

Farebox: \$21.9

Other Operating: \$19.1

Property Taxes: \$147.3

Wages: \$155.0

Fringe Benefits: \$184.1

# FINANCIAL UPDATE

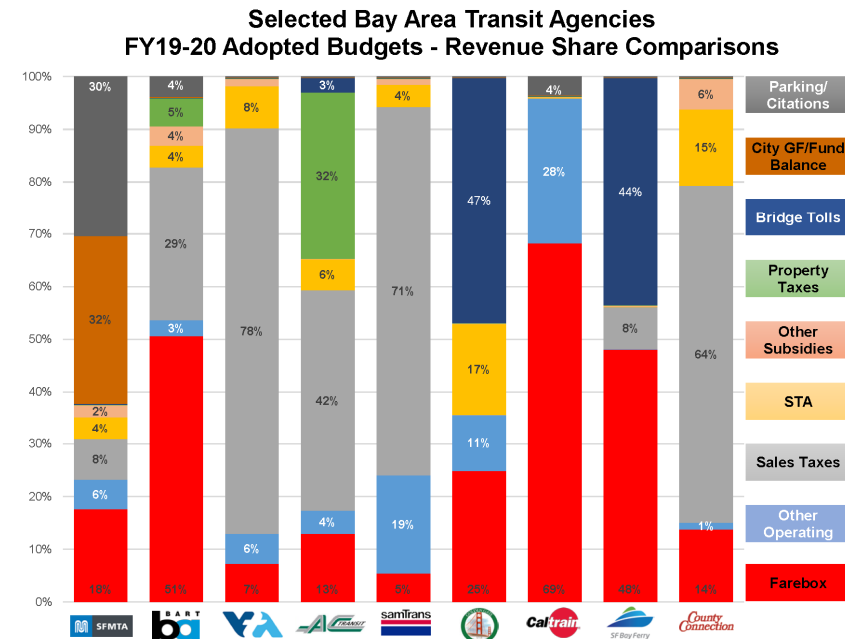
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# WHERE ARE WE?



- District financial position strong coming into pandemic
- AC Transit unique with large share of stable property tax revenue
- Stable credit rating (A/A1)
- Some other agencies are in worse shape due to their revenue mix – Golden Gate Transit, BART, Caltrain



## FY 20-21 PERFORMANCE FIRST QUARTER



- **Revenues overall above budget**
  - Sales Tax revenues better than expected
  - CARES Act funds coming all in first half
- **Expenses overall below budget**
  - Labor expenses at budget
  - Non-Labor expenses below budget
    - Lower fuel costs, low paratransit ridership/cost
- **Aiming for surplus to boost reserves for possible use in FY 21-22**

- **Farebox**
  - October significantly (80%) below budget
  - Ridership dropped, evaluating fare payment compliance
- **Expecting below budget for first half of year (possibly -\$3M)**
- **Other Operations revenues**
  - EasyPass revenues will be decreasing
  - BART feeder/transfer payment will be less than budget

# SALES TAX REVENUES



- Good news so far
- 30% of current year revenue budget (\$140M)
- Budget has 30% reduction from FY 19-20 levels
- First quarter is *only* 21% reduction (+\$5.5M)



# PROPERTY TAX REVENUES



- **Property & Parcel Taxes are 25% of revenues**
  - Very stable outlook
  - Home sales market recovered quickly and prices have held up
- **County Assessors will be increasing valuations**
- **Will know more on performance in December**



# FY 20-21 FULL YEAR ISSUES



- **Fare collection started...**
  - Initial collections are lower than expected
  - Will ridership increase? What about Transbay?
- **Sales tax trends look positive**
  - Effect of third (or fourth...) wave of infections?
  - Will economy keep recovering?
  - Job losses in struggling sectors?
- **Will there be another federal stimulus?**



