					\$116,666	
Utilities	\$23,515	\$16,461		\$3,057		\$3,998	
Fuel/ Oil	\$456,130		\$456,130				

4. Allocate Costs to Routes and Services, Modes, Funding Sources, Jurisdictions

Allocate Costs by Category

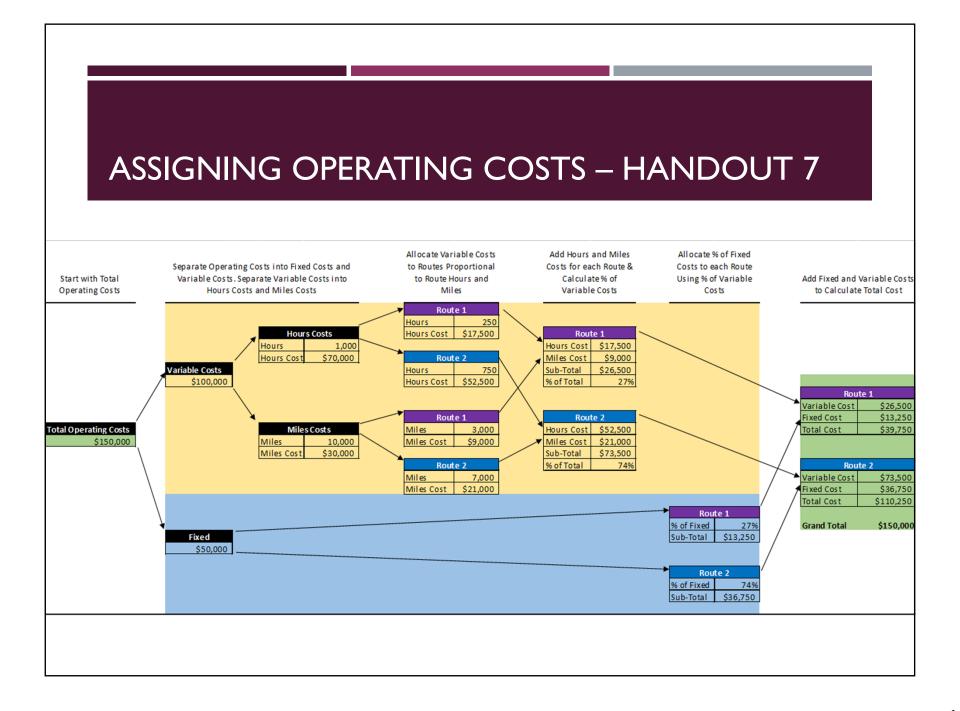
- Routes and Services
- Modes
- Funding Sources and/or Jurisdictions

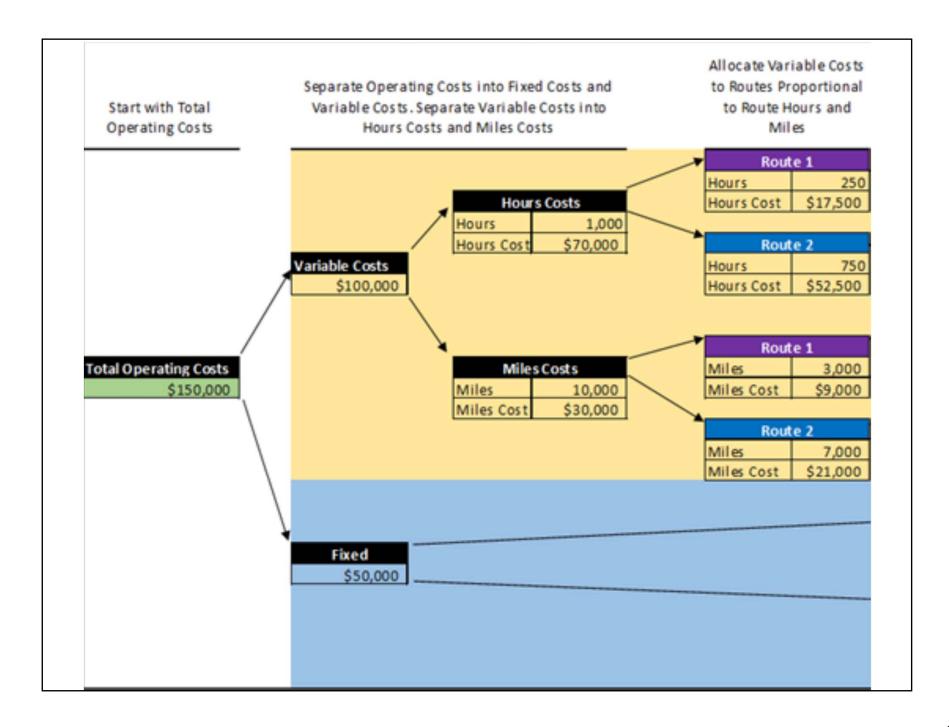
Allocate Variable Costs

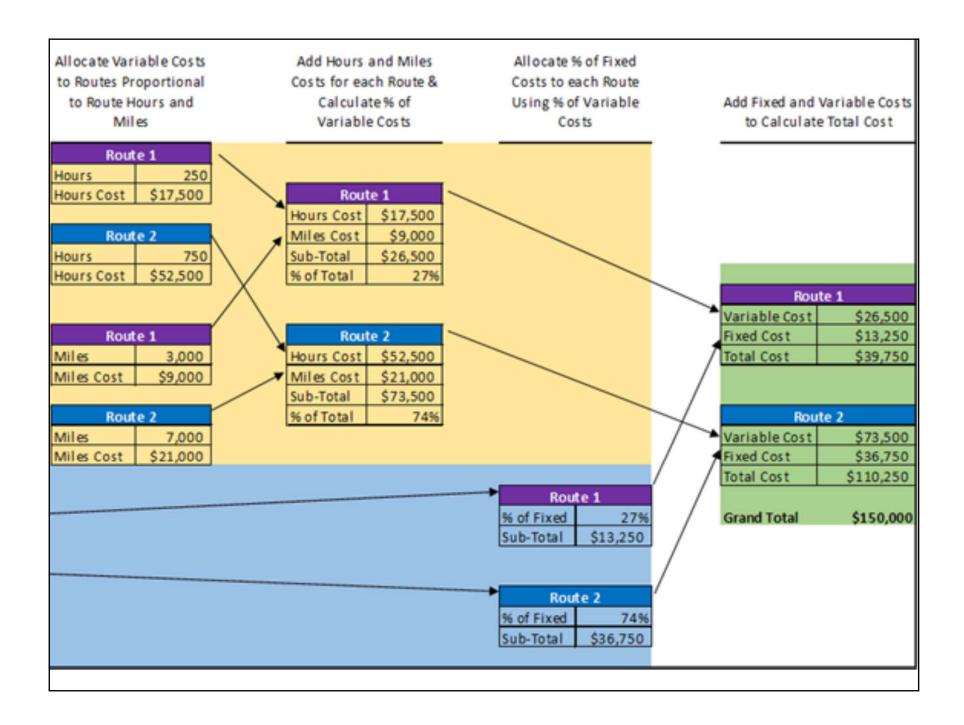
- <u>Operations</u> (excluding Fuel) by % hours
- Vehicle Maintenance and Fuel by % miles

Fixed Costs

- Allocate Fixed Costs as % variable costs
- Typically <u>Facility Maintenance</u> and <u>Administration</u>, fixed cost may include other maintenance expenses
- Assign <u>Planning</u> directly to route/program planned if the detail is available







SHARED RIDE DEMAND RESPONSE

- If demand response (DR) services are shared ride, and there is a need to allocate costs by service type or funding source, then an additional four-step methodology may be required
- An additional four-step methodology can be used to allocate costs by service type or by funding source, etc.
- This methodology is only required if passenger trips by service type or funding source are significantly different in distance (passenger miles) or time (passenger hours) than the average

SHARED RIDE DEMAND RESPONSE

Four steps in methodology for shared ride demand response

- I. Use driver manifests to determine <u>average trip length</u> in passenger miles and passenger hours by service type
- 2. Estimate total passenger miles and hours by service type
- 3. Determine <u>percent</u> of passenger miles and passenger hours by service type
- 4. Allocate variable costs according to hours-based costs, milesbased costs; and allocate fixed costs using percent of variable costs

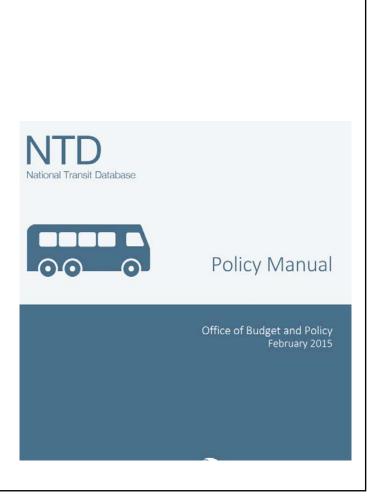


METHODOLOGY OUTCOMES HOW CANYOU USE?



