

# Board Inquiry Form

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Inquiry Number: 23

Department: Public Works  
 Date: 6/10/13  
 Page(s) of Budget Book: C-27

**Request/Question:** Please provide details on then use and balances of the Transportation Fund Balances  
**Response Prepared by:** Mark Paul/Chris Sneddon

**Response:** Fund balance details are presented in two sections: account detail/recommended levels and projections.

Account details and recommended levels

Transportation road fund balances for the various line items are presented in Table 1. Of those accounts, all but 9799 (Purpose of Funds) are committed to specific expenditures.

TABLE 1: Public Works Transportation Road Fund Balance (in thousands)			
LINE ITEM ACCOUNT	Est 6/30/13	Change	Est 6/30/14
9721 -- Imprest Cash	1		1
9730 -- Allocated for Capital Outlay	2,875		2,875
9736-39 -- Measure A	2,412	(2,274)	137
9749 -- FY 12/13,13/14 Operating Plans	(0)		(0)
9763 -- Road Infrastructure Mitigation	519		519
9772 -- School Safety AB186	2		2
9797 -- Unrealized Gains	22		22
<b>9799 -- Purpose of Fund</b>	<b>9,172</b>	<b>(2,891)</b>	<b>6,281</b>
9799 -- Alternative Transportation	292	(3)	289
<b>TOTAL</b>	<b>15,296</b>	<b>(5,169)</b>	<b>10,127</b>

9799 is the primary fund balance account and is used for three primary purposes:

- 1) **Project delivery:** Individual construction contracts for Transportation projects can generate invoices in the millions of dollars within a few months on large infrastructure projects. In addition, these projects often run concurrently with other contracts. Although these projects often have grants that pay for large portions, Transportation must fund these projects between the time contractors are paid (monthly) and when invoices are paid from granting agencies (which can take 3-6 months for federal projects). The division uses fund balance from 9799 for this purpose. For a typical year, this amount is approximately \$3-5M.
- 2) **Disasters and Emergencies:** The 2005 storm event cost over \$20M for road repair and restoration projects. Preparing for these large scale scenarios is not financially feasible at this time, but some reserves for disasters and emergencies allows the division to respond aggressively to disasters while still maintaining operations funding. A minimum of \$1M disaster funding allows the division to fund smaller scale disasters, and for initial response and emergency opening during larger events.
- 3) **Operating Reserves:** The division maintains an operating reserve of 60 days; 30 for operations and 30 for ongoing projects based on operating expenditures of Fund 0015- Operations. This \$3.7M also allows the division to adjust to funding volatility, like the recent announcement that \$500-\$800k less funding would be available in FY12/13 gas tax. In addition, funding elements of the federal transportation bill (MAP-21), which expires next year, are uncertain. 9799 fund balance allows the division to adjust to these changes proactively without impacting the General Fund.

(continued on Attachment 1)

## Attachment 1

Based on historical uses and division funding strategies described above, Table 2 presents a summary of current and recommended fund balance levels

Account #	Use of Funds	Est. Balance 6/30/14	Recommended Balance	Variance
9730	Equipment Replacement	\$2,875,000	\$6,100,000	(\$3,225,000)
9799	Purpose of Fund	\$6,281,000		(\$2,419,000)
	Project Delivery		\$4,000,000	
	Operating Reserves		\$3,700,000	
	Disasters/Emergencies		\$1,000,000	

### Fund Balance Trends

In addition to the three main components fund balance is used for, it balances the overall Road Funds on an ongoing basis. This includes amounts required to carry project delivery costs and for contract carryover at the end of each fiscal year. The trend for the budgeted fund balance is downward, and within the next 3-5 years is projected to be near zero without any changes (Table 3). This deficit may be offset with additional revenues in the form of increases over projections and additional grant funds, as well as adjustments in expenditures savings/reductions. Current fund balance levels allow the division to continue to provide core services while adapting to the future funding climate.

Purpose of Fund Balance 06/30/2013	\$9,172,000
FY13-14 Use of Fund Balance	2,891,000
Purpose of Fund Balance 06/30/2014	6,281,000
FY14-15 Use of Fund Balance	3,209,000
Purpose of Fund Balance 06/30/2015	\$3,072,000

In addition to account 9799, there are other accounts that are committed to specific uses. The largest of these accounts is 9730 - equipment replacement account (\$2.875M). This fund is for equipment replacement. Based on the same methodology used for the Motorpool Fund, the recommended amount for this account would be over \$6.1 million.