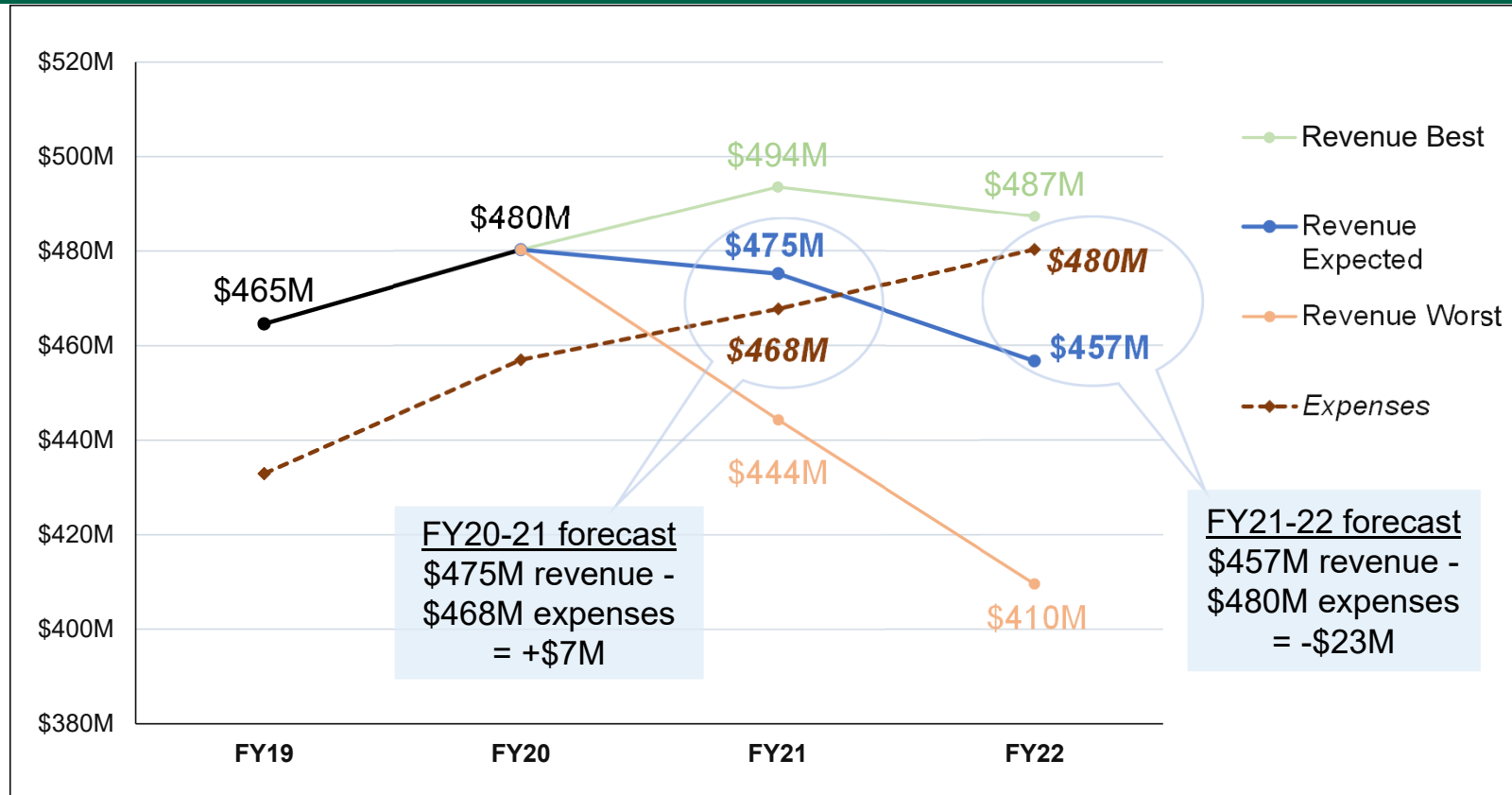
## BIG ISSUE: FY 21-22 BUDGET



- **CARES Act funds “rescued” FY 20-21 Budget**
  - About 20% of total budget (\$84M)
- **Economy won’t be back to “normal” by July 2021**
- **Sales taxes doing well but still below prior levels**
- **→ Possible \$20-\$30M deficit for FY 21-22**



# FY 20-21 AND FY 21-22 DRAFT FORECAST



***FY21-22  
Forecast***

**Expenses: \$480M (with same service level)  
Revenues: \$457M (expected/mid-range)  
→ \$23M deficit**

*How does the District fill this gap?*

1. Additional federal funding

AND/OR

1. Cost savings initiatives

2. Fill only critical vacancies

3. Sales tax revenues continue to over-perform

4. Build up reserves in FY 20-21 for possible use in FY 21-22

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# COST SAVINGS STRATEGIES

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# PERSONNEL



- *Not considering layoffs at this time*
- **Fill only critical vacancies**
  - Admin/support Staff at 10% vacancy rate
  - Operators at 4% vacancy rate
  - Non-Operators at 8% vacancy rate
  - Projected savings of \$4M-\$6.5M from vacancies
- **Reduce Temporary Employee Count**
  - 18 temps now, plan to reduce to 9 by end of December