NTD Reporting

- By Mode
- By Section 5307 and Section 5311
- By Chart-of-Account Line Item (Object Class)
- By Function
- By Service Type (Directly Operated/Purchased)



PTN-128 Reporting

- By Mode
- By Section 5307 Urban and Section 5311 Rural
- By Function

ease log in to your account.	User Name	
	Password	
Public Transportation-Division	Login	Forgot your Password



Know Cost and Make Decisions

				Passenger	Cost per
			Total	Trips per	Passenger
Route	Funding Source	Mode	Cost	Vehicle Hour	Trip
FIXED ROUTE					
Route 1	Section 5307 Small Urban	MB	\$177,954	8.21	\$6.03
Route 6	Sectin 5311 Rural	MB	\$61,039	1.00	\$48.55
Route 7	Section 5307 Small Urban	MB	\$178,375	4.07	\$12.19
Route 14	Section 5307 Large Urban	MB	\$128,410	3.30	\$15.73
Yellow	Section 5307 Small Urban	CB	\$153,575	2.02	\$25.28
Purple	Section 5307 Small Urban	CB	\$129,101	2.36	\$21.25
DEMAND RESI	PONSE				
General Public	Section 5311 Rural	DR	\$94,865	1.31	\$31.40
Sponsored Servio	ces:				
Veterans	Section 5311 Rural	DR	\$32,815	0.74	\$65.50
Adult Day Care	Section 5311 Rural	DR	\$101,419	2.63	\$19.37



Measure Performance

		Cost per	Cost per	
	Passenger	Total	Total	Cost per
	Trips per	Vehicle	Vehicle	Passenger
Route	Vehicle Hour	Hour	Mile	Trip
FIXED ROUTE	5.68	\$52.81	\$2.33	\$9.31
DEMAND RESPONSE	1.76	\$46.15	\$3.03	\$26.16
GRAND TOTAL	5.41	\$52.36	\$2.36	\$9.68
Summary by Funding Sour	ce			
Section 5307 Small Urban	5.63	\$54.79	\$2.21	\$9.74
Section 5307 Large Urban	5.63	\$48.00	\$2.77	\$8.52
Section 5311 Rural	4.55	\$50.43	\$2.51	\$11.07
Summary by Mode				
MB	6.14	\$50.15	\$2.56	\$8.17
СВ	4.64	\$58.80	\$1.98	\$12.68
DR	1.76	\$46.15	\$3.03	\$26.16

Price Services

	Cost per	Cost per	
	Total	Total	Cost per
	Vehicle	Vehicle	Passenger
Route	Hour	Mile	Trip
FIXED ROUTE	\$52.81	\$2.33	\$9.31
DEMAND RESPONSE	\$46.15	\$3.03	\$26.16
General Public	\$41.25	\$4.27	\$31.40
Sponsored Services:			
Veterans	\$48.61	\$2.69	\$65.50
Adult Day Care	\$51.00	\$2.46	\$19.37
GRAND TOTAL	\$52.36	\$2.36	\$9.68
Summary by Funding Source	e		
Section 5307 Small Urban	\$54.79	\$2.21	\$9.74
Section 5307 Large Urban	\$48.00	\$2.77	\$8.52
Section 5311 Rural	\$50.43	\$2.51	\$11.07
Summary by Mode			
MB	\$50.15	\$2.56	\$8.17
СВ	\$58.80	\$1.98	\$12.68
DR	\$46.15	\$3.03	\$26.16





Understand Costs by Funding Source

					Facility			Total
Funding Source		Operations	Fuel	Maint.	Maint.	Admin.	Planning	Cost
Section 5307 Small	Urban	\$982,644	\$290,117	\$362,975	\$10,914	\$592,749	\$10,000	\$2,249,400
Section 5307 Large	Urban	\$391,995	\$80,947	\$101,275	\$4,001	\$217,287	\$0	\$795,505
Section 5311 Rural		\$355,447	\$85,066	\$106,429	\$3,746	\$203,458	\$0	\$754,146
GRAND TOTAL		\$1,730,086	\$456,130	\$570,679	\$18,662	\$1,013,494	\$10,000	\$3,799,051

Could also include funding source by contract to provide human services transportation

Backup for Monthly Request for Reimbursements (Expenses Incurred)

		5	Section 5307 Small Urban (Month Expense Incurred * Line-Item %)					
Account	Month			Vehicle	Facility			
Description	Expense	Operations	Fuel	Maintenance	Maintenance	Administration	Planning	Total
Total Operating	\$316,588	\$81,774	\$24,176	\$30,248	\$923	\$50,230	\$833	\$188,183
Salaries	\$110,772	\$43,949	\$0	\$9,495	\$0	\$10,955	\$0	\$64,400
Fringe	\$58,327	\$23,141	\$0	\$5,000	\$0	\$5,768	\$0	\$33,910
Utilities	\$1,960	\$779	\$0	\$162	\$0	\$198	\$0	\$1,139
Fuel/ Oil	\$38,011	\$0	\$24,176	\$0	\$0	\$0	\$0	\$24,176
Tires	\$3,293	\$0	\$0	\$2,095	\$0	\$0	\$0	\$2,095
Training	\$94	\$0	\$0	\$60	\$0	\$0	\$0	\$60

FOR THE ACCOUNTANT— WHY IT MATTERS

Accounting Methodology for cost allocation to services Provides:

- A consistent and equitable operating cost distribution across routes, programs, modes, jurisdictions
- Transparent documentation for federal grant reimbursement
- NTD and PTN-128 reporting
- Basis for accounting system to automate financial reporting
- Basis for budgeting operating expenses and funding need

I'M NOT AN ACCOUNTANT— WHY IT MATTERS TO ME

As a Manager You Can Answer the Questions:

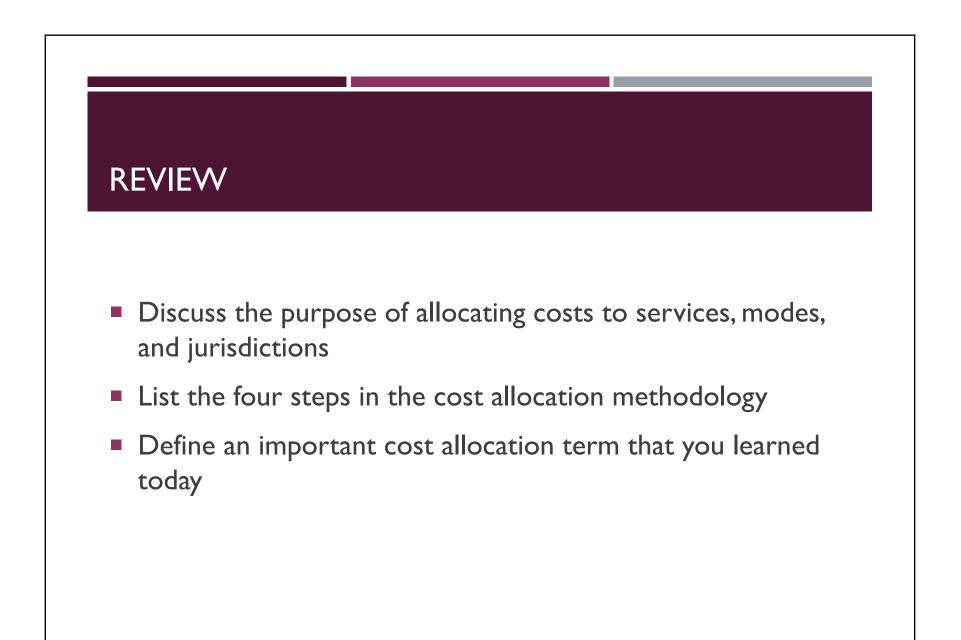
How much does Route 6 cost per passenger, per mile, per hour and why?

