

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 11/9/2022

**Staff Report No. 22-586**

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**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 September 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:**

**Overview**

The District financials are performing as expected for the first quarter of the fiscal year. Revenues are \$2.1 million (1.6%) below budget and Expenses are \$21.2 million (15.5%) below budget, resulting in a surplus of \$19.1 million. While tax subsidy and property & parcel tax revenues are higher than budgeted for the first quarter, other revenue sources are lower than expected. The District's surplus position is mostly explained by unused budget in expenses related to service restoration. American Rescue Plan (ARP) revenue is lower than budget for the first quarter of the fiscal year. Staff is reviewing ARP funding requirements and will re-assess during the mid-year process.

Total revenues and subsidies are \$2.1 million (1.6%) below budget for the July-September period. Operating Revenues are \$2.0 million (18.6%) below budget, and Subsidies are \$176,000 (0.1%) below budget. Specific revenues are as follows:

- Farebox - \$210,000 or 2.9 % 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 \$1.3 million despite continuing challenges to enforce revenue collection.
- Contract Services -- \$907,000 or 51.9% below budget
  - Contract service revenue is lower than budgeted for the current fiscal year and lower than prior year-to-date actuals due to the timing of EasyPass Program receipts.
- Other Operating Revenues -- \$842,000 or 53.5% below budget
  - Other Operating Revenues are lower 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 -- \$3.9 million or 6.8% above budget
  - Sales taxes are slightly above budget for this fiscal year and \$9.6 million or (18.6%) above prior year-to-date revenue collection. Staff is hopeful sales taxes continue to increase but current economic projections are not promising.
- Property & Parcel Tax -- \$978,000 or 2.4% above budget
  - Property and Parcel taxes remain resilient and revenue continues to come in above budget.
- Other Federal, State, and Local -- \$5.0 million or 17.4% below budget
  - ARP drawdown is lower than the quarterly budget, however staff will re-assess the amount required during the mid-year budget process.

### Operating Expenses

Total expenses are \$21.2 million (15.5%) below budget for the July-September period. Labor expenses are \$13.5 million (13.8%) below budget, and Non-Labor expenses are \$7.8 million (20.0%) below budget. In comparison to prior year-to-date actuals for FY 2021-22, Labor expenses are \$1.2 million (1.4%) higher and Non-Labor expenses are \$2.3 million (8.0%) lower. Major factors are as follows:

- Salaries & Wages are below budget by \$4.7 million (10.5%), 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 not been able to hire sufficient bus operators to meet its service restoration goals, resulting in marginal increases compared to prior year actuals.
- Fringe Benefits are below budget by \$6.2 million (17.2%) mostly due to 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 below budget by \$2.5 million (15.2%), however expected to be within budget by year-end. Compared to the prior fiscal year, only slightly below by \$292,000 (2.0%).
- Services is \$5.0 million (41.5%) below budget for this 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 \$610,000 (9.5%) reflecting an increase in use of Services.
- Fuel and Lubricants is \$1.4 million (31.4%) over budget this fiscal year and \$2.0 million (52.3%) over prior year budget due to continued high prices from 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 \$558,000 (11.5%) below budget due primarily to lower purchases of Safety and Medical Supplies as well as other miscellaneous supplies as compared to prior year.
- Utilities and Taxes is over budget by \$121,000 (7.4%) due to the timing of utility bill payments.
- Casualty and Liability is below budget by \$1.6 million (27.1%) due to the timing of insurance premium

payments.

- ADA/Other Purchased Transportation is \$1.5 million (18.5%) below budget for this year and slightly under prior year-to-date expenses due to timing of payments.
- Other category is \$602,000 (34.0%) below budget primarily due to timing of payments for lease agreements and election of directors, which will be corrected for October. Prior year-to-date actuals were lower by \$98,000 (9.2%) reflecting lower lease payments last FY.

**District Funded Capital**

District Capital spending is on track within the budget for the year. Staff anticipate 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 alternatives 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