

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 1/26/2022

Staff Report No. 21-140e

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: FY 2021-22 Mid-Year Operating and Capital Budget Review

ACTION ITEM

RECOMMENDED ACTION(S):

Consider receiving the FY 21-22 Mid-Year Budget Review and adopt Resolution No. 22-002 amending the FY 21-22 Annual Operating and Capital Budget.

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency
Initiative - Financial Efficiency and Revenue Maximization

Amending the Annual Operating and Capital Budgets benefits staff and Board Members in understanding revisions needed for the remainder of the fiscal year to better align the District budget with projected revenues and expenses.

BUDGETARY/FISCAL IMPACT:

Approving the proposed budget changes will increase the Operating Revenue and Expense budgets by \$13.7 million each, resulting in a balanced budget. The Capital budget will increase by \$12.6 million including \$10.5 million from new grants and \$2.1 million from District capital.

BACKGROUND/RATIONALE:

Overview

The proposed Mid-Year budget amendment for FY 2021-22 increases the District's total Operating Revenues and Expenses by \$13.7 million (2.8%). The increase in revenues is composed of an increase in operating revenue of \$948,000 and an increase in subsidies of \$12.7 million. Total expenses are composed of increases of \$8.3 million for Labor and \$5.4 million for Non-Labor. The proposed budget also includes an increase in the Capital Budget by \$12.6 million which includes \$10.5 million in new grants and \$2.1 million in District capital.

Attachment 2 provides a summary of proposed changes to the District's Total Operating Revenues and Expenses.

Operating Revenues & Subsidies

Recent confirmation that the District can move beyond the PERPA/Section 13(c) issues and that the American

Rescue Plan (ARP) Act funding will be distributed has allowed the District to add revenue of \$13.7 million to the Mid-Year Budget.

The following revenue budget adjustments are proposed:

- An increase of \$948,000 to Operating Revenues due to increased Easy Pass revenues.
- An increase of \$2.6 million in Property & Parcel Tax revenues due to higher than anticipated property sales.
- An increase of \$10.1 million in Other Federal, State, & Local revenues, of which \$5.0 million is added from the American Rescue Plan Act (ARP). The remaining \$5.1 million represents adjustments to subsidy estimates based on updated MTC allocation instructions.

Operating Expenses

Expense increases amounting to more than \$13.7 million are possible, in large part, due to updated revenue projections.

The largest increases include \$5 million to accommodate the cost of appreciation pay, \$1.7 million in fuel to account for the rise in fuel costs, and \$1.4 million in previously approved retroactive pay. \$1.0 million was added to cover the cost for COVID-related paid absences. Another \$1.0 million was needed to cover estimated pass-through costs for Tempo maintenance incurred by agreements with local jurisdictions.

The proposed Mid-Year expense increases include four new positions and six position changes (conversions and changes). These position changes will increase the labor budget by \$403,000, pro-rated for the remainder of FY 2021-22.

Staff proposes expense budget adjustments in the following areas:

Labor budget adjustments (\$8.3 million):

- Increase of \$2.1 million in Salaries & Wages, of which \$1.4 million is to cover cost of previously approved retroactive pay for AFSCME, ATU, and Unrepresented employees. Retroactive pay includes Board-approved and contractually binding pay increases for FY 2020-21 that have been paid out in FY 2021-22.
- Increase of \$6.2 million in Fringe Benefits, of which \$1.0 million is needed for anticipated shortfall in COVID-related paid leave and \$5.0 million has been added to account for appreciation pay.
- Increase in Overtime expenses for Salaried, Clerical and Maintenance (\$295,000, \$123,500, and \$70,000 respectively) due to workforce shortages and increased need.

Non-Labor budget adjustments (\$5.4 million):

- Increase of \$2.9 million in Services, of which \$1.7 million is to cover anticipated pass-through costs incurred by local jurisdictions related to Tempo maintenance agreements as well as costs associated with Tempo-related fiber optic markings and repair. Other significant expenses include \$400,000 for temperature checking temporary staff and related equipment. An additional \$250,000 was added to extend the bus shelter contract to the end of the year while a new contract is finalized.
- Increase of \$1.9 million in Fuel & Lubricants to account for the increase cost of fuel. Diesel and hydrogen fuel prices have increased, and supply has been constrained in global production markets.

- Increase of \$586,000 in Other Materials & Supplies, primarily to cover expenses for updating meeting spaces to accommodate social distancing in the workplace and technology upgrades.
- Decrease of \$369,000 in ADA Consortium/Other Purchased Transportation due to changes in costs associated with moving the ADA office location.
- Increase of \$389,933 in Other due to the payment of catchup invoices for the Bus Storage Facility (BSF).

Proposed Position Additions and Changes

Attachment 3 lists four new positions proposed for the board's review to be added to the District's authorized headcount. There are also six changes to existing positions. The additions and changes are intended to meet shifting needs of critical District operations that were not identified during prior budgeting efforts.

Capital Budget

Year-to-Date District Capital spending is \$4.5 million, or 6% of the approved FY 2021-22 capital budget. This is typical for the first half of the year, with several projects beginning new phases. Project implementation has also slowed down due to pandemic conditions.

The FY 2021-22 Capital Budget contains \$89.3 million in total spending made up of \$80.0 million in grant funds, \$9.3 million in District Capital. The net changes to the mid-year budget include adding \$10.5 million in new grants and \$2.1 million in District capital.

Staff is proposing to add two new projects to the FY 2021-22 Capital Budget - the Division 4 Hydrogen Station Upgrade project and Division 6 Security Enhancements Phase 2. The District won a \$4.6 million grant from the California Energy Commission this year to upgrade the hydrogen fueling station at Division 4. Staff anticipates winning another grant to be able to complete the project for a total of approximately \$9.0 million. The first phase of the Division 6 Security Enhancements project ended in the FY 2020-21 and a second phase is now required to complete the project.

In addition to the two new projects, the Bus Operator Security Shields project was advanced and therefore requires a significant amount of District funds to be able to complete it in a shorter time frame. The additional District funds are savings from previous bus purchase projects.

The Capital Budget is shown in Attachment 4.

ADVANTAGES/DISADVANTAGES:

This report is being provided to inform the Board of the financial activities of the first six months of the fiscal year, and to provide a revised budget for the remainder of FY 2021-22. The advantage of the mid-year budget changes is to better align the budget to projected revenues and expenses.

ALTERNATIVES ANALYSIS:

There are no practical alternatives to the recommendations presented in this report.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 21-140 FY 2021-22 Budget Goals and Objectives

SR 21-140a Draft FY 2021-22 Operating and Capital Budgets

SR 21-140b Proposed FY 2021-22 Operating and Capital Budgets

SR 21-140c Recommended FY 2021-22 Operating and Capital Budgets

SR 21-140d FY 2021-22 Budget Adjustment with ARP Act funds

ATTACHMENTS:

1. Resolution 22-002 with Exhibit A: Proposed Mid-Year Operating Budget
2. Proposed New Positions
3. Proposed Mid-Year Capital Budget

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