Why is the fixed route cost per passenger different than demand response cost per passenger?

What is the ranking of fixed routes by cost effectiveness (cost per passenger)?

What line item of expense is driving my costs?

How should I price commuter bus service for an employer?

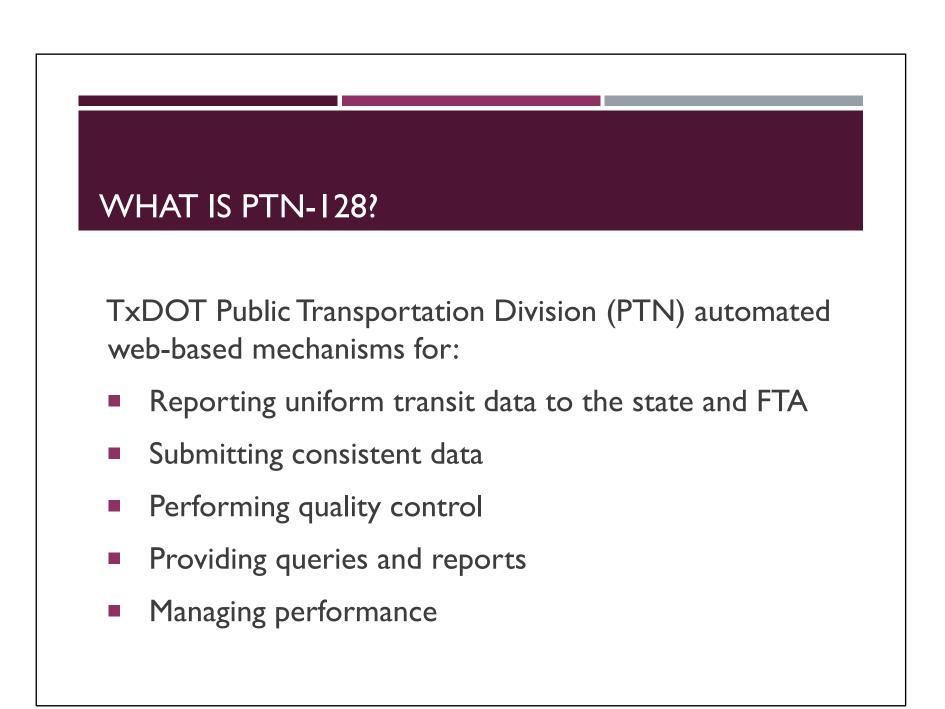


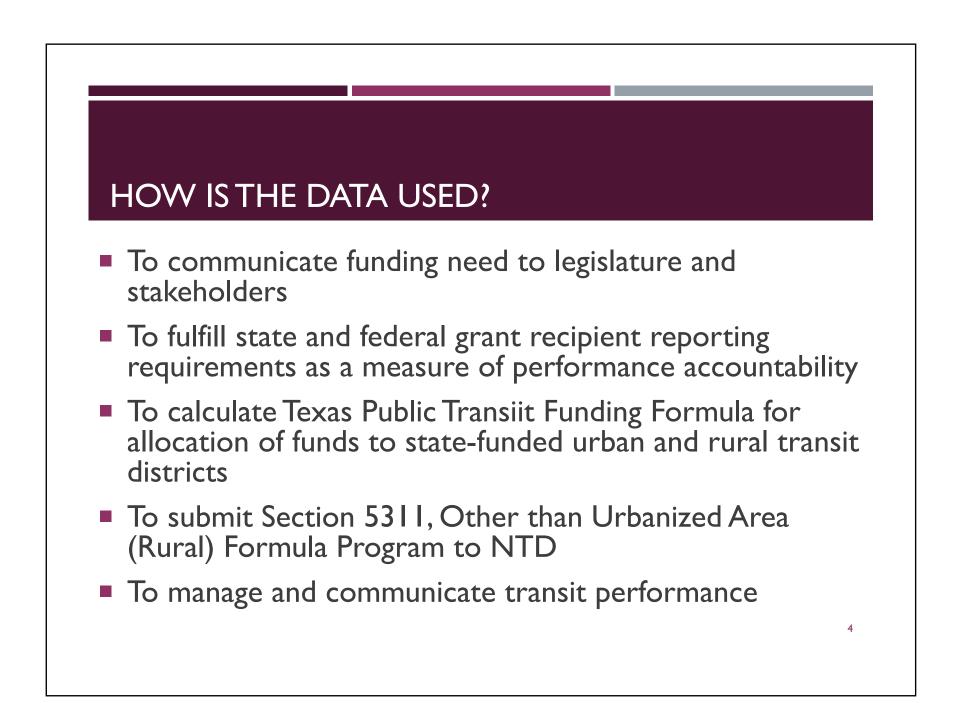


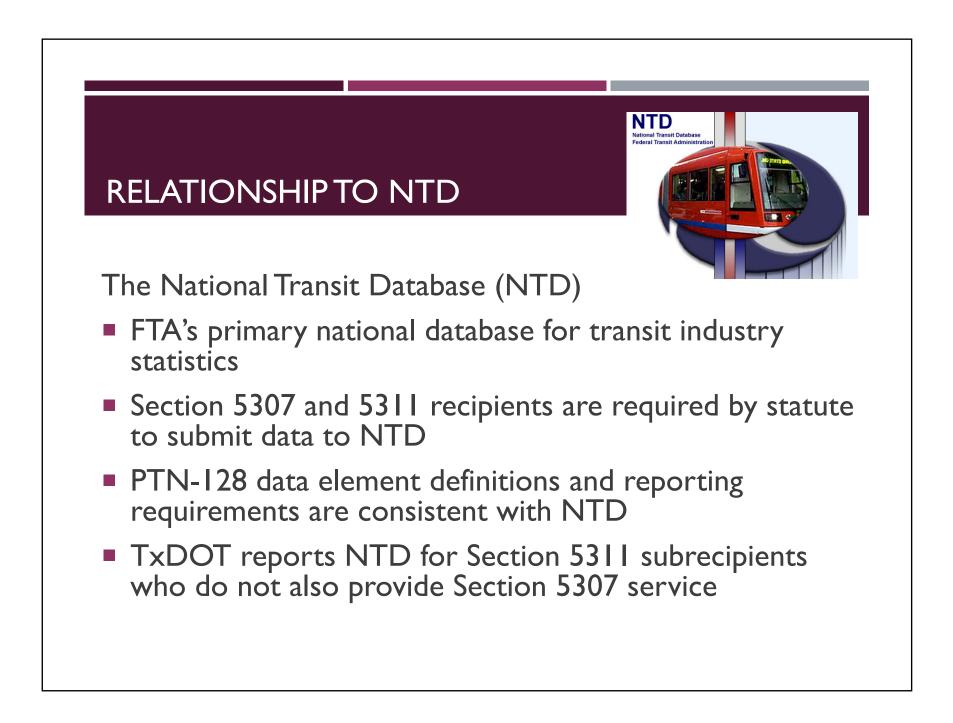
MODULE 8 REPORTING FINANCIAL DATA TO PTN-128 & NTD

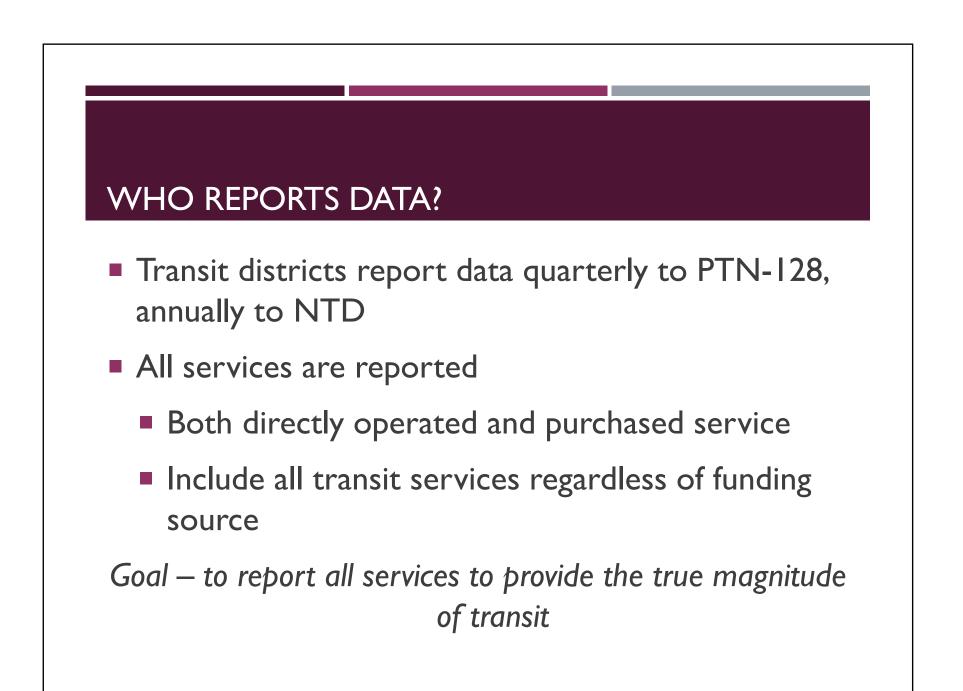


LEARNING OBJECTIVES By the end of this module, you should be able to: Describe collecting and reporting financial data for PTN-128 and NTD Identify the correct classification of revenue sources and types of expenses