

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/22/2022

Staff Report No. 22-355

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 April 2022 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

Revenues are \$5.3 million (1.2%) above budget and Expenses are \$46.2 million (10.8%) below budget, resulting in a surplus of \$51.5 million. While sales tax subsidy revenues are higher than expected, the District's surplus position is primarily explained by the draw-down of \$55.5 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.

Operating Revenues & Subsidies

Total revenues and subsidies are \$5.3 million (1.2%) above budget for the July-April period. Revenues from Operations are \$5.2 million (14.7%) below budget, and Subsidies are \$10.5 million (2.7%) above budget. Specific revenues are as follows:

- Farebox - \$3.0 million or 12.9 % below budget
 - Fare revenue budget is expected to be lower than originally budgeted. While fare revenue is \$10.5 million higher than prior year-to-date actuals (during the first year of the pandemic), the District faces challenges increasing ridership District wide and enforcing revenue collection on

the Tempo BRT line.

- Other Operating Revenues -- \$3.9 million or 52.4% below budget
 - Other Operating Revenues are lower than budget due to delay in receipt of BART Feeder Service Agreement Payments.
- Sales Tax -- \$15.2 million or 9.7% above budget
 - Sales taxes are above budget for this fiscal year and \$15.5 million above prior year-to-date revenue collection. Staff continues to closely monitor sales tax levels. Increases in inflation and rising interest rates could potentially lead to lower levels of consumer spending resulting in lower levels of sales tax funding.
- Property & Parcel Tax - \$2.4 million or 1.9% above budget
 - Property taxes remain resilient and continue to come in above budget.
- Other Federal, State, and Local - \$7.1 million or 6.7% below budget
 - The deficit here reflects the pending receipt of \$10.0 million in American Rescue Plan (ARP) Act subsidies.

Operating Expenses

Total expenses are \$46.2 million (10.8%) below budget for the July-April period. Labor expenses are \$27.7 million (8.9%) below budget, and Non-Labor expenses are \$18.6 million (15.9%) below budget. In comparison to prior year-to-date actuals for FY 2020-21, Labor expenses are \$8.3 million (3.0%) higher and Non-Labor expenses are \$10.6 million (12.1%) higher. Major factors are as follows:

- Salaries & Wages are below budget by \$12.2 million (8.6%), however most of the budget surplus in this category is to support service level recovery, which is contingent on increasing active bus operator headcount. Expenses exceed prior year-to-date actuals by \$4.6 million (3.7%) due to retroactive incentive pay and increased hiring District-wide.
- Fringe Benefits are below budget by \$12.9 million (11.0%), however, similar to Salaries & Wages, most of the budget surplus in this category is to support service level recovery. Additional increases are due to timing in payments for Health Care and Claim Administration.
- Pension is tracking slightly below budget but is expected to be on budget at year end.
- Services is \$13.0 million (34.9%) below budget so far this year because several service planning implementation and engineering projects were held up by pandemic-related restrictions and the threat of losing federal aid early in the fiscal year. There is a backlog of work that will be carried forward to FY 2022-23.
- Fuel and Lubricants is \$772,000 (6.3%) over budget so far for this fiscal year and the year-end forecast is expected to exceed the annual budget due to significantly higher prices caused by geo-political issues driving a tighter global supply of oil.
- Other Materials and Supplies is \$3.1 million (19.0%) below budget due primarily to lower than anticipated purchases of Safety and Medical Supplies. Prior year-to-date spending is \$1.2 million higher.
- Casualty and Liability is tracking on budget for the current fiscal year however higher than prior year-to-date expenses by \$1.5 million (9.3%) due to increased premiums.
ADA/Other Purchased Transportation is close to budget so far for this fiscal year. Prior year-to-date spending is \$4.3 million (25.1%) lower due to last year's lower levels of service and ridership.
- The Other category is tracking close to current and prior year-to-date budget.

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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