

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 1/25/2023

Staff Report No. 22-158d

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager/Chief Executive Officer
SUBJECT: FY 2022-23 Mid-Year Operating and Capital Budget Review

ACTION ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider receiving the FY 2022-23 Mid-Year Budget review and ridership analysis, and adopt Resolution No. 23 -004 amending the FY 2022-23 Annual Operating and Capital Budgets.

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency
Initiative - Financial Efficiency and Revenue Maximization

Amending the Annual Operating and Capital Budgets benefits staff and Board Members in understanding revisions needed for the remainder of the fiscal year to better align the District budget with projected revenues and expenses.

BUDGETARY/FISCAL IMPACT:

Approving the proposed budget changes will reduce the Operating Revenue and Expense budgets by \$2.2 million each, resulting in a balanced budget. There is no change to the total capital budget amount.

Four new positions are proposed to be added with the Mid-Year Budget amendment.

BACKGROUND/RATIONALE:

Overview

The proposed Mid-Year budget amendment for FY 2022-23 reduces the District's total operating revenues and expenses by \$2.2 million (0.4%). The reduction in revenues is composed of an increase in operations revenue of \$1.9 million and a decrease in subsidies of \$4.1 million. Total expenses are composed of a \$6.4 million reduction for Labor and \$4.2 million increase for Non-Labor. There is no change to the total amount of capital budget or the projects included.

Attachment 2 provides a summary of proposed changes to the District's Total Operating Revenues and

Expenses.

Operating Revenues & Subsidies

The following revenue budget adjustments are proposed:

- An increase of \$1.6 million to Operations Revenues due to increased Easy Pass revenues.
- An increase of \$2.5 million in Property Tax.
- An increase of \$5.0 million in Measure BB, local sales tax funds.
- A decrease of \$13.0 million in American Rescue Plan Act (ARP) funds. Of the District's total \$116 million funds from ARP, \$10 million was used in FY 21-22, \$48.5 million is recommended to be used in FY 22-23 (a reduction from the adopted \$61.5 million), and the remainder will be used to support future years.

Operating Expenses

Operating expense changes reflect a more realistic view of the District's ability to increase service levels. Due to ongoing challenges in operator hiring and absenteeism, the District has reduced planned FY 22-23 service levels from 100% to 88% of pre-pandemic levels. Accordingly, staff proposes an expense reduction for budgeted Bus Operator salaries and wages. The proposed reductions will align the District's operating budget with the current service level projection.

Labor Budget Adjustments (\$6.4 million decrease)

- Decrease of \$2.2 million in Salaries & Wages. The overall decrease includes nearly \$8.0 million reduction in Operator Regular Time and \$1.0 million reduction in New Bus Operator Training. These reductions are offset by increases in Maintenance Regular Time (\$1.7 million), Clerical Regular Time (\$1.3 million), and Overtime for Operators, Maintenance, Clerical and Salaried workers (approximately \$2.2 million, needed to backfill vacancies and absences). Other additions are included for Appreciation Pay for AFSCME (\$745,000), Temporary Help (\$500,000), and hiring incentives (\$250,000). In addition, \$365,000 is included for four new proposed positions as outlined in Attachment 3. The proposed mid-year adjustment for new positions reflects pro-rated costs with full benefits; the annual cost for all four new positions is just over \$1.4 million.
- Decrease of \$4.2 million in Fringe Benefits. The primary reduction is in Health Care (close to \$4 million) due to the effects of fewer bus operator positions being filled than expected.

Non-Labor budget adjustments (\$4.2 million increase)

- Increase of nearly \$900,000 in Services, of which includes \$1.2 million for increased costs for Security Services (such as overtime and contractual increases). The significant increase in Security Services is offset by a reduction to the budget for Rider Profile Survey, which is still sufficiently budgeted for the remainder of this fiscal year for what can be accomplished. The survey work will be completed next year, and the expense requested as part of FY 2023-24 operating budget.
- Increase of \$2.6 million in Fuel & Lubricants to account for the uncertainty and variation of fuel costs. Overall, diesel and hydrogen fuel prices have increased and supply continues to be constrained due to unstable global production markets.
- Increase of \$552,000 for Other, which includes increases for the Salesforce Transit Center (\$264,000 for Bus Storage Facility and \$190,000 for the Transit Center).