Describe how to report purchased transportation Use travel modes in PTN-128 worksheets and check for data reasonableness





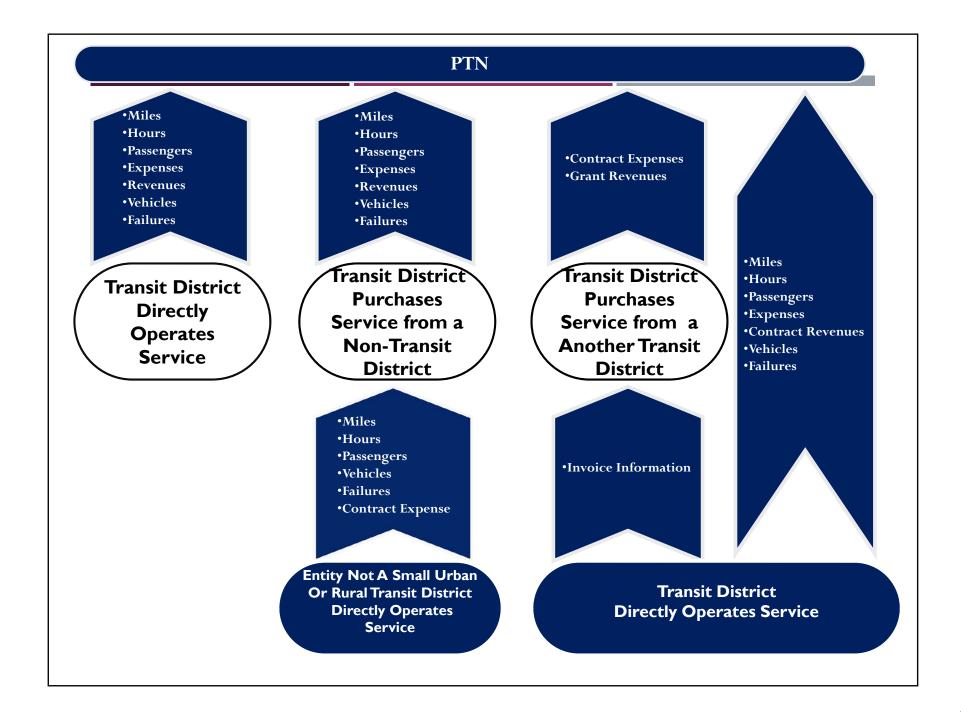




ONE EXCEPTION! – PURCHASED TRANSPORTATION WITH ANOTHER DISTRICT

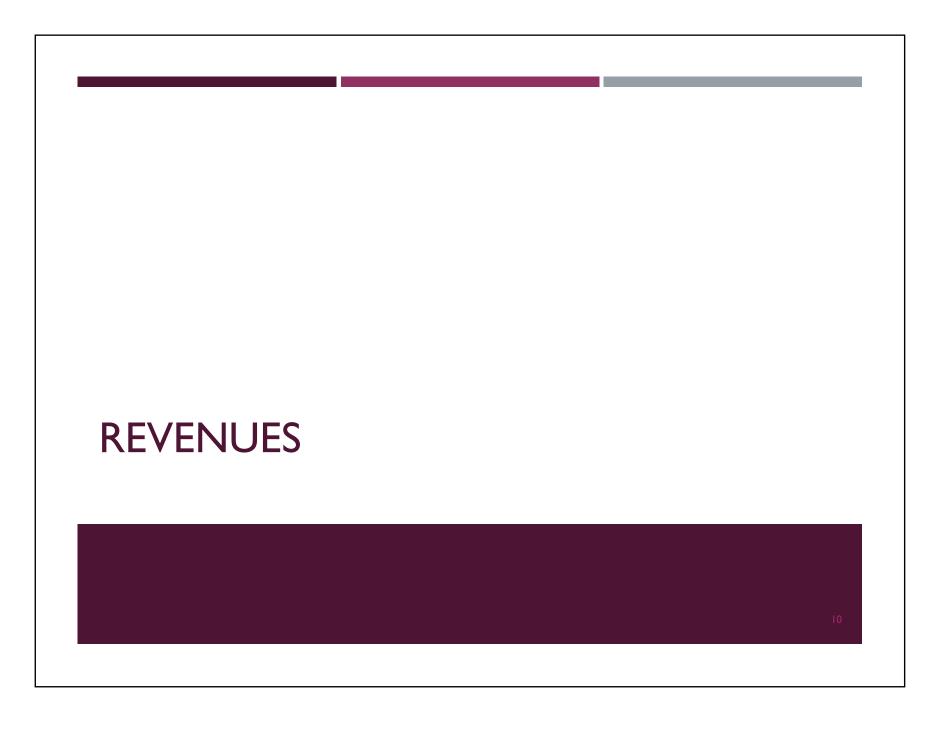
- If a transit district purchases from another *transit district*, then:
- The <u>purchaser</u> reports financial data only (grant revenues and offsetting PT expenses) and
- The <u>provider</u> of service reports both financial (contract revenues and operating expenses) and operating data (passengers, miles, hours, vehicles).

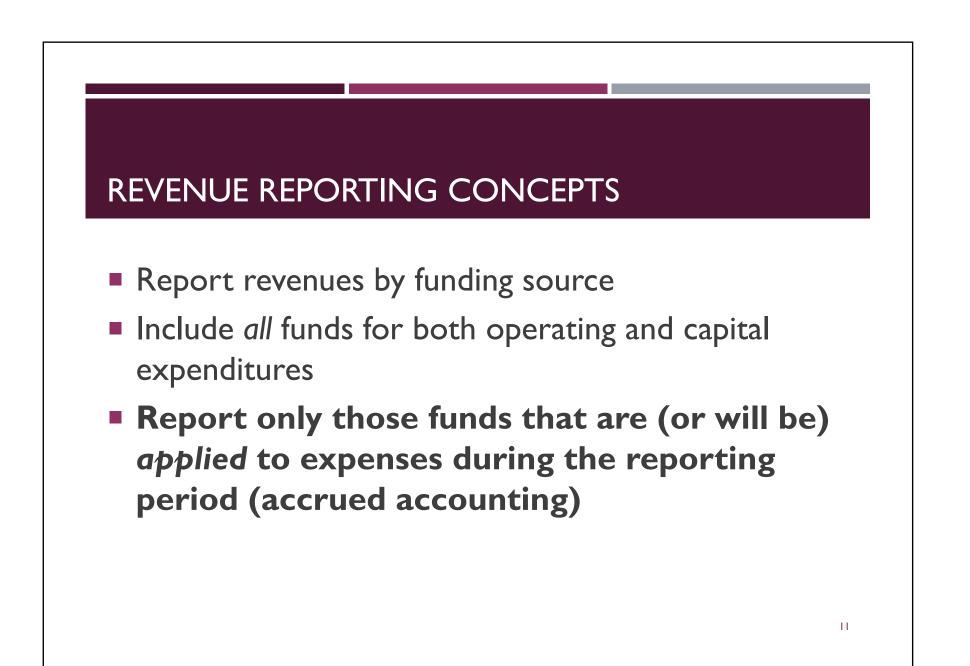
Purpose – To avoid double-counting of operating data at the state-level