# OVERTIME



- **FY 20-21 overtime budget targeted ambitious 50% reduction from FY 19-20**
  - First quarter performance of 35% reduction
  - Unscheduled absences still elevated due to COVID-related leaves
  - December signup should further reduce unscheduled OT
- **Operators**
  - Scheduled overtime has been reduced by 40% in recent signups
- **Maintenance and supervision**
  - Pandemic cleaning protocols often causing OT
  - Significant amount of events for supervision

## CONTINGENCY FLEET



- **Total Fleet: 640**
- **Fleet needed: 494, drops to 417 in December**
- **Could decommission up to 123 older buses (MCI, VanHool 30ft)**
  - Savings from reduced maintenance costs
  - Lower cost/inventory for material & parts





## NON-LABOR SAVINGS



- **Travel and Training:**
  - Almost no travel; online training often costs less
- **Professional & Technical Services**
  - Work with staff during mid-year to reduce expenses
  - OCC working to reduce ALCO Sheriff calls to reduce costs
- **Paratransit: even lower costs due to ongoing reduced ridership**
- **Investigating fuel price cap procurement process to guard against rising fuel costs**

- *Can we generate more revenue from park-and-ride lots?*
  - Both lots are not very full currently
- **Richmond Parkway**
  - owned by Caltrans and this limits revenue to cover costs
- **Ardenwood**
  - Mostly owned by the District
  - Could generate more revenue with upgrade of striping and payment system *when usage returns*

## MEDICAL COSTS – CALPERS MEDICAL



- **Unrep and IBEW conversion to CalPERS Medical**
  - Planned start 7/1/2021
  - Estimated savings to the District of \$600k per year
  - Employees may also have lower premiums; may be offset by higher co-pays
- **Conversion of remaining District employees could provide significant additional yearly savings (requires collecting bargaining)**

