

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 11/8/2023

Staff Report No. 23-519

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 2023 through the end of September 2023 of FY 2023-24.

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 reasonably for the first quarter of FY 2023-24. Revenues are \$14.0 million (10.3%) above budget and Expenses are \$4.9 million (3.6%) below budget, resulting in a surplus of \$18.9 million. The District's surplus position is mostly explained by the timing of a drawdown for the American Rescue Plan (ARP) Act funding as well as Sales Tax revenues performing better than anticipated.

Subsidies (Sales Tax, Property Tax, and Other Federal, State & Local) revenues remain resilient for FY 2023-24, resulting in \$7.2 million revenue surplus. Any surplus budget remaining at year-end will be used to pay for District capital requirements and to increase the District's reserves in preparation for a potential economic downturn and the end of ARP funds.

Operating Revenues

Total revenues and subsidies are \$14.0 million (10.3%) above budget for the fiscal year. Operating Revenues,

including Farebox, are on-budget and \$3.0 million (31.0%) higher than the prior fiscal year-to-date actuals. Subsidies are \$7.2 million (6.1%) over budget and \$9.4 million (12.9%) higher than prior fiscal year-to-date actuals due to higher-than-anticipated Sales Tax and Property Taxes. Overall, revenues are \$13.0 million (9.4%) higher than prior fiscal year-to-date actuals. Specific revenues are as follows:

- Farebox - \$413,000 or 5.3% above budget
 - Fare revenue budget is tracking close to budget for the first quarter and is higher than prior year-to-date actuals by \$1.2 million (16.7%). Ridership continues to make gradual increases.
- Contract Services -- \$1.0 million or 48.2% below budget
 - Contract service revenue is tracking below budget for the first quarter and higher than prior year-to-date actuals by \$270,000 (32.1%) due to the timing of EasyPass Program receipts.
- Other Operating Revenues -- \$2.1 million or 192.8% higher than budget
 - Other Operating Revenues are higher than budget for the first quarter primarily due to much higher interest income from higher interest rates.
- Sales Tax -- \$8.1 million or 13.9% above budget
 - Sales taxes are above budget for the first quarter and \$6.0 million (9.8%) above prior year-to-date revenue collection due to strong consumer spending. Staff is hopeful sales taxes continue to increase but economic projections for the coming year are pointing more towards a slowing economy.
- Property & Parcel Tax - \$2.9 million or 6.8% above budget
 - Property taxes are above budget for the first quarter and \$3.3 million (7.9%) above prior year-to-date revenue collection due to resilient property values.
- Other Federal, State, & Local - \$3.8 million or 21.4% below budget
 - Revenues are running below budget due to the timing of payments. Payments will catchup in the second quarter.
- American Rescue Plan (ARP) Federal - \$5.3 million or 75.8% above budget.
 - An increase in ARP drawdown occurred earlier in the year and will be adjusted for the remainder of the year based on overall revenue forecasting and cash requirements. Compared to the prior fiscal year-to-date actuals, the drawdown is higher by \$614,000 (5.2%).

Operating Expenses

Total operating expenses are \$4.9 million (3.6%) below budget for the first quarter of the fiscal year. Labor expenses are \$1.9 million (2.0%) below budget, and non-labor expenses are \$3.0 million (7.2%) below budget. It should be noted that expenses in almost all categories are higher when compared to prior year-to-date actuals indicating general increase in activities and associated costs as well as inflationary pressure. Major factors are as follows:

- Salaries & Wages is above budget by \$1.1 million (2.5%), primarily based on use of Overtime to backfill vacant bus operator positions. The increase of \$3.6 million over prior fiscal year-to-date actuals is mostly due to wage increases adopted at the start of the fiscal year.
- Fringe Benefits are above budget by \$776,000 (2.3%) mostly due to increases in HealthCare costs and timing of expenses. Prior year-to-date actuals are \$4.6 million (15.1%) lower due to increases in HealthCare costs.
- Pension is below budget by \$3.7 million (21.0%) due to timing of expenses and with forthcoming

adjustments will track much closer to budget.

- Services is \$1.8 million (14.2%) below budget and higher compared to prior year-to-date actuals primarily due to timing of payments for the Security Contract in the first quarter of the fiscal year.
- Fuel & Lubricants is tracking close to budget and is only slightly higher than prior year-to-date actuals. Fuel prices increased in the first quarter, and staff will continue to monitor for a potential mid-year budget adjustment.
- Materials and Supplies is tracking close to budget, and higher than prior fiscal year-to-date actuals by \$1.2 million (27.9%), reflecting an overall increase in cost of supplies due to inflation.
- Purchased Transportation is tracking close to budget for the first quarter of the fiscal year and \$2.4 million (35.9%) higher than prior year-to-date actuals due to increases in contract costs.

District Funded Capital

So far this year District Capital is tracking under budget by \$4.1 million (86.4%) due to timing of payments. District Capital is essentially paid for out of the District's working capital generated by budget surpluses.

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

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Approved/Reviewed by:

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