EXAMPLE: PURCHASE FROM TRANSIT DISTRICT

Data Reported	Purchaser Transit District	Provider Transit District
REVENUES		
Section 5307 or Section 5311 Funds	\$10,000	
Transit District Revenues		\$10,000
EXPENSES		
Purchased Transportation Expense	\$10,000	
Operating Expense		\$7,000
Maintenance Expense		\$1,000
Administration Expense		\$2,000
OPERATING DATA		
Passengers		500
Miles		6,000
Hours		250
Vehicles		I
Failures		I





TYPES OF REVENUES

Federal Grant Programs

5307, 5311, 5303, 5304, 5305, 5309/5339

State Formula Revenues

Local Investments

- Local Revenues (Fares)
- Direct Transit Funding
- Indirect Transit Funding

Contract Revenues

- Medical Transportation, DADS, DARS
- 5310, Head Start, 5316 JARC, CMAQ, 5317 New Freedom
- Other local contracts

FEDERAL & STATE GRANT PROGRAMS

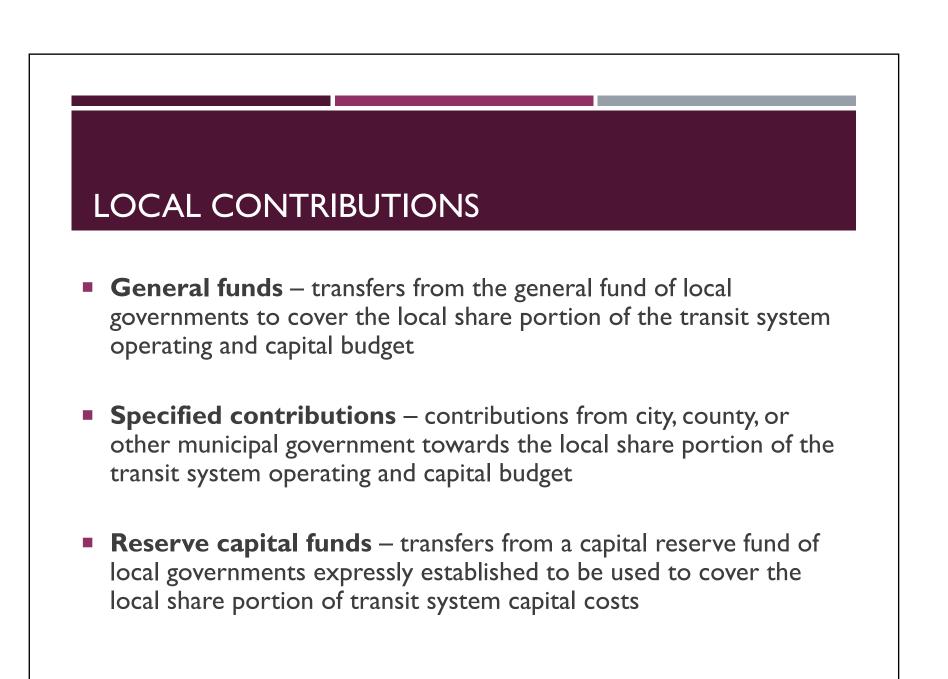
- Federal & State formula funds
 - Annually allocated for urban and rural agencies
 - 5307 & Urban State, 5311 & Rural State
 - Based on performance measures and local need
- Planning and Capital Revenues
 - Awarded for specific projects or planning efforts
 - 5303, 5304, 5305 are planning-related programs
 - 5309 and 5339 are capital revenues
- Section 5307 & 5311 Contract Revenues
 - If your transit district contracts to provide general public transit services for another urban or rural transit district
 - These dollars are not eligible to be counted as local investment for funding formula

LOCAL INVESTMENTS

- Passenger Fares
- Direct Transit Funding
 - Local Contributions (gov't & non-gov't)
 - Contribution Services (non-cash)
 - Sales Tax
- Indirect Transit Funding
 - Auxiliary Transit Revenue
 - Other Transportation Revenues
 - Non-Transit Related Revenues

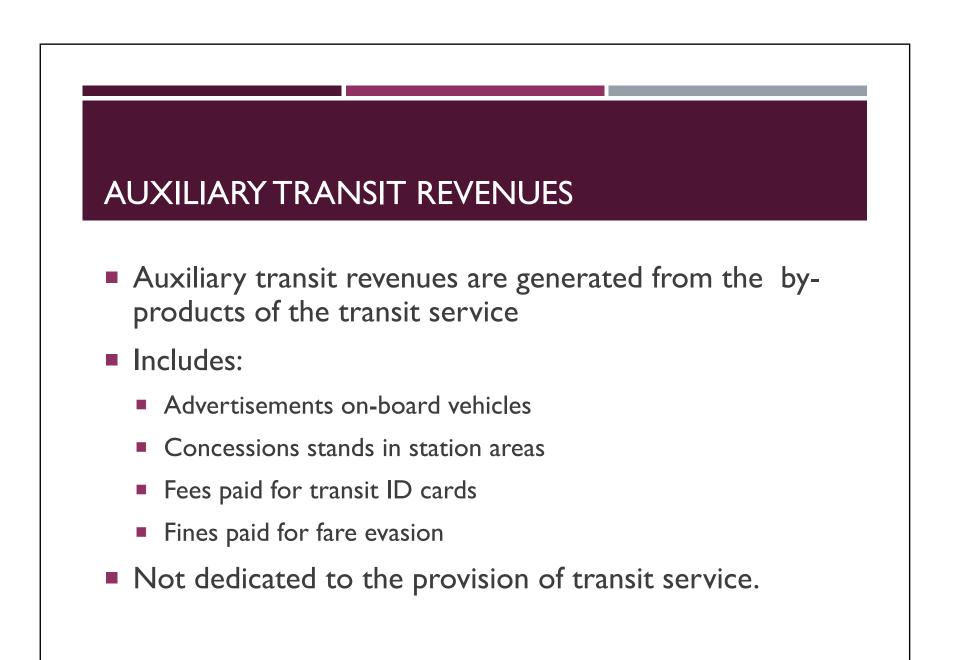
PASSENGER FARES

- Passenger fares are the revenues earned from carrying passengers. Passenger fares may be collected in several ways, including:
 - Before service is provided (e.g., through the sale of media such as passes, tickets, tokens sold to passengers)
 - Directly at the point of service (e.g., farebox, turnstile)
 - After the service is provided, (e.g., through weekly or monthly billing)
- Includes any contracts for fares (special transit fares) a contractual arrangement to pay the transit provider for the number of *rides* provided



CONTRIBUTED SERVICES

- "Services" is misleading
- Revenues for Contributed Services are receipt of non-cash assets or services from another entity that benefits the transit provider.
- Contributed services include **physical assets and services**.
 - In-kind services are a type of contributed services where the transit provider derives a benefit from another entity but is under no obligation to pay for that benefit.
 - Central services should be reported as revenues for Contributed Services if the parent agency has no expectation of reimbursement.



OTHER TRANSPORTATION REVENUES

Other Transportation Revenues include charter service, exclusive school bus service and freight tariff revenues associated with the operating and capital cost of these services

- Charter service is a vehicle hired for exclusive use that does not operate over a regular route or on a regular schedule and is not available to the general public.
- Exclusive school bus service is the use of buses to carry children and school personnel to and from their schools or school-related activities.
- Freight tariffs are revenues earned from carrying freight on runs whose primary purpose is passenger operations.