## SALESFORCE TRANSIT CENTER

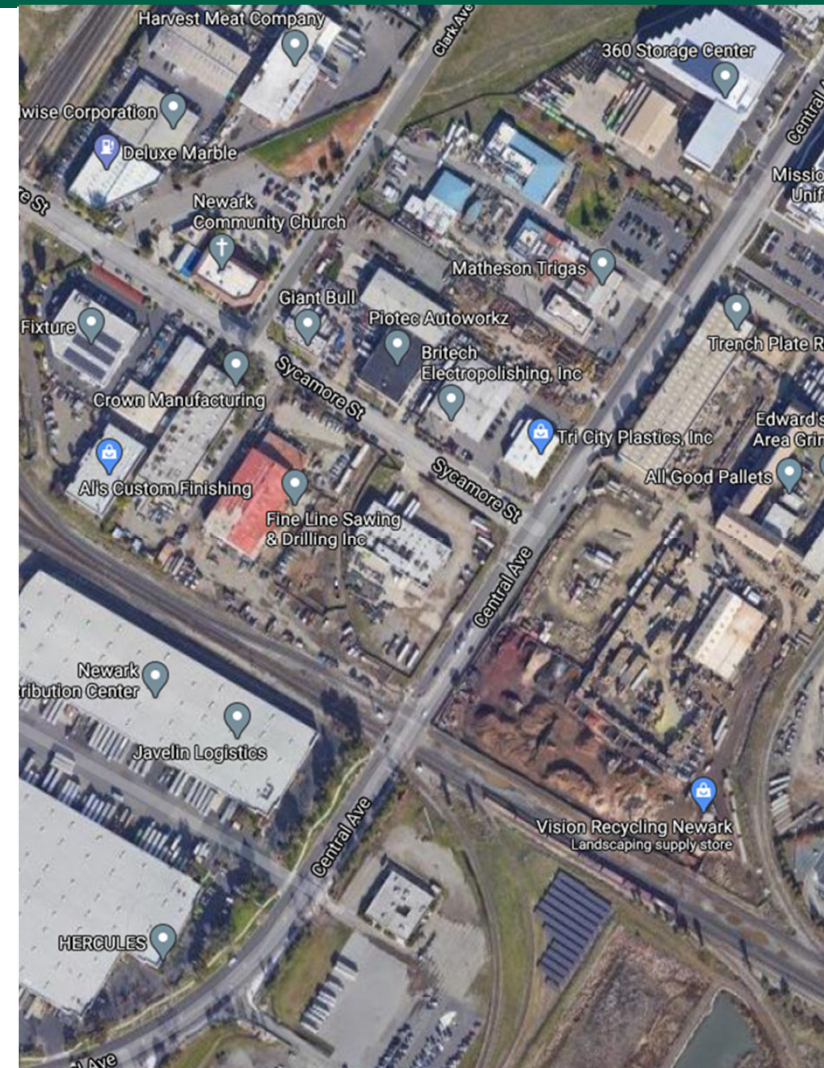


- **Transbay service at 46% of pre-pandemic level**
- **FY 20-21 main terminal lease cost: \$5M**
  - Cost reduction would require re-negotiation of lease
  - Or request lease abatement as TJPA is considering for commercial tenants
- **Bus Storage Facility cost: \$486k**
  - Used by supervisors, no bus parking currently
- **Costs partly offset by sub-lessee (SFMTA, Greyhound, WestCAT) revenue of \$840k**

## REAL ESTATE



- District has real estate that is not essential to operations.
- Newark Warehouse (value >\$5M)
- Small parcel on Mission Blvd in Hayward (value <\$1M)
- Note that sale of capital assets to benefit operations is not best practice



# USE OF CAPITAL FUNDS FOR OPERATING



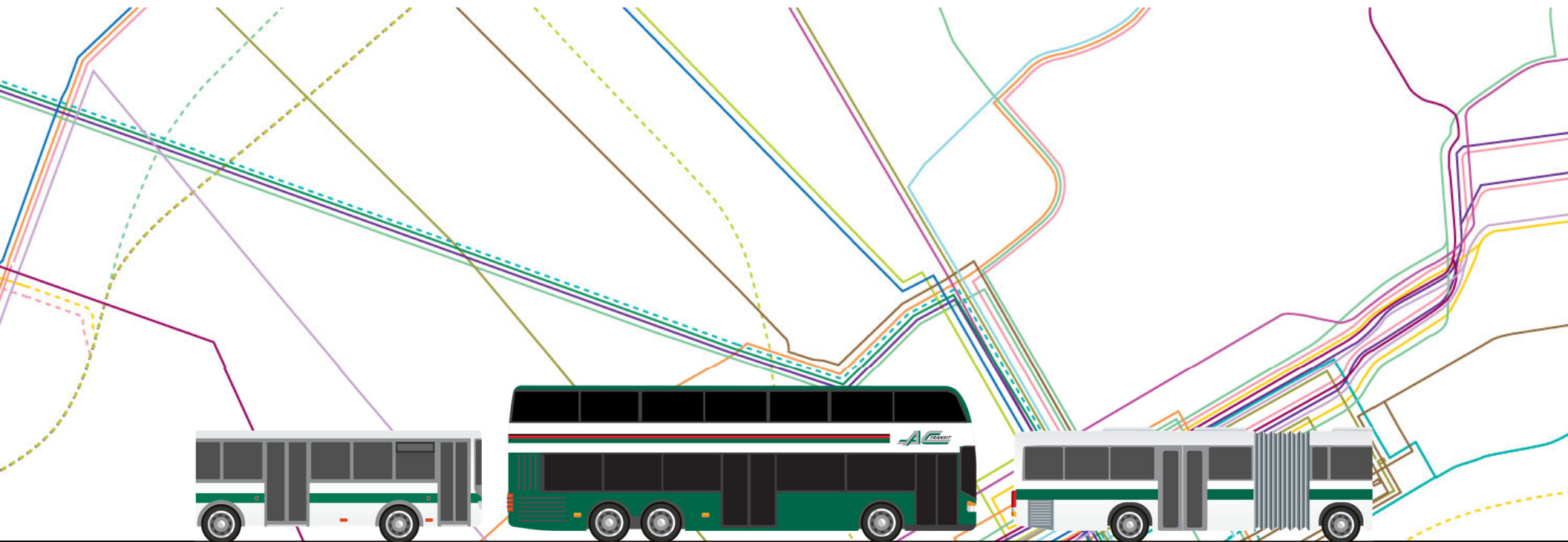
- Potential funds available ~\$10M
- Projects affected:
  - Non-revenue vehicles
  - Portable maintenance lifts
  - D2 Roof Replacement
  - Underground storage tank replacements
  - Bus purchase





*What is the District doing now or in near future?*

- Continue hiring freeze (except critical position)
- Reduce temp employee count
- Review and capture non-labor expense reductions in mid-year budget



# 2021 SERVICE RECOVERY STRATEGY

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The intent of staff's presentation is to seek guidance and concurrence from the Board of Directors as we revisit our proposal to plan and implement a fiscally responsible and community-focused path forward to restore and design service in a time of many unknowns.



