

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/9/2021

Staff Report No. 21-140c

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Recommended FY 2021-22 Operating and Capital Budgets

ACTION ITEM

RECOMMENDED ACTION(S):

Consider adoption of Resolution No. 21-020 approving the FY 2021-22 Recommended Operating and Capital Budgets.

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

The District must adopt a balanced budget per Board Policy and to provide financial stability for operations during the fiscal year.

BUDGETARY/FISCAL IMPACT:

The Recommended FY 2021-22 Operating Budget is balanced and includes a projected operating revenue budget of \$479.7 million and an operating expense budget of \$479.7 million. These figures are outlined in Attachment 2.

The Recommended FY 2021-22 Capital Budget includes a projected spending plan of \$76.4 million, composed of \$69.2 million in grant funds, \$7.2 million in District Capital funds. These figures are outlined in Attachment 3.

BACKGROUND/RATIONALE:

The Recommended Operating Budget revenues and expenses have not changed from the Proposed Budget presented to the Board on May 26, 2021. No new positions are included in the Recommended budget. No changes have been made to the Capital budget either.

Service level plans also remain the same as the Proposed budget, assuming an increase from 75% currently to 85% in FY 2021-22. This increase starts with a restoration of supplemental service for the coming school year, but is constrained by the District's ability to recruit, hire, and train new operators at a rate greater than our normal attrition levels. Future increases in service will be evaluated during the year but must be considered in light of the operational and financial position of the District.

Fare revenue assumptions have not changed from the Proposed budget and assume a deferral of local fare increases for 12 months from July 1, 2021. This had reduced budgeted revenue by \$2.3 million and required a reduction in expenses of the same amount in the Proposed budget.

The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act funding is still proposed to be used in FY 2021-22 to maintain service level of 85%. Additional stimulus funding is expected from the American Rescue Plan (ARP) Act but is not included in this Recommended Budget as the amount the District will be allocated is not yet known. Staff plans to incorporate ARP funds with the mid-year budget revision.

Sales and Property taxes remain resilient and FY 2021-22 total operating revenues excluding CRRSA Act funds are projected to be 91% of pre-pandemic (FY 2018-19) revenues. Expenses are projected to be 108% of pre-pandemic levels due to wage contracts and the return to 85% service levels. Even when reliable revenue streams return, it is important to remember that contractual and inflationary factors that drive expense growth did not stop during the pandemic. Thus, the District must consider what impact increases in FY 2021-22 expenses and service levels will have on future years. Additional federal emergency support funding will help support service levels in the near-term, but staff does not expect these funds to continue after the ARP Act.

Operating Revenues and Expenses

Operating revenues do not change from the Proposed budget and remain at \$479.7 million. FY 2021-22 Sales taxes are projected to reach \$187.5 million which is 94% of pre-pandemic levels, while Property and Parcel taxes are projected to reach \$153.2 million or 109% of pre-pandemic levels. Farebox revenue continues to lag behind most other revenues at \$27.5 million or 48% of pre-pandemic levels.

Operating expenses also do not change from the Proposed budget and remain at \$479.7 million. Expenses will continue to be driven by contractual wage increases, service level changes, and healthcare costs. No change in healthcare provider is assumed in the Recommended budget so no corresponding savings is assumed. Recommended positions and headcount are unchanged and assume no new positions at this time.

Mid-Year Budget Updates

The FY 2021-22 Mid-Year budget will be an opportunity to update the FY 2021-22 Adopted budget. The following items will be considered:

- ARP Act funding - MTC will have allocated ARP Act funding by the Mid-Year budget allowing the District to add this funding.
- Restoring cuts from fare increase deferral - the \$2.3 million in second-half expenses that were cut to accommodate the reduced farebox revenue will need to be restored.
- Service levels - Change will be reevaluated based on passenger demand, recruiting and training capabilities, financial position, and social distancing requirements.
- Position updates - Critical positions requested during the annual budget process will be reconsidered.
- Department Expenses - Expenses denied during the annual budget process will be reconsidered.

Capital Budget

The Recommended FY 2021-22 Capital Budget is unchanged from the Proposed budget. The projected spending plan of \$76.4 million is composed of \$69.2 million in grant funds and \$7.2 million in District Capital funds. The Recommended Capital Budget includes 9 new and 37 continuing projects, for a total of 46 projects. The Recommended Capital Budget is shown in Attachment 3.

ADVANTAGES/DISADVANTAGES:

Staff cannot identify any disadvantages to approving the recommended budgets.

ALTERNATIVES ANALYSIS:

Staff analyzed many possible expense items and requests from all departments. The Recommended budget builds on the feedback from the Board and all departments received after the Draft and Proposed budgets.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 21-140 FY 2021-22 Budget Goals & Objectives

SR 21-140a Draft FY 2021-22 Operating and Capital Budgets

SR 21-140b Proposed FY 2021-22 Operating and Capital Budgets

ATTACHMENTS:

1. Resolution 21-020
2. Recommended Operating Budget
3. Recommended Capital Budget
4. Recommended Budget Book
5. ARP Spending List
6. Position Reclassifications/Conversions

Prepared by:

Richard Oslund, Acting Director of Management and Budget

In Collaboration with:

Mary Archer, Acting Budget Director

Approved/Reviewed by:

Chris Andrichak, Chief Financial Officer

Jill A. Sprague, General Counsel