NON-TRANSIT RELATED REVENUES Non-transit related revenues are the revenues earned from activities not associated with the provision of transit service. Non-transit related funds include, but are not limited to: • Sale of maintenance services Rental of revenue vehicles Rental of buildings and other property ۲ Investment income Parking facility revenue Donations – donations from individuals or organizations to help cover the costs of providing transit service but which are not related to specific passengers or trips, and to help cover capital costs.

CONTRACT REVENUES

- Generated from contracts to provide transit services for a designated group or purpose.
- May be Federal, State, local, or privately funded
- Pre-filled Federal and State contracts listed in the PTN-128 web system:
 - Medical Transportation Program (MTP)
 - Head Start
 - Department of Aging and Disabilities (DADS)
 - Department of Assistive & Rehabilitative Services (DARS)
 - FTA Special Needs of Elderly Individuals and Individuals with Disabilities (Section 5310)
 - FTA Job Access and Reverse Commute (JARC)(Section 5316)
 - FTA New Freedom Program (Section 5317)
 - 21
 - FHA Congestion Mitigation Air Quality (CMAQ)



TOTAL COST

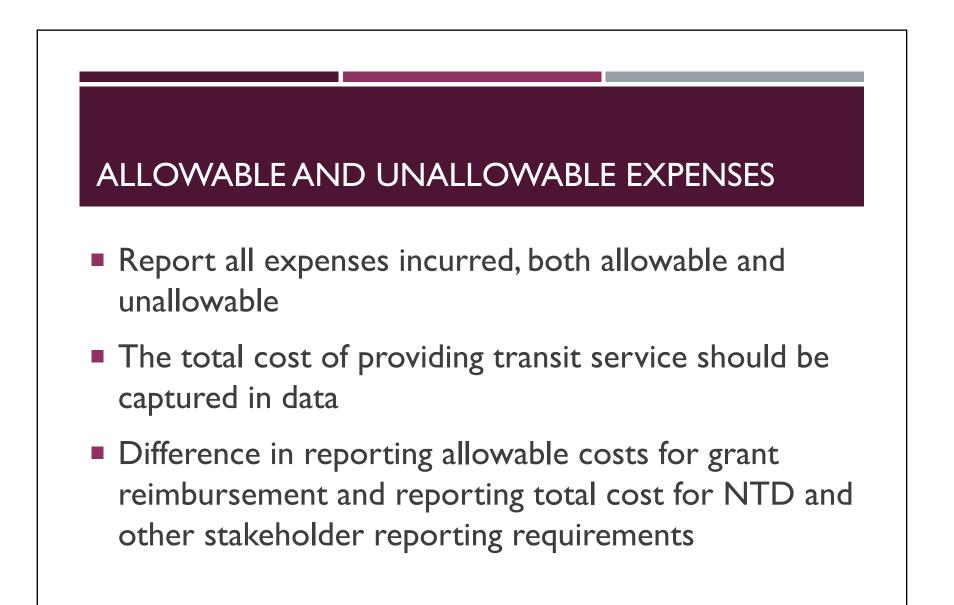
- Report the total operating cost
 - Direct and indirect costs
 - Allowable and unallowable costs
 - Contributed services in-kind/non-cash
- Report both operating and capital cost

Report total costs for accuracy of		Total Cost	Not Total Cost (Excluding In-Kind, indirect or other costs)
performance	Operating Cost	\$100,000	\$90,000
measures in PTN-128 and NTD	Miles	40,000	40,000
	Cost per Mile	\$2.50	\$2.25

CHART OF ACCOUNTS

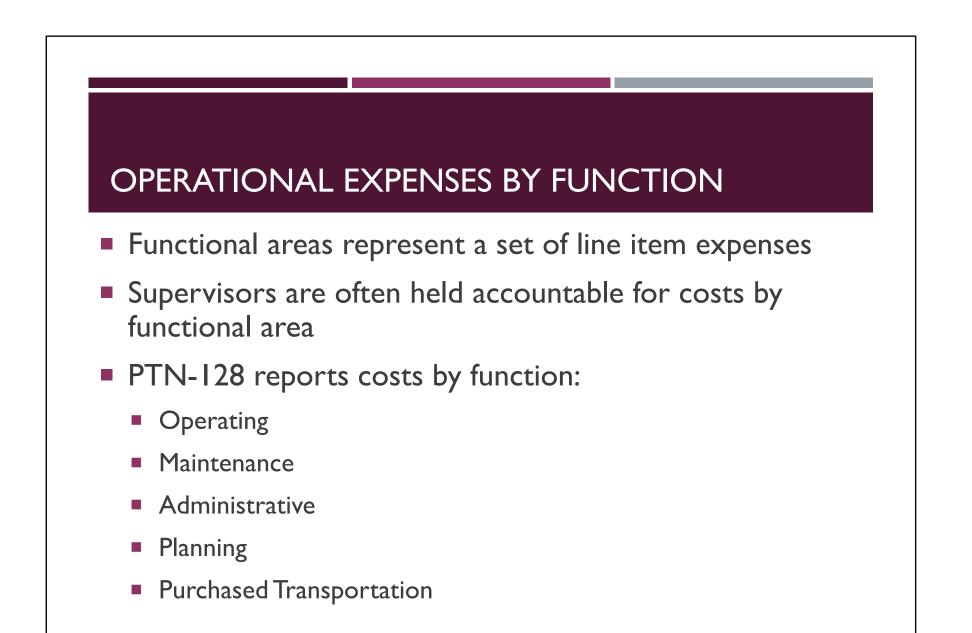
- The agency's chart of accounts is the basic tool used to ensure that all transportation costs are reflected in the agency's accounting system
- Public transportation industry standard for NTD uses the Uniform System of Accounts (USOA).

	Ledger
	Expenses
Salaries - Driver	\$100,000
Salaries - Mechanic	\$30,000
Salaries - Administration	\$20,000
Payroll Benefits (30% salary)	\$45,000
Purchased Transportation	\$10,000
Building Rent	\$5,000
Building Maintenance and Repair	\$10,000
Utilities	\$5,000
Insurance - Vehicles	\$20,000
Insurance - General Liability	\$10,000
Fuel	\$40,000
Vehicle Parts & Supplies	\$30,000
Professional Services	\$10,000
Travel	\$1,000
Total Operating Expenses	\$336,000



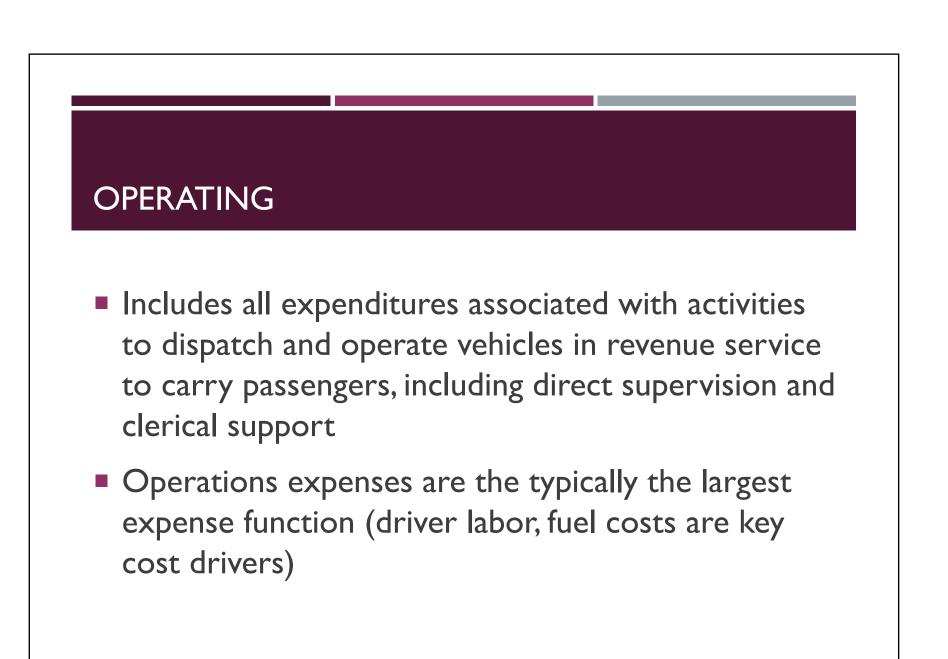
OPERATIONAL AND CAPITAL COSTS Operational costs - typically expenses consumed in a one-year (include labor, fringe benefits, materials and supplies (e.g. fuel), maintenance, office space, equipment and administrative costs). Capital costs - expenses associated with long-term acquisitions and leases of physical assets, such as buses,

acquisitions and leases of physical assets, such as buses, garages, and maintenance facilities. NTD: capital expenses are the costs incurred that exceed \$5,000 or the capitalization value established by the local government unit if lower.



