

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 9/14/2022

Staff Report No. 22-504

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Bi-Monthly Budget Update

ACTION ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider receiving the Bi-Monthly budget update for the period of July 2021 through June 2022 of FY 2021-22.

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

Regular financial reporting benefits staff and Board Members in assessing the condition of the District.

BUDGETARY/FISCAL IMPACT:

There are no budgetary or fiscal impacts associated with this report.

BACKGROUND/RATIONALE:

Overview

Revenues are \$17.2 million (3.4%) above budget and Expenses are \$41.4 million (8.1%) below budget, resulting in a surplus of \$58.6 million. While sales tax subsidy revenues are higher than expected, the District's surplus position is primarily explained by the draw-down of \$55.5 million in Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act federal funds and \$10.0 million draw down from the American Rescue Plan (ARP) Act.

Operating Revenues & Subsidies

Total revenues and subsidies are \$17.2 million (3.4%) above budget for the July-June period. Revenues from Operations are \$5.6 million (13.3%) below budget, and Subsidies are \$22.8 million (4.9%) above budget. Specific revenues are as follows:

- Farebox - \$2.6 million or 9.4 % below budget
 - Fare revenue budget is expected to be lower than originally budgeted. While fare revenue is \$12.0 million higher than prior year-to-date actuals (still recovering from the pandemic), the

District faces challenges increasing ridership District wide and enforcing revenue collection on the Tempo BRT line.

- Other Operating Revenues -- \$4.5 million or 49.7% below budget
 - Other Operating Revenues are lower than budget, however this figure does not yet reflect \$2.7 million in BART Feeder Service Agreement receipts expected to be recorded for FY 2021-22.
- Sales Tax -- \$22.8 million or 12.2% above budget
 - Sales taxes are above budget for this fiscal year and \$17.9 million above prior year-to-date revenue collection. Sales tax revenues have been higher than expected, however increases in inflation and rising interest rates could potentially lead to eventual lower levels of consumer spending resulting in lower levels of sales tax funding for FY 2022-23.
- Property & Parcel Tax -- \$10.3 million or 6.6% above budget
 - Property taxes remain resilient and continue to come in above budget.
- Other Federal, State, and Local -- \$10.3 million or 8.1% below budget
 - The deficit here reflects a lower draw-down of ARP Act funding compared to budget.

Operating Expenses

Total expenses are \$41.4 million (8.1%) below budget for the July-June period. Labor expenses are \$24.4 million (6.6%) below budget, and Non-Labor expenses are \$17.0 million (12.1%) below budget. In comparison to prior year-to-date actuals for FY 2020-21, Labor expenses are \$10.0 million (2.9%) higher and Non-Labor expenses are \$24.8 million (25.1%) higher. Major factors are as follows:

- Salaries & Wages are below budget by \$5.5 million (3.3%), however most of the budget surplus in this category was to support service level recovery, which was contingent on increasing active bus operator headcount. Due to a competitive labor market, the District was not able to hire sufficient operators to meet service level recovery targets. Expenses exceed prior year-to-date actuals by \$14.9 million (10.0%) due to retroactive incentive pay, increased hiring District-wide, appreciation pay for ATU members, and updated contractual agreements.
- Fringe Benefits are below budget by \$15.5 million (11.0%), however, similar to Salaries & Wages, most of the budget surplus in this category is in place to support service level recovery.
- Pension is below budget by \$3.3 million (5.4%) and tracking slightly below prior year actuals. Staff is reviewing actuarial reporting for changes that affect budgeting in this area.
- Services is \$14.6 million (32.4%) below budget primarily due to timing of payments for Protective Services contracts. Also, several service planning implementation and engineering projects were held up by pandemic-related restrictions and the threat of losing federal aid early in the fiscal year. There is a backlog of work that will be carried forward to FY 2022-23.
- Fuel and Lubricants is \$2.1 million (14.2%) over budget for this fiscal year due to significantly higher prices caused by geo-political issues driving a tighter global supply of oil.
- Other Materials and Supplies is \$2.3 million (12.5%) below budget due primarily to lower than anticipated purchases of Safety and Medical Supplies. Compared to prior year actuals, spending is marginally greater by \$279,000 (1.7%) due to higher cost in Bus Parts.
- Casualty and Liability is tracking on budget however higher than prior year-to-date expenses by \$8.7 million (76.1%) due to an increase in premiums and a true-up that reduced expenses in previous years.
- ADA/Other Purchased Transportation is tracking to budget. Prior year-to-date spending is \$7.2 million (35.1%) lower due to last year's lower levels of service and ridership.

District Funded Capital

Year-to-date District Capital spending is much lower than budget primarily due to timing of bus purchases. The amount of year-to-date spending is slightly less (-6%) compared to the same period in the previous year.

ADVANTAGES/DISADVANTAGES:

The advantage of the bi-monthly report on the budget is to allow the Board of Directors to remain current on the status of the annual budget revenues and expenditures.

ALTERNATIVES ANALYSIS:

This report does not recommend an action; therefore, no alternatives analysis is presented.

PRIOR RELEVANT BOARD ACTION/POLICIES:

None.

ATTACHMENTS:

1. Bi-Monthly Report

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Approved/Reviewed by:

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