

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 3/27/2024

Staff Report No. 24-129

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 December 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 well for the first half of FY 2023-24, although there are expense timing issues and revised Metropolitan Transportation Commission (MTC) funding estimates that are inflating the current positive financial performance. Revenues are \$28.7 million (10.1%) above budget and Expenses are \$24.1 million (8.5%) below budget, resulting in a surplus of \$52.8 million.

The District's surplus position is mostly explained by the American Rescue Plan (ARP) Act funding drawdowns at the beginning of the year, as well as lower year-to-date Pension and Service expenses which should pick up in the second half of the year. Sales Tax and Other Federal, State, & Local revenues remain resilient and are performing better than anticipated. 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 the end of American Rescue Plan (ARP) funds.

Operating Revenues

Total revenues are \$28.7 million (10.1%) above the year-to-date budget for the fiscal year. Revenues from operations are above budget by \$4.5 million mostly due to farebox and interest income increases. Subsidies are \$11.1 million (4.5%) over budget and \$25.0 million (12.9%) higher than prior fiscal year-to-date actuals due to higher-than-anticipated funding from Sales Tax and STA Taxes as well as increases from revised prior year MTC fund estimates. Overall, revenues are \$32.9 million (11.8%) higher than prior fiscal year-to-date actuals. Specific revenues are as follows:

- Farebox - \$1.3 million or 8.4% above budget
 - Fare revenue is tracking above budget for the first half and is higher than prior year-to-date actuals by \$2.7 million (18.8%). Ridership continues to make gradual increases.
- Other Operations Revenues -- \$3.1 million or 80.9% higher than budget
 - Other Operations Revenues are higher than budget for the first half primarily due to higher interest income resulting from higher interest rates.
- Sales Tax -- \$5.1 million or 4.1% above budget
 - Sales taxes are above budget for the first half and \$6.6 million (5.3%) above prior year-to-date revenue collection due to strong consumer spending and prior year MTC funding amount revisions that have benefited the current year. These MTC “carryovers” may not happen again next year if the economy slows.
- Other Federal, State, & Local - \$4.0 million or 11.3% above budget
 - Similar to Sales Tax Revenues, these revenues benefit from MTC fund estimate revisions.
- American Rescue Plan (ARP) - \$13.1 million or 110.8% above budget.
 - A \$24.9 million ARP drawdown occurred earlier in the fiscal year to support temporary cash flow needs. Staff projects no more ARP funding will be required for the remainder of the year.

Operating Expenses

Total operating expenses are \$24.1 million (8.5%) below budget for the first half of the fiscal year. Labor expenses are \$12.0 million (6.1%) below budget, and non-labor expenses are \$12.1 million (13.6%) below budget. It should be noted that expenses in nearly 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 at budget primarily based on use of Overtime to backfill vacant bus operator positions. The increase of \$5.5 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 below budget by \$5.9 million (8.3%) mostly due to timing of expenses for Healthcare. Prior year-to-date actuals are \$5.7 million (9.6%) lower due to increases in Healthcare costs.
- Pension is below budget by \$5.9 million (16.5%) due to timing of expenses and is expected to track to budget by year end.
- Services is \$9.0 million (32.5%) below budget primarily due to timing of payments related to Security Contracts and Software. Additionally, a recent mid-year increase for interim General Counsel consulting services reflects a budget adjustment that has not been matched by spending in the first half of the

fiscal year. In general, spending in Services picks up in the latter half of the fiscal year as consultant-work is completed.

- Purchased Transportation is tracking close to budget for the first half of the fiscal year and \$5.7 million (39.8%) higher than prior year-to-date actuals due to increases in contract costs.

District Funded Capital

So far this year District Capital is tracking over budget by \$11.8 million due to the payment of \$17.0 million for final Tempo construction claims. Without these claims, District Capital would be under budget by \$5.2 million. 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

Prepared by:

Mary Archer, Budget Manager

Approved/Reviewed by:

Richard Oslund, Director of Management & Budget

Chris Andrichak, Chief Financial Officer