

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 12/8/2021

Staff Report No. 21-546

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Bi-Monthly Budget Update

BRIEFING ITEM

RECOMMENDED ACTION(S):

Consider receiving the Bi-Monthly budget update for the period of July 2021 through October 2021 of FY 2021-22.

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 associated with this report.

BACKGROUND/RATIONALE:

Overview

The District financials are performing as expected for the first four months of the fiscal year and the budget reflects the latest board-approved increase of \$19.7 million from the American Rescue Plan (ARP) Act. Revenues are \$33.7 million (20.2%) above budget and Expenses are \$12.6 million (7.6%) below budget, resulting in a surplus of \$47.0 million. While tax subsidy revenues are higher than expected, the District's surplus position is explained by the draw-down of \$53.1 million in Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act federal funds. Consistent with prior budget presentations, staff is drawing-down the federal emergency funding relatively quickly and will apply the surplus funds to future periods where a deficit is expected. For comparison, at the end of October FY 2020-21, the Bi-Monthly report showed a surplus of \$43.6 million, reflecting the receipt of Coronavirus Aid, Relief, and Economic Security (CARES) Act early in the year.

Staff is very concerned with the "13(c)"-based hold on federal funds by the U.S. Department of Labor due to a dispute over state pension law, which may delay the District's ability to access ARP Act and other federal funds. If the District cannot access the funds before the end of the fiscal year, the \$19.7 million added in the

recent budget amendment will not be available and the District may face a significant budget deficit.

Operating Revenues & Subsidies

Total revenues and subsidies are \$33.7 million (20.2%) above budget for the July-October period. Operating Revenues are \$3.8 million (27.7%) below budget, and Subsidies are \$37.5 million (24.5%) above budget. Specific revenues are as follows:

- Farebox - \$1.3 million or 14.6 % below budget
 - Fare revenue budget is expected to be lower than originally budgeted and may be adjusted down with the Mid Year Budget adjustment. While fare revenue is \$6.8 million higher than prior year-to-date actuals (during the first year of the pandemic), the District faces challenges in enforcing revenue collection while spread of the virus remains a concern. The budgeted fare revenues reflect the board-approved reduction of \$387,500 to allow for Fare Free Fridays for the month of September.
- Contract Services -- \$843,000 or 47.7% 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 -- \$1.7 million or 55.6% below budget
 - Other Operating Revenues are lower than budget due to lower BART Feeder Service Agreement Payments and reduced rental income.
- Sales Tax -- \$4.7 million or 7.6% above budget
 - Sales taxes are slightly above budget for this fiscal year and \$8.2 million above prior year-to-date revenue collection. Staff is optimistic about local economic recovery and continues to closely monitor sales tax trends and the associated financial indicators.
- Property & Parcel Tax -- \$1.6 million or 3.2% above budget
 - Property tax returns continue to come in above budget.
- Other Federal, State, and Local -- \$31.1 million or 78.7% above budget
 - The surplus here reflects the receipt of \$53.1 million in CRRSA Act subsidies. The remaining \$2.4 million of CRRSA Act funding will be drawn down in November. This will result in higher year-to-date revenue actuals compared to the year-to-date revenue budget.

Operating Expenses

Total expenses are \$12.6 million (7.6%) below budget for the July-October period. Labor expenses are \$8.4 million (6.9%) below budget, and Non-Labor expenses are \$4.3 million (9.4%) below budget. In comparison to prior year-to-date actuals for FY 2020-21, Labor expenses are \$2.1 million (1.9%) higher and Non-Labor expenses are \$6.2 million (17.9%) higher. Major factors are as follows:

- Salaries & Wages are below budget by \$2.7 million (4.9%), however most of the budget in this category is to support service level increases, which is contingent on increasing active bus operator headcount. Expenses exceed prior year-to-date actuals by \$1.8 million (3.5%) due to timing of retro-active incentive pay and increased hiring District-wide.
- Fringe Benefits are below budget by \$3.9 million (8.9%) 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 tracking close to budget, below by \$1.7 million (8.2%) this fiscal year and below by \$456,000 (2.3%) against prior fiscal year.

- Services is \$4.2 million (30.7%) below budget for this year because payments for Services are generally paid in the latter half of the year. Prior year-to-date actuals exceed current fiscal year actuals by \$1.4 million (12.8%) because of a change in the accounting of lease payments for the Salesforce Transit Center; which is now in the “Other” expense category, listed below.
- Fuel and Lubricants is \$723,000 (17.0%) over budget this fiscal year and \$2.3 million (88.3) over prior year budget due to 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 \$1.2 million (18.5%) 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 below budget by \$230,000 (11.0%) due to the timing of utility bill payments.
- Casualty and Liability is over budget by \$1.2 million (16.7%) due to the timing of insurance premium payments.
- ADA/Other Purchased Transportation is tracking to budget for this year and \$1.8 million (26.1%) above prior year-to-date expenses due to service level recovery and higher ridership.
- Other category is slightly above budget because it includes the first quarter operating and maintenance payment to the Transbay Joint Powers Authority for the Salesforce Transit Center. This expense was previously included in Services, which is why this category is \$2.1 million (1771.0%) higher than prior fiscal year-to-date actuals.

District Funded Capital

Year-to-date District Capital spending is running much lower than budget primarily due to timing of bus purchases planned for later in the fiscal year.

ADVANTAGES/DISADVANTAGES:

The advantage of the Bi-Monthly 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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