

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 5/10/2023

Staff Report No. 23-022

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 the end of March 2023 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:

Overview

The District financials are performing as expected for the third quarter of the fiscal year. Revenues are \$9.5 million (2.3%) above budget and Expenses are \$43.0 million (10.5%) below budget, resulting in a surplus of \$52.4 million. The District's surplus position is mostly explained by budgeting operator requirements for 88% service levels while continuing to experience difficulties filling vacancies and hiring operators for service restoration. Although the District continues to support efforts and initiatives to attract operators, the recruiting difficulties have resulted in excess operator labor budget.

Sales and property tax revenues remain resilient this year and American Rescue Plan (ARP) Act revenue drawdowns are tracking close to budget. Any Surplus budget remaining at year-end will be used to pay for District capital requirements and to increase the District cash balance in preparation for a potential economic

downturn.

Operating Revenues

Total revenues and subsidies are \$9.5 million (2.3%) above budget for the July-March period. Operating Revenues, including Farebox, are on-budget and \$7.2 million (28.0%) higher than the prior fiscal year-to-date actuals. Subsidies are \$9.9 million (2.9%) over budget. Funding from ARP is on-budget for this current fiscal year and \$18.8 million (33.8%) lower than prior fiscal year-to-date actuals. Specific revenues are as follows:

- Farebox - \$286,000 or 1.3% below budget
 - Fare revenue budget is expected to track close to budget for the current fiscal year and is higher than prior year-to-date actuals by \$3.8 million (21.5%).
- Contract Services -- \$970,000 or 15.0% below budget
 - Contract service revenue is lower than budgeted for the current fiscal year but higher than prior year-to-date actuals by \$498,000 due to the timing of EasyPass Program receipts.
- Other Operating Revenues -- \$1.2 million or 23.6% higher than budget
 - Other Operating Revenues are higher than budget due to the timing of rental income and BART Feeder Service Agreement Payments. BART has agreed to pay \$2.7 million this fiscal year.
- Sales Tax -- \$7.6 million or 4.4% above budget
 - Sales taxes are above budget for this fiscal year and \$26.8 million or (17.2%) above prior year-to-date revenue collection. Staff is hopeful sales taxes continue to increase but economic projections for the coming year are not promising.
- Pandemic Funding - \$349,000 or 0.9% below budget.
 - ARP drawdown is slightly lower than the quarterly budget, however less from prior fiscal year-to-date actuals by \$18.8 million.

Operating Expenses

Total expenses are \$43.0 million (10.5%) below budget for the July-March period. Labor expenses are \$26.2 million (9.1%) below budget, and Non-Labor expenses are \$16.7 million (14.0%) below budget. Major factors are as follows:

- Salaries & Wages and Fringe Benefits are below budget by \$20.2 million, reflecting the District's abundance of vacant positions, especially in Operations. However, the increase of \$8.3 million over the prior fiscal year-to-date actuals is mostly due to increased use of Overtime.
- Pension is below budget by \$6.1 million (12.0%), however, is expected to be within budget by year-end.
- Services is \$10.3 million (28.1%) below budget for this year because the majority of payments for Services generally come in the last quarter of the year. Compared to prior fiscal year-to-date actuals there is an overall increase in use of services as well as higher expenses for Security, Software, and Clipper resulting in an increase of \$5.3 million (25.3%).
- Materials and Supplies is \$1.6 million (10.6%) below budget, however higher than prior fiscal year-to-date actuals by \$1.5 million (12.8%), reflecting an overall increase in cost of supplies due to inflation.
- Casualty and Liability is below budget by \$1.3 million (7.1%) due to the timing of insurance premium payments.

- Purchased Transportation is \$1.5 million (6.1%) below budget for this year due to timing of payments and higher than prior fiscal year-to-date expenses by \$2.7 million (13.3%) mainly due to fuel price increases.
- Other category is \$1.2 million (21.8%) below budget primarily due to timing of payments for lease agreements for the Salesforce Transit Center and election costs for board of directors.

District Funded Capital

So far this year District Capital is tracking to budget and \$6.9 million (46%) has been spent. District Capital is essentially paid for out of the District's working capital generated by budget surpluses. Staff anticipates a higher amount of District Capital spending throughout this year primarily due to completion of bus purchases.

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 alternative analysis is presented.

PRIOR RELEVANT BOARD ACTION/POLICIES:

None.

ATTACHMENTS:

1. Revenue and Expense Report

Prepared by:

Mary Archer, Budget Manager

Approved/Reviewed by:

Richard Oslund, Director of Management & Budget

Chris Andrichak, Chief Financial Officer