



# FY 23-24 Draft Budget

May 10, 2023

# FY 2023-24 Draft Budget Overview

<i>(millions)</i>	FY23 Budget	FY24 Draft Budget	+ / (-)
Operating	43.9	44.5	.6
Subsidies	452.5	473.3	20.8
ARP	48.5	27.8	-20.7
<b>Total Revenue</b>	<b>545.0</b>	<b>545.6</b>	<b>.6</b>
Labor	385.5	377.4	-8.1
Non-Labor	159.4	168.3	8.9
<b>Total Expenses</b>	<b>544.9</b>	<b>545.6</b>	<b>.7</b>
<b>Surplus/(Deficit)</b>	<b>.1</b>	<b>.0</b>	<b>-.1</b>

# FY24 Budget Development Process Overview

- ▶ Four-week collaborative budget input cycle - meeting intensive
- ▶ Labor
  - ▶ No new positions
  - ▶ Maintaining positions to match 85% pre-pandemic service levels
  - ▶ "Right-Sizing" with vacancies
- ▶ Non-Labor
  - ▶ Unavoidable expense increases countered with as many reductions as possible
  - ▶ A review of District Initiatives used a priority-based budgeting process

# Revenue Assumptions

- ▶ Farebox revenue assumption based on gradual increase in ridership and no fare increase
- ▶ Subsidies based on MTC and local county estimates
- ▶ Property and Parcel tax subsidy revenue assumes steady personal and commercial property values
- ▶ Draft Budget includes \$27.8 million of total \$116.3 million ARP funding. Remaining amount of \$38.4 million projected to be used in FY 2024-25

# Expense Assumptions

- ▶ Most wages based on negotiated labor increases
- ▶ Operator cost and available headcount based on 85% service levels
- ▶ Healthcare rates average increase of 5.5% per provider quotes
- ▶ Pension cost increase based on updated 2022 actuarial calculations
- ▶ Fuel cost flat but will track for potential adjustment at mid-year
- ▶ Bus parts increase 15% based on 6% inflation rate and supply chain issues
- ▶ Liability decrease per Insurance Broker quote
- ▶ Paratransit increase based on contractual administrative increases

# Labor Expense Assumptions

- ▶ Budgeted headcount and cost matched to 85% service levels
  - ▶ Reduced from 90% budgeted (but not reached) for FY 22-23
- ▶ Wages
  - ▶ Operator Overtime -7%
  - ▶ Non-Operator Wages -4%
  - ▶ Operator Wages -3%
- ▶ Fringe:
  - ▶ Healthcare -4%  
(despite rate increases)
  - ▶ Insurance and Workers Comp -11%
- ▶ Pension cost increase

# Labor Budget Highlights

	FY23 Budget	FY24 Draft Budget	+ / (-) Change
	<b>385.5</b>	<b>377.4</b>	<b>-8.1</b>
<i>Salaries &amp; Wages</i>	156.7	150.9	-5.8
<i>Overtime</i>	21.6	20.4	-1.2
<i>Healthcare</i>	59.3	57.0	-2.3
<i>Pension</i>	67.2	71.5	4.3
<i>Other Fringe Benefits</i>	80.7	77.6	-3.1

- ▶ Change in all categories reflects need to budget more accurately for service
- ▶ Restricted hiring for non-bus operator positions
- ▶ Only filling for positions critical to maintaining service delivery
- ▶ Reduced reliance on overtime
- ▶ Pension adjusted based on most recent actuarial estimates

# Non-Labor Expense Assumptions

- ▶ Temp Employee Help reducing >50%
- ▶ Cost of Professional Services controlled by vetting District Initiatives
- ▶ Fuel cost flat but will track for potential adjustment at mid-year
- ▶ Bus parts increase 15% due to inflation, supply chain issues, compliance needs
- ▶ Utilities overall increase 6%
- ▶ Use Tax increase 18% due to increasing cost of goods
- ▶ Paratransit increase 18% based on contractual labor increases
- ▶ Liability/Insurance decreasing 1%



# Non-Labor Budget Highlights

FY23 Budget	FY24 Draft Budget	+ / (-) Change
159.4	168.3	8.9

	FY23 Budget	FY24 Draft Budget	+ / (-) Change	Budget Area:
<b>Top Expense Increases</b>	<b>111.8</b>	<b>124.3</b>	<b>11.9</b>	
<i>Paratransit Contract</i>	29.3	34.5	5.2	Planning
<i>Bus Parts</i>	11.4	13.2	1.8	Operations
<i>Software Licenses</i>	6.4	7.7	1.3	IT
<i>Security Services</i>	15.2	16.4	1.2	Operations
<i>Outside Attorney</i>	1.2	1.9	.8	Legal
<i>Professional and Technical Services</i>	10.9	11.7	.7	Multiple Areas
<i>Leases and Rentals (TJPA)</i>	4.5	5.0	.5	Operations/Finance
<i>Taxes (Use Tax)</i>	2.9	3.3	.4	Overhead
<b>Top Expense Reductions</b>	<b>35.4</b>	<b>31.6</b>	<b>-3.5</b>	
<i>Temporary Help (temperature checkers, leave management)</i>	3.7	1.7	-2.0	HR/Multiple Areas
<i>Contract Maintenance Service</i>	3.1	2.6	-.5	Multiple Areas
<i>Office Furniture and Equipment</i>	.8	.5	-.3	Finance/Multiple Areas
<i>Office Supplies</i>	1.7	1.5	-.2	Multiple Areas
<i>Liability and Insurance</i>	24.1	23.9	-.2	Legal
<i>Audit Fees</i>	.3	.2	-.2	Finance
<i>Safety and Medical Supplies (masks, covid kits, etc)</i>	.6	.5	-.1	Overhead

# Capital Budget Overview

(millions)	FY24 Draft Budget
District Capital	17.2
Grants	148.0
<b>Total</b>	<b>165.2</b>

- ▶ 48 Projects
  - ▶ 11 New
  - ▶ 37 Continuing

- ▶ District Capital is an important use of our funds for capital projects and to match grant funds
- ▶ It comes from prior years surpluses and working cash, but can reduce possible reserves for future uncertainty



# Major Capital Projects

- ▶ 36 MCI Coach Buses
- ▶ D4 Charging Facility
- ▶ D4 Hydrogen Station Upgrade
- ▶ District Wide Security Enhancements
- ▶ Rapid Corridor Improvements

# FY 23-24 Budget Development Calendar

Date	Description
April 26, 2023	Presentation of Operating Budget Goals and Projections
May 10, 2023	Presentation of Draft Budget
May 24, 2023	Presentation of Proposed Budget
June 14, 2023	Presentation of Recommended Budget
July 1, 2023	The Adopted FY 2023-24 Budget becomes effective