# AGENDA



1. Service Update
2. Proposed Service Planning & Public Engagement Process Update



# SERVICE UPDATE, TIMELINE & APPROACH



- Currently operating at 75% service level with approx. 67% ridership



- Sustain current service level with minor adjustments  
- This includes supplementary service and reliability [OTP] fixes



- Continue to plan and adjust as financial projections and ridership patterns are quantified



- Plan to engage in robust public outreach and planning effort that is informed by data and community input that will require Board approval

# SERVICE PLAN APPROACH



## Phase 1

### Incremental Return to Pre-COVID Network

This phase will run parallel with the Phase 2 Single Plan Approach, helping to maintain the existing service network (Emergency Service Plan) with small, incremental tweaks to individual lines to respond to ridership changes and available budget.

This allows service to continue, under the existing network and emergency service plan. This may not be the most efficient, however it allows service to continue, particularly for those riders who are essential workers or with no other options for transportation until more insight about the budget and ridership return information is available.

## Phase 2

### Single Plan Approach (Wait for firm Budget Forecast)

This phase moves away from the three-scenario approach and presents one draft plan to improve and gain efficiencies of the network based on available funds.

This approach allows for a robust public engagement and planning process. However, it requires staff to wait for a firm budget forecast before re-building a new service plan that considers available funds that are expected to be less than pre-pandemic revenues; and District-wide, public input.

This does mean the Emergency Service Plan (current service) will be in effect much longer as the plan cannot be solidified until a more informed financial picture and ridership return trends are available.

This could leave the District in a position where further unplanned emergency cuts are necessary if current service levels are unsustainable.



# TENTATIVE NEW SERVICE PLAN SCHEDULE



Dec 2021 Implementation	Activity (* Dates to be coordinated w/District Secretary)
July 8, 2020	Initiate service planning process
June – December 2020	Planning/general outreach re: COVID impacts & emergency response; initial Title VI equity analysis
<b>November 17, 2020</b>	<b>BOARD WORKSHOP</b>
<b>January 27, 2021*</b>	<b>BOARD MEETING: FINANCIAL UPDATE</b>
February – March 2021	<u>PUBLIC OUTREACH &amp; ENGAGEMENT</u> – VISIONING SERIES (8 weeks): Seek input on general trade-offs/priorities and guiding principles for designing a new network. (announcements at Council Meetings; seek input via online surveys, social media, virtual meetings/open houses, focus groups, presentations to stakeholders at existing forums)
April 2021	Network Plan development based on updated financials, ridership trends, and feedback received in Visioning sessions to help the District design a new network
<b>May 26, 2021*</b>	<b>BOARD SETS PUBLIC HEARING and STAFF PRESENTS THE PROPOSED NEW NETWORK</b>
June 1 through July 14, 2021	<u>PUBLIC OUTREACH &amp; ENGAGEMENT</u> – PRESENT THE NEW NETWORK TO THE COMMUNITY (Approx. 6 weeks): Presentations to external stakeholders, announcements at Council Meetings, District sponsored virtual meetings, Info on AC website, Info shared via social media
<b>July 14, 2021* (On or week of)</b>	<b>PUBLIC HEARINGS &amp; PRESENTATION OF NEW NETWORK</b> - (Approx. 4 Public Hearings throughout service area)
<b>August 11, 2021*</b>	<b>BOARD DECISION OF NEW NETWORK AND APPROVAL OF TITLE VI EQUITY ANALYSIS</b>
August – November 2021	INTERNAL PLANNING FOR DEPLOYMENT OF NEW NETWORK – Scheduling, Run-Cut, Drivers Committee, Operator Training, Updates to communications channels
November & December 2021	COMMUNICATIONS/Rider Ambassador Outreach & Education of new network
<b>December 2021</b>	<b>IMPLEMENT NEW NETWORK</b>