

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 4/28/2021

Staff Report No. 21-223

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

BRIEFING ITEM

RECOMMENDED ACTION(S):

Consider receiving the bi-monthly budget update for the period of July through February of FY 2020-21.

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

This staff report is an update on the District's financial position for the first eight months of the year based on actuals for revenues and expenses while operating during a pandemic. The accompanying presentation provides staff's outlook for the remainder of FY 2020-21 going into the next two fiscal years.

Revenues and Subsidies are \$18.7 million (5.7%) above budget and Expenses are \$18.0 million (5.9%) below budget for the July through February period of FY 2020-21. The current significant operating surplus of \$59.1 million is primarily due to the draw-down of the \$84.1 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act federal funds during the first half of the fiscal year. The \$84.1 million is 18% of our total revenues and the rapid draw-down in the first half has produced very lop-sided revenue receipts. The surplus will reduce as monthly expenses outpace monthly revenues for the remainder of the fiscal year.

Operating Revenues & Subsidies

For the July through February period of FY 2020-21, Operating Revenues are \$8.1 million (34.5%) below budget and Subsidies are \$26.8 million (8.8%) above budget due primarily to the following:

- Farebox revenue is \$4.7 million (44.4%) below budget primarily due to continued low ridership and the inherent difficulty in forecasting revenue after not collecting fares for six months. The start date of collection was a little later than planned when the budget was set, and ridership is still coming in lower than more recent adjusted projections.
- Contract Services revenue is \$1.4 million (22.0%) below budget primarily due to reduced BART-funded Early Bird service and other bus support activities in the first eight months of the year. Activity is expected to increase toward the end of the fiscal year.
- Other Operating Revenues are \$1.9 million (30.4%) under budget due to reduced revenues from Real Estate, Advertising and Parking Revenue Citations.
- Sales Tax revenues are \$27.9 million (31.6%) above budget, however they are \$22.3 million (16.1%) below last year. Information on sales tax trends for the region indicates that sales taxes are generally above expectations, however staff continues to closely monitor sales tax trends and the associated financial indicators. In general sales tax receipts did not fall nearly as far in the beginning of the pandemic as most forecasts expected, but the longer the pandemic and shelter-in-place conditions continue the longer it will take them to return to pre-pandemic levels. Although the decrease in unemployment has slowed significantly, the large amount of people still out of work in the Bay Area may keep sales tax receipts from rising to pre-pandemic levels in the near term.
- Property & Parcel Tax revenues are \$3.5 million (3.5%) above budget, showing higher receipts than last year's FYTD revenues by \$4.4 million (4.5%). Property taxes have proven to be stable so far this year and staff is cautiously optimistic that the outlook will remain stable for the remainder of the fiscal year.
- Other Federal, State, and Local revenues are \$4.7 million (3.9%) below budget primarily due to timing of revenues for ADA Federal Operating Assistance and STA Operating Revenues. This category also contains the \$84.1 million in CARES Act subsidies mentioned previously. The receipt of this very large amount of funds in the first half of the year is the primary reason that the overall budget is showing a large current surplus. The surplus will reduce as monthly expenses outpace monthly revenue receipts. This can be seen in the monthly revenue vs expense graph in Attachment 2.

Operating Expenses

For the July through February period of FY 2020-21, Labor Expenses are \$6.5 million (2.9%) below budget and Non-Labor Expenses are \$11.5 million (14.1%) below budget. Underspending in Labor is primarily due to timing of expenses for Health Plans and underspending in Non-Labor is primarily due to lower than expected expenses for ADA services, diesel, and most services (including Software and Professional & Technical services).

Variances from budget include the following:

- Salaries and Wages are under budget by \$2.9 million (2.8%), which is primarily due to COVID-19 related absences which moves expense to Fringe Benefits.
- Fringe Benefits are under budget by \$3.0 million (3.6%), which is primarily due to timing of payments.
- Services are under budget by \$9.4 million (34.2%) due to timing, as services billings are generally delayed and increase as the fiscal year progresses.

- Fuel & Lubricants is under budget by \$1.8 million (25.4%) due to lower than anticipated diesel prices. Prices have recently started to rise so staff is watching this category closely.
- ADA/Purchased Transportation is below budget by \$1.6 million (10.3%) due to continued lower than expected ridership.

District Funded Capital

Year-to-Date District Capital spending is running much lower than budget primarily due to timing of bus purchase spending 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 & Expense Report
2. Revenue & Expense Chart

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