

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/8/2022

Staff Report No. 22-158c

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Recommended FY 2022-23 Operating and Capital Budgets

ACTION ITEM

RECOMMENDED ACTION(S):

Consider adoption of Resolution No. 22-023 approving the FY 2022-23 Recommended Operating and Capital Budgets.

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

The District must adopt a balanced budget per Board Policy and to provide financial stability for operations during the fiscal year.

BUDGETARY/FISCAL IMPACT:

The Recommended FY 2022-23 Operating Budget is balanced and includes a projected operating revenue and subsidy budget of \$547.0 million and an operating expense budget of \$547.0 million. These figures are outlined in Attachment 2.

The Recommended FY 2022-23 Capital Budget includes a projected spending plan of \$165.2 million, composed of \$148.0 million in grant funds, \$17.2 million in District Capital funds. These figures are outlined in Attachment 3.

BACKGROUND/RATIONALE:

Overview

The Recommended Operating Budget revenues and expenses have increased by \$1.5 million from the Proposed Budget presented to the Board on May 11, 2022. This increase reflects the additional cost of the re-design of the District's service network (\$1.0 million) and two more new positions (\$500,000). The Capital budget has increased by \$500,000 to pay for the roof repair at the 66th Avenue Warehouse.

Recommended Operating Budget

Revenue

Revenue of \$547.0 million is an increase of \$34.3 million over the FY 2021-22 budget. The increase is due primarily to strong Sales Tax funding revenues and the addition of ARP funding used to balance the budget. Farebox is still well below pre-pandemic levels and may take several years to recover.

- Farebox revenue of \$28.8 million, a slight (5.9%) increase from FY 2021-22 budget. Increased service and reduced social distancing should increase ridership, however commuter behavior is still uncertain at this time.
- Contract Services of \$7.0 million, a \$748,000 (12.0%) increase from FY 2021-22 budget. This is primarily due to expectations for increased BART bus bridge activity.
- Other operating revenues (primarily Alameda CTC's student pass program and BART transfers) of \$6.3 million, a \$2.7 million (29.9%) reduction due to lower expected usage.
- Property and parcel taxes (Measure VV/C1) remain resilient and is budgeted at \$161.8 million, a \$6.1 million (3.9%) increase, which is in line with recent trends.
- Sales Taxes (Measures B/BB/J, Transportation Development Act (TDA), and AB1107) of \$228.1 million, a \$40.6 million (21.7%) increase over the FY 2021-22 budget due primarily to a MTC estimate change to the FY 2021-22 TDA funding amount that will be applied to FY 2022-23.
- Other Federal, State, & Local revenues (allocations from sales tax on diesel fuel, bridge tolls, federal and state operating assistance) of \$53.6 million, a \$4.9 million (10.0%) increase over the FY 2021-22 budget due primarily to higher sales tax revenue from higher diesel prices.
- Federal emergency funds of \$61.5 million from ARP is a reduction of \$16.9 million from the FY 2021-22 budgeted amount. Emergency funding is being used to balance the budget.

Labor expenses

Labor of \$392.0 million is an increase of 5.3% over the FY 2021-22 budget, primarily due to contractual salary increases and the planned hiring of operator positions needed to restore full service to all lines. While the amount of service scheduled at any given signup depends on the number of operators available, for the District to even attempt to achieve full service recovery in March 2023, the budget must support a plan to build up the active bus operator workforce. The labor budget includes costs for a gradual increase of 101 bus operators by March 2023 for a total bus operator position count of 1,380 up from the current authorized 1,279.

In addition to adding bus operators to fulfill the targeted service recovery, the Recommended FY 2022-23 budget includes an additional \$2.3 million in labor expenses to account for eight new non-operator administrative positions. Note that two positions (HR Leave Management Manager and Planning Project Manager 1) have been added since the board meeting on the Proposed FY 2022-23 budget. Attachment 4 includes a complete list of recommended new positions.

- Salaries and Wages of \$181.8 million, a \$11.9 million (7.0%) increase based on a combination of the below factors:
 - Restoring service levels.
 - Increasing wages 3% for all employees.