ASSIGN COSTS BY FUNCTION

	Ledger Expenses	Operating	Preventive Maint.	Admin.	POS
Salaries - Driver	\$100,000	\$100,000			
Salaries - Mechanic	\$30,000		\$30,000		
Salaries - Administration	\$20,000			\$20,000	
Payroll Benefits	\$45,000	\$30,000	\$9,000	\$6,000	
Purchased Transportation	\$10,000				\$10,000
Building Rent	\$5,000			\$5,000	
Building Maint./Repair	\$10,000		\$10,000		
Utilities	\$5,000			\$5,000	
Insurance - Vehicles	\$20,000		\$20,000		
Insurance – Gen Liability	\$10,000			\$10,000	
Fuel	\$40,000	\$40,000			
Vehicle Parts & Supplies	\$30,000		\$30,000		
Professional Services	\$10,000			\$10,000	
Travel	\$1,000			\$1,000	
Total Expenses	\$336,000	\$170,000	\$99,000	\$57,000	\$10,000



MAINTENANCE

- All expenditures associated with vehicle maintenance (includes preventative) and non-vehicle maintenance.
- Although preventive maintenance is eligible for reimbursement as a capital expense, preventive maintenance is an <u>operational expense</u> by definition.
- Basically ALL maintenance expenses (vehicle maintenance and non-vehicle maintenance) are eligible for federal reimbursement at the rate 80% from capital funds

MAINTENANCE OR OPERATING? – INSURANCE EXPENSE

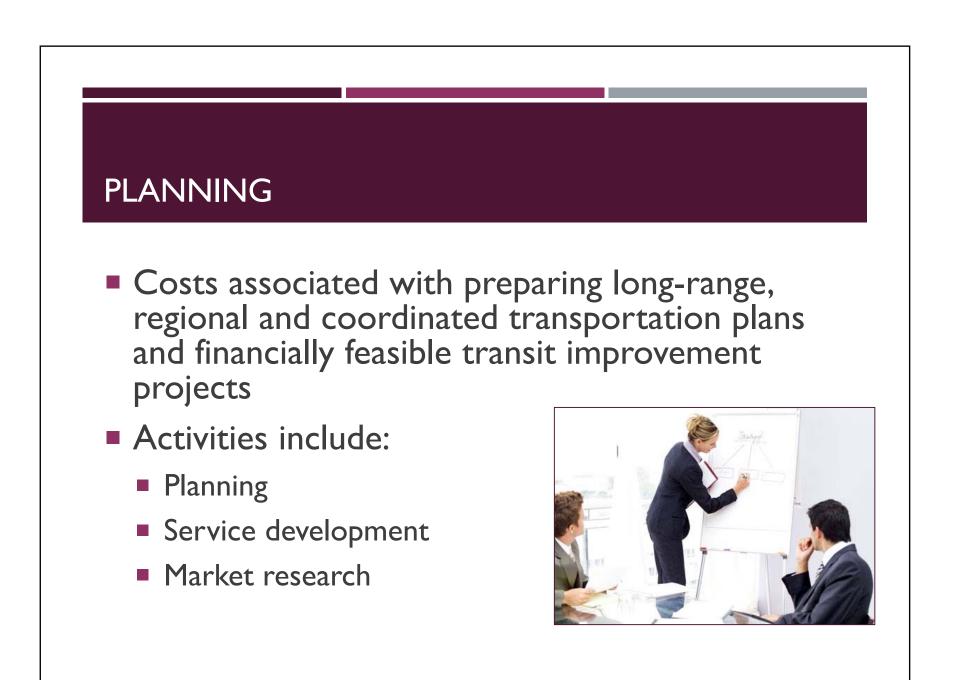
Note about insurance according to FTA:

- "Property insurance (which would be the premiums paid to protect a grantee's own vehicles/property in the even of a collision or theft/damage) is eligible for federal reimbursement under Maintenance
- Casualty or liability insurance, which is the liability a grantee might have to third parties as a result of negligent actions, is an operating expense and thus <u>not</u> <u>eligible</u> under Maintenance"

Distinguishes between if the associated costs caused by you or caused by outside source

ADMINISTRATION Expenditures associated with activities (other than operating, maintenance, planning and purchased transportation expenses) supporting the provision of transit service If a transit provider is part of a larger organization,

 If a transit provider is part of a larger organization, many of these supporting services may provided by the larger organization.



PURCHASED TRANSPORTATION

- Costs incurred and billed by purchased transportation providers (sellers) in the operation of the contracted transit services
- Does not include costs that are not a part of the purchased transportation agreement - for example, if the service costs the seller more than his contract covers.
- Excludes costs in support of PT service i.e. administration, fuel and tires if provided to the seller, vehicle maintenance, marketing, advertising, legal services, and ticket sales (if provided by the buyer). Reported in appropriate expense category.

PURCHASED TRANSPORTATION AND FARES

If PT provider:

- Collects and retain fare revenues
- Deducts fares from the invoice

	Contract Rate	e per Passenger	\$15.00			
	Number of Pa	1,000				
	Purchased Tr	\$15 <i>,</i> 000				
	Less Fares Re	tained (\$2/passenger)	(\$2,000)			
	Invoiced Amo	\$13,000				
Report:		If PT provider has a negotiate	ed contract with			
PT Cost = \$15	,000	an agreement to retain a set amount for				
Fare Revenue -		passenger fares - Charges an adjusted rate for the retained				
		fare				

ADJUST FOR CAPITAL PORTION OF PURCHASED TRANSPORTATION

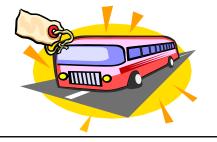
Table 7: Maximum Allowable Capital Expense in Purchased Transportation Deduction (unless specified by contract)

				The Part of Capital Cost of Contracting that is Operating	The Part of Capital Cost of Contracting that is Capital
Туре	of Contract	What the Contractor Does	Capital Cost of Contracting (Grant Purposes)	Operating	Capital
1	Vehicle Lease Contract	Vehicles only	100%	0%	100%
2	Vehicle Maintenance Contract	Maintenance only	100%	100%	0%
3	Maintenance/Lease Contract	Vehicles and Maintenance	100%	80%	20%
4	Tumkey Contract	Transit Service, Maintenance, Vehicles	50%	40%	10%
5	Service Contract	Transit Service and Maintenance	40%	40%	0%
6	Vehicle/Service Contract	Transit Service and Vehicles	10%	0%	10%

Note: Preventive maintenance is an operating expense even though it is eligible for capital reimbursement.