Proposed Position Additions and Changes

Attachment 3 lists four new positions proposed for the board's review to be added to the District's authorized headcount. Note that the pro-rated cost for the Executive Director of Safety, Security & Training will be offset in part by vacancy savings from the Safety Manager position. Annual and pro-rated costs include benefits. The pro-rated annual cost to add the positions at Mid-Year is \$365,253. All positions are pro-rated as of the estimated start month (no sooner than March, and dependent on hiring success). The positions listed in Attachment 3 are proposed as part of the Mid-Year adjustment, instead of waiting for the start of the fiscal year, because the District is facing unusual challenges at this time.

Capital Budget

Year-to-Date District Capital spending is \$5.4 million or 31% of the approved FY 2022-23 capital budget. Most of the expenditures have been on bus purchases and facility repair projects. There are no changes to the overall capital budget.

Ridership Report

The mid-year ridership report provides a condensed analysis covering the period from July 2022 to November 2022, serving as a mid-year update to the annual ridership staff report presented to the Board. Due to the limited dataset for this time period, this report focuses on Fall 2022 ridership performance. Attachment 4 contains four separate exhibits, summarized below.

- Monthly Trend (Attachment 4, Exhibit 1A): July through November 2022 continued a positive ridership recovery trend since bottoming in early 2020 near the start of the Covid-19 pandemic. This five-month period saw a 21% system-wide ridership increase compared to the same period in the prior year. Peak monthly ridership generally occurs in October each year, allowing for an in-depth look at route-level performance and ridership recovery. For the month of October 2022, total ridership was 3.1 million riders, a 20.5% increase compared to the prior year. However, fiscal year-to-date (July to Nov 2022) cumulative ridership of 14.2 million riders remains at 62% of pre-pandemic (FY 18-19) ridership for the same five-month period. If current ridership trends hold for the remainder of the fiscal year, ridership is projected to reach 66-68% of pre-pandemic levels by June 30, 2023 (estimated 35 - 36 million annual riders).
- Recovery Levels (Attachment 4, Exhibit 1B and Exhibit 1C):
 - Exhibit 1B shows monthly ridership broken out by service mode for FY 18-19, FY 21-22, and FY 22-23. This provides a year-over-year and pre-pandemic comparison of current ridership trends. Local (MB-Motorbus) service gained 21% year-over-year, recovering to 58% of FY 18-19 levels. Transbay (CB-Commuter Bus) service, while showing positive year-over-year gains, reflects only 16% of pre-pandemic level ridership. The new TEMPO (RB- Rapid Bus) service continues to show strong ridership, carrying over 320,000 monthly riders through November 2022.
 - Exhibit 1C shows the current recovery percentage trend by day type, comparing weekday versus weekend trend line relative to pre-pandemic levels in 2019. Comparing October 2022 with October 2019, weekday ridership is down by 32%, while weekends are down by 16-17%.
- Route-level Performance (Attachment 4, Exhibit 1D): Exhibit 1D provides average weekday ridership performance across all service routes, comparing October ridership for each of the past five years. This table provides a quick comparison of pre-pandemic ridership levels with current performance. Among the top performing routes, TEMPO (Line 1T) is the District's top performer, carrying over 13,000

average daily weekday riders in Fall 2022. Lines 51B, 40, 51A, 6, 57, 72R, 52, 14, and 18 round out the top 10 local routes, carrying between 3,000 - 8,500 daily passengers.

ADVANTAGES/DISADVANTAGES:

This report is being provided to inform the Board of the financial activities of the first six months of the fiscal year, and to provide a revised budget for the remainder of FY 2022-23. The advantage of the mid-year budget changes is to better align the budget to projected revenues and expenses.

ADVANTAGES/DISADVANTAGES:ALTERNATIVES ANALYSIS:

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ALTERNATIVES ANALYSIS:

There are no practical alternatives to the recommendations presented in this report.

PRIOR RELEVANT BOARD ACTION/POLICIES:

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

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

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

SR 22-158c Recommended FY 2022-23 Operating and Capital Budgets

ATTACHMENTS:

1. Resolution 23-004
2. Proposed Mid-Year Budget
3. Proposed Position Changes
4. Ridership Report (Exhibits 1A, 1B, 1C, 1D)

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