

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 2/8/2023

Staff Report No. 23-069

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager/Chief Executive Officer
SUBJECT: Quarterly Budget Update

BRIEFING ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider receiving the Quarterly budget update for the period of July 2022 through end of December 2022 of FY 2022-23.

Staff Contact:
Chris Andrichak, Chief Financial Officer

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 with this report.

BACKGROUND/RATIONALE:

The District financials are performing better than expected for the first half of the fiscal year. Revenues are \$6.6 million (2.4%) above budget and Expenses are \$37.6 million (13.7%) below budget, resulting in a surplus of \$44.2 million. The District's surplus position is mostly explained by unused budget in expenses related to service restoration. This means that less American Rescue Plan (ARP) Act revenue is required to support the financials this year and staff is recommending a mid-year adjustment to lower the ARP allocation which will free up additional ARP funding for future years.

Operating Revenues

Total operating revenues and subsidies are \$6.6 million (2.4%) above budget for the July-December period. Operating Revenues are \$391,000 (1.9%) below budget, and Subsidies are \$6.2 million (2.5%) above budget. Specific revenues are as follows:

- Farebox - \$119,000 or 0.8 % below budget
 - Fare revenue has been gradually increasing this year and is expected to track close to

budget for the current fiscal year. So far, Fare revenue is higher than prior year-to-date actuals by \$2.6 million (22.7%).

- Contract Services -- \$163,000 or 4.7% above budget
 - Contract service revenue is expected to exceed the budget this fiscal year due to existing client contract updates from Peralta College and UC Berkeley Student Pass. A proposed Mid-Year adjustment will align the budget with the contract amounts.
- Sales Tax -- \$10.4 million or 9.1% above budget.
 - Sales tax subsidies have performed well this fiscal year and are \$21.5 million (or 20.9%) above prior year-to-date revenue. Much of the Increase is due to MTC prior year carry-over adjustments that pushed \$14.1 million into the current fiscal year. Staff is hopeful sales taxes continue to increase but current economic projections are not promising.
- Property & Parcel Tax -- \$2.0 million or 2.4% above budget
 - Property and Parcel taxes remain resilient and revenue continues to come in above budget.
- Other Federal, State, and Local -- \$6.1 million or 10.7% below budget
 - ARP drawdown is lower than the budget for the first half of the year due to lower service levels resulting in lower expenses and lower ARP funding requirements. A proposed mid-year budget adjustment will lower current year ARP levels and allow more funding to be available in future years.

Operating Expenses

Total expenses are \$37.6 million (13.7%) below budget for the July-December period. Labor expenses are \$25.5 million (13.0%) below budget, and Non-Labor expenses are \$12.1 million (15.5%) below budget. In comparison to prior year-to-date actuals for FY 2021-22, Labor expenses are \$1.7 million (1.0%) higher and Non-Labor expenses are \$9.7 million (17.3%) higher. Major factors are as follows:

- Salaries & Wages are below budget by \$7.6 million (8.4%), however most of the budget in this category is to support service level increases, which is contingent on increasing active bus operator headcount. The District has had difficulty hiring sufficient bus operators to increase service levels resulting in lower Salaries and Wages.
- Fringe Benefits are below budget by \$12.6 million (17.5%) due to lower service levels as well as timing issues that will correct later in the year. Examples of Fringe Benefit expenses include Health Care, Paid Time Off, and Workers Compensation Insurance.
- Pension is expected to be within budget by year-end when accounting corrections will “catch up.” Pension spending is below the current fiscal year budget and prior fiscal year-to-date actuals by \$5.3 million (15.7%) and \$1.9 million (6.2%), respectively.
- Services is \$8.4 million (35.0%) below budget for the first half of this fiscal year because payments for Services are generally paid in the latter half of the year. Prior year-to-date actuals are lower than the current fiscal year actuals by \$2.5 million (19.1%) reflecting an increase in use of Services since recovery from the pandemic.
- Fuel and Lubricants is \$1.1 million (12.2%) over budget this fiscal year and \$2.6 million (35.5%) over prior year budget due to increasing demand for oil and tight global supply. Staff will propose a Mid-Year budget adjustment for the fuel account.
- Other Materials and Supplies is lower than budget for the first half of the current fiscal year by \$1.1 million (11.0%), however higher than prior year-to-date actuals by \$1.0 million, reflecting an overall increase in cost of supplies due to inflation.
- ADA/Other Purchased Transportation is \$2.1 million (13.0%) below budget for this year and

slightly under prior year-to-date expenses due to timing of payments.

- Other category is \$1.3 million (36.1%) below budget primarily due to timing of payments related to lease agreements for the Transbay Joint Powers Authority and election costs for board of directors.

District Funded Capital

District Capital spending is on track within the budget for the year. We anticipate a higher amount of District Capital spending throughout this year primarily due to completion of bus purchases this fiscal year.

ADVANTAGES/DISADVANTAGES:

The advantage of the Quarterly 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. Revenues and Expense Report

Prepared by:

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In Collaboration with:

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Approved/Reviewed by:

Richard Oslund, Director of Management & Budget

Chris Andrichak, Chief Financial Officer