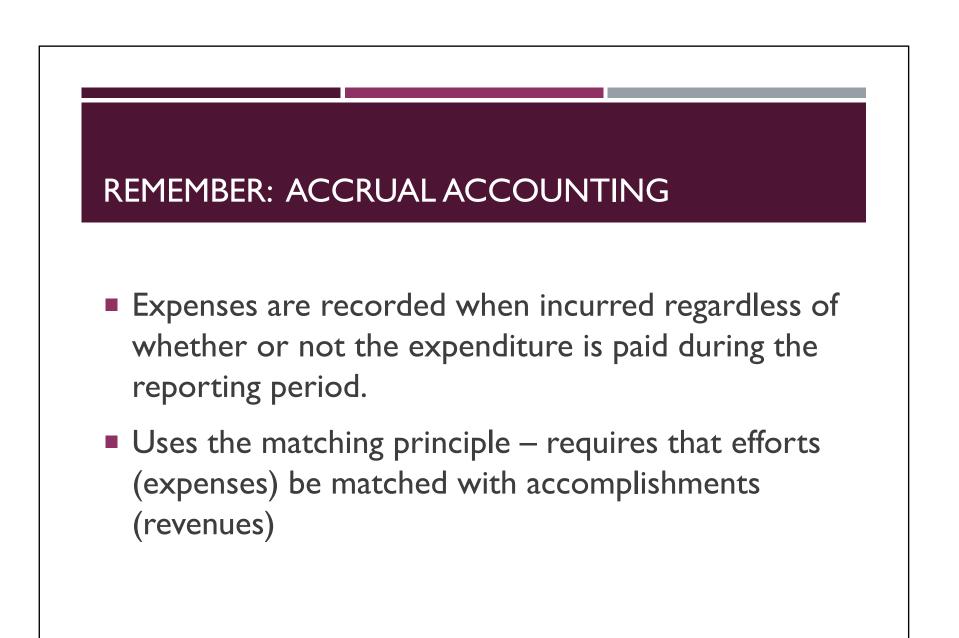
CAPITAL EXPENSES

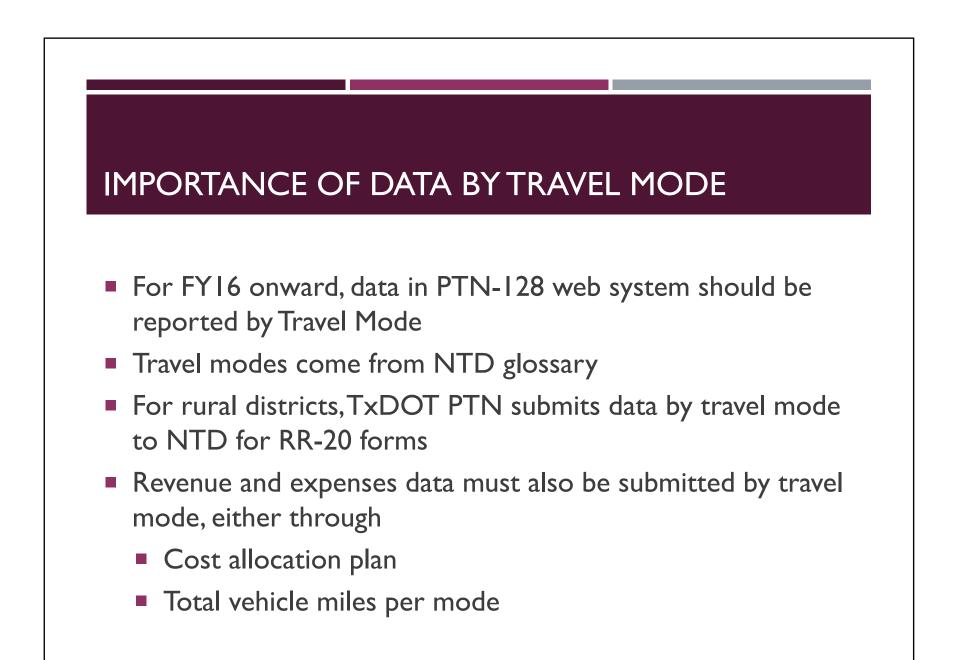
- Capital expenses include expenses related to the purchase of facilities, vehicles and equipment
- Capital items are an article of non-expendable tangible personal property having a useful life of more than one year and an acquisition cost threshold consistent with federal and local requirements
- The cost threshold by FTA requirements is at least \$5,000 OR the capitalization value used by the transit provider if lower



OPERATING EXPENSES ELIGIBLE FOR CAPITAL REIMBURSEMENT

- An operating expense that is eligible for reimbursement as a capital expense is <u>still</u> <u>reported as an operating expense</u>
- For example, portion of ADA paratransit cost is an operating expense that is eligible for the capital rate of reimbursement
- See FTA circulars provide further guidance





REASONABLENESS OF DATA

- Are measures of the data reasonable for the travel mode and consistent with previous years?
 - Speed calculations, deadhead, cost measures

Travel Mode	Average Speed in Revenue Services (MPH)	
Bus	12.5	Ľ
Bus Rapid Transit	10.5	000
Commuter Bus	26.0	ΔΡΤΔ
Demand Response	14.8	
Transit Vanpool	40.5	Source.
Trolleybus	7.1	

CHECKING SPEED & DEADHEAD

- Speeds should be consistent from month to month
- Vehicle speeds should be realistic

#		Sep	Oct	Nov	Dec						
			OCI	NOV	Dec						
TOTAL	VEHICLE MUST BE GREATER	THAN OR EQUAL T	OREVENUE								
1	Revenue 🕕	4744	5062	4428	4459						
2	Total Vehicle	4981	5135	4650	4682						
3	Deadhead Hours 🕕	237	73	222	223						
4	Deadhead Ratio 🚹	4.8%	1.4%	4.8%	4.8%						
ΑΟΤΙ	JAL VEHICLE MILES	6									
TOTAL	VEHICLE MUST BE GREATER	THAN OR EQUAL T	O REVENUE								
5	Revenue 🚹	66046	55161	29632	31055						
6	Total Vehicle	77954	63985	33385	34872						
7	Deadhead Miles 🚯	11,908	8,824	3,753	3,817						
8	Deadhead Ratio 🕕	15.3%	13.8%	11.2%	10.9%						
SYSTEM SPEED ()											
SYST											
9 SYST	Revenue	13.9	10.9	6.7	7.0						
		13.9 15.7	10.9 12.5	6.7 7.2	7.0						

CHECKING COST MEASURES

While some cost functions will vary slightly month to month, there should not be major fluctuations between months and years

What could cause changes in cost measures?

		Travel Mode										
Operating Costs	Commuter Rail		Heavy Rail		Light Rail		Bus		Vanpool		Demand Responsive	
Per Passenger Mile	\$	0.45	\$	0.30	\$	1.88	\$	0.82	\$	0.89	\$	2.84
Per Passenger Trip	\$	21.19	\$	1.97	\$	2.51	\$	3.70	\$	11.60	\$	27.83
Per Vehicle Mile	\$	18.86	\$	6.24	\$	16.12	\$	5.43	\$	1.58	\$	3.55
Per Vehicle Hour	\$	694.52	\$	164.09	\$	185.71	\$	76.33	\$	57.54	\$	53.27

Table 8-4. Operating Costs by Travel Mode for Medium-Sized Cities (2005 Dollars)

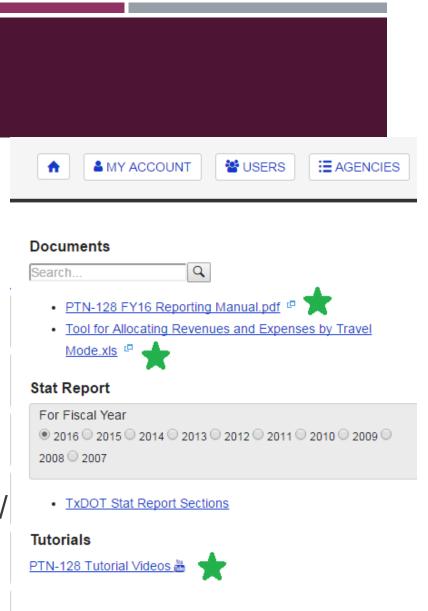
AVAILABLE RESOURCES

- On PTN-128 Main Page:
 - Reporting Manual
 - Financial Allocation Tool
 - Tutorial Videos

http://ptn128.tti.tamu.edu

- On NTD Site:
 - Urban and Rural Reporting Manuals

http://www.transit.dot.gov/ntd/ manuals



REVIEW Who reports service data (miles, hours, trips) if one transit agency purchases service from another transit district? How does a chart of accounts relate to data reporting? How are services classified by travel mode? How are travel modes defined? What are some examples of cost and performance measures calculated by PTN-128?