

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 12/11/2024

Staff Report No. 24-583

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 2024 through the end of September 2024 of FY 2024-25.

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:

Overview

The District financials are performing within reasonable expectations for the first quarter of FY 2024-25. Revenues are \$15.3 million (10.1%) below budget and Expenses are \$13.5 million (8.9%) below budget, resulting in a deficit of \$1.9 million for the quarter. This deficit is primarily due to timing of revenues, as no federal pandemic funding was received in the first quarter. Staff plans to draw-down this federal funding in the second quarter.

Operating Revenues

Total revenues are \$15.3 million (10.1%) below the annual budget for FY 2024-25. Revenues from operations are slightly below budget by \$836,000 (6.1%) for the current fiscal year as well as below prior fiscal year by \$575,000 (4.3%) mostly due to the timing of EasyPass Program receipts. Property & Parcel Tax subsidies are

doing better than prior fiscal year by \$2.8 million, but Sales Tax Subsidies are \$7.3 million worse. Overall, first quarter subsidies are below budget by \$3.3 million (2.6%) for the current fiscal year due to timing of receipts for Local Regional Measures 2 and 3 (RM2/RM3) and federal Americans with Disabilities Act (ADA) set aside. Federal pandemic funds are below budget by \$11.2 million due to timing of draw-downs. Specific revenues are as follows:

- Farebox - \$657,000 or 7.1% below budget
 - Fare revenue is tracking slightly below budget for the first quarter of the fiscal year and is relatively flat compared to prior year-to-date actuals. Prior year first quarter fare revenue was abnormally high due to large one-time ticket purchases by Bay Area Community Services and two school districts.
- Contract Services - \$1.6 million or 74.3% below budget
 - Contract Services are lower than budget for the first quarter of the fiscal year due to the timing of EasyPass Program receipts. Many of the EasyPass contracts do not follow the District fiscal year timing and staff expects revenues to increase later this fiscal year.
- Other Operations Revenues -- \$1.4 million or 59.1% higher than budget
 - Other Operations Revenues are higher than budget for the first quarter of the fiscal year primarily due to higher interest income resulting from continued high interest rates.
- Sales Tax -- \$459,000 or 0.8% below budget
 - Sales taxes revenue is tracking close to budget for the first quarter of the fiscal year and \$7.3 million (10.9%) below prior year-to-date revenue collection due to a FY 2023-24 \$6.5 million TDA operating revenue rescission that occurred in the first quarter.
- Property & Parcel Tax - actuals equal budget
 - Property and Parcel Tax remain resilient and are \$2.9 million (6.5%) above prior year-to-date revenue.
- Other Federal, State, & Local - \$2.9 million or 15.1% below budget
 - Revenues are running below expected budget due to the timing of payments for the federal ADA set aside, Paratransit lease, and RM3 funding. Payments will catchup later in the year.
- Federal Pandemic Funding - \$11.2 million or 100.0% below budget
 - The District has flexibility on when to draw-down this funding within the fiscal year to support cash flow. No draws occurred in the first quarter but approximately \$20 million is expected to be drawn in the second quarter.

Operating Expenses

Total operating expenses are \$13.5 million (8.9%) below budget for the first quarter of the fiscal year. Labor

expenses are \$1.0 million (1.0%) below budget, and non-labor expenses are \$12.4 million (24.8%) below budget. Major factors are as follows:

- Salaries & Wages are at budget and rely on the use of overtime to backfill vacant bus operator positions. The increase of \$2.5 million (5.7%) over prior fiscal year-to-date actuals is mostly due to wage increases adopted at the start of the fiscal year.
- Fringe Benefits are at budget. The increase of \$3.3 million (9.7%) over prior fiscal year-to-date actuals is mostly due to cost increases in Healthcare and Workers Compensation insurance.
- Pension is below budget by \$1.8 million (9.9%) due to timing of expenses and is expected to track to budget.
- Services is \$5.4 million (38.5%) below budget for the first quarter of the fiscal year. Most spending occurs toward the latter part of the year due to the timing of payments for professional and software services. Prior year-to-date expenses are \$605,000 above current fiscal year due to the timing of payments for the Alameda Sheriffs contract.
- Fuel is \$909,000 (19.6%) below budget for the first quarter of the fiscal year. Staff is hopeful that gas prices will remain favorable despite political uncertainty.
- Casualty & Liability is tracking to budget for the first quarter of the fiscal year, however \$1.1 million (19.5%) higher than prior year-to-date actuals due to increasing costs for insurance.
- Purchased Transportation is \$4.8 million (32.7%) under budget due to timing of payments, however \$576,000 (6.2%) higher than prior year-to-date actuals due to increasing costs for paratransit services.

District Funded Capital

District Capital is tracking under budget in FY 2024-25 due to delays on bus procurements and other large multi-year projects. District Capital is paid for out of the District's working capital generated by budget surpluses. Staff anticipate a higher amount of District Capital to be spent throughout the year as bus purchases get completed and the delayed projects get back on schedule.

Quarterly Grant Application Reporting

The attached spreadsheet displays grant applications submitted thus far in the 2024 calendar year (January through December). It shows to which programs AC Transit applied, and for what projects. It also shows in which quarter the applications were submitted, how much funding was asked for, and if applicable, how much funding was awarded. AC Transit continues to utilize grant programs to fund its prioritized projects as much as possible, with the goals of more easily achieving financial stability and realizing its stated mission and values. Due to the nature of these grant programs, it is difficult to predict in advance the amount AC Transit will receive in grant application awards.

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. Revenue and Expense Report
2. Quarterly Grant Application Reporting

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In Collaboration with:

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Approved/Reviewed by:

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