- Hiring 101 additional operators by March 2023
- Hiring 8 new non-operator administrative positions
- Fringe Benefits of \$142.9 million, a \$3.0 million (2.2%) increase over FY 2021-22 budget, primarily due to an increase in bus operator staffing levels.
- Pension contribution of \$67.2 million, a preliminary estimated \$4.8 million (7.7%) increase from the FY 2021-22 budget.

Non-Labor expenses

The FY 2022-23 Proposed budget adds \$14.6 million (10.4%) in non-labor expenses, the bulk of which is attributed to Paratransit Services (\$5.0 million), Professional & Technical Services (\$2.7 million), Fuel (\$2.9 million), and Casualty & Liability (\$2.3 million).

- Services Expense of \$47.9 million, a \$3.3 million (7.4%) increase from the FY 2021-22 budget. Despite more than \$1.8 million in reduced department requests, FY 2022-23 includes several new and large professional & technical service expenses. The largest ticket items include:
 - Tempo-related operating & maintenance costs for delegated maintenance and fiber optics (\$1.4 million)
 - Software licensing for vendors such as Oracle, Microsoft and Giro (\$2.0 million),
 - Redesign of the District's service network (\$1.0 million)
 - Rider Survey (\$800,000)
 - Bus Shelter Contract (\$650,000)
 - Several service planning implementation and engineering projects that were held up by pandemic-related restrictions and threat of losing federal aid by the PEPRA court challenge. There is a backlog of work that has been carried forward from FY 2021-22 and earlier years.
- Fuel and Lubricants of \$17.6 million, a \$2.9 million (20.1%) increase from FY 2021-22 budget. Staff is watching fuel prices closely and expects to adjust the budget, if necessary, at the mid-year since geopolitical and federal actions are in flux.
- Bus Parts & Other Materials of \$19.4 million, a \$247,000 (1.3%) decrease overall due to reduced need for Personal Protection Equipment (PPE). Note that the cost of bus parts has increased due to inflation however this increase is mostly offset by a reduction in PPE expenses.
- Utilities & Taxes of \$6.6 million, a \$303,000 (4.8%) increase due to supply chain disruptions and inflation driving up the price of goods.
- Casualty and Liability of \$24.0 million, a \$2.3 million (10.7%) increase over FY 2021-22 budget due to anticipated insurance premium increases.
- Paratransit and Purchased Transportation of \$32.7 million, a \$5.0 million (18.0%) increase over FY 2021-22 budget. Fuel prices are a major factor in the cost increase for paratransit and ridership is expected to gradually increase commensurate with increases in service. Staff reduced the original budget request by \$1.5 million and will need to re-visit during the mid-year based on invoices for actual service.
- Other category of \$6.9 million, a \$1.0 million (17.1%) increase due to a higher cost for elections and a high number of Election of Directors. November of 2022 will include four elections: 3 wards and one at-large position.

Capital Budget

The Recommended FY 2022-23 Capital Budget includes 5 new and 45 continuing projects, for a total of 50 projects. These projects have a total estimated spending for the fiscal year of \$165.2 million, composed of \$148.0 million in grant funds and \$17.2 million in District Capital funds. For the Recommended Capital Budget, a new project to repair the roof at the 66th Avenue Warehouse was added to support the emergency declaration ratified by the Board on May 11, 2022. This project adds \$500,000 of District Capital funds to the FY 2022-23 Capital Budget.

ADVANTAGES/DISADVANTAGES:

Staff cannot identify any disadvantages to approving the recommended budgets.

ALTERNATIVES ANALYSIS:

Staff analyzed many possible expense items and requests from all departments. The Recommended budget builds on the feedback from the Board and all departments received after the Draft and Proposed budgets.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 22-158 FY 2022-23 Budget Goals & Objectives

SR 22-158a Draft FY 2022-23 Operating and Capital Budgets

SR 22-158b Proposed FY 2022-23 Operating and Capital Budgets

ATTACHMENTS:

1. Resolution 22-023
2. Recommended Operating Budget
3. Recommended Capital Budget
4. New Position Requests
5. Recommended Budget Book

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