

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 2/10/2021

Staff Report No. 20-062e

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: FY 20-21 Mid-Year Operating and Capital Budget Review

ACTION ITEM

RECOMMENDED ACTION(S):

Consider receiving the FY 2020-21 Mid-Year Budget review and Adopt Resolution No. 21-003 amending the General Fund Operating and Capital Budgets for FY 2020-21.

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

Amending the Annual Operating and Capital Budget benefits staff and Board members in understanding revisions needed for the remainder of the fiscal year to better align the District budgets with projected revenues and expenses.

BUDGETARY/FISCAL IMPACT:

Approving the proposed budget changes will decrease the Revenue budget by \$2.5 million (0.5%) and decrease the Expense budget by \$6.5 million (-1.4%), resulting in a \$4.0 million projected Operating surplus for the fiscal year.

The proposed change in the Capital Improvement Plan (CIP) will result in an additional \$337,000 for expected District Capital spending.

No new positions are proposed to be added (or removed) as part of the Mid-Year budget amendment.

BACKGROUND/RATIONALE:

Overview

The proposed Mid-Year budget for FY 20-21 reduces the District's Total Operating Revenues by \$2.5 million (-0.5%) and reduces the Total Operating Expenses by \$6.5 million (-1.4%), resulting in an adjustment of the expected District Operating Surplus from zero to \$4.0 million. The reductions in revenues is composed of a decrease in operating revenue by \$3.8 million (9.3%) and increase in subsidies of \$1.3 million (0.3%). Total expenses are proposed to decrease \$6.5 million (1.4%), composed of decreases of \$1.8 million (0.5%) for

Labor and \$4.7 million (3.7%) for Non-Labor. The proposed budget also increases the District Funded Capital Program by \$507,000, increasing the District Capital Contribution to \$11.5 million.

Operating Revenues & Subsidies

For the first half of the year the District is above budget on total revenues, although staff has been challenged with reconciling revenue trajectory, wildly varying economic forecasts, and the ever-changing status of the pandemic. Farebox and other operating revenues are mostly all below budget, but sales tax revenues have been coming in above budget so far, although the time lag in receipt from collection for sales taxes means that the effects of current stay-at-home orders may not be felt for a couple months. Overall staff continues to maintain a conservative outlook on revenues, and for that reason is not increasing budget amounts for most subsidies. Therefore, staff is proposing a limited set of revenue budget adjustments in the following areas:

- Reduce Farebox by \$2.5 million due to lower than forecast ridership and lower than normal fare payment compliance.
- Reduce Other Operating by \$1.3 million based on draft transfer payment agreement with BART.
- Increase Parcel Tax revenue by \$1.0 million due to a mistake in the recommended budget.
- Increase Other Federal, State, & Local subsidies by \$270,000, due to the addition of a couple workforce development grants.

Operating Expenses

Significant expense reductions amounting to more than \$11.8 million are possible, in large part, due to updated projections based on spending during the pandemic in the first half of the year. The largest reduction is attributed to lower than forecast ridership for paratransit service, which allows for the lowering of the variable cost portion of the District's paratransit contract by \$3.4 million. Additional reductions in diesel (\$3.0 million) and Operator Regular Time (\$3.0 million) are related to updated projections based on diesel price trends and service assumptions. Another reduction in pension (\$1.2 million) is an adjustment that brings the budget in line with current projections.

The expense reductions are offset by proposed budget increases amounting to more than \$5.2 million, mostly due to the impact of COVID-19 on operations (Operator Premium Time) and staffing of temporary employees checking temperatures at all active entrances at all Divisions.

Staff proposes expense budget adjustments in the following areas:

Labor budget adjustments:

- Reduce Operator Regular Time by \$3.0 million to bring the budget in line with current attrition levels and operating needs.
- Reduce Maintenance Overtime by \$150,000. Several Maintenance projects have been completed or mostly completed in the first half of the year, such as placing PPE on buses, installation of bus shields for COVID-19, and air filtration installations, reducing the need for overtime in the second half of the year.
- Reduce Pension by \$1.2 million to match Retirement Board's projections, made available after adoption

of the annual budget.

- Increase Operator Overtime by \$1.7 million. The budget targeted an aggressive reduction in overtime spending, and staff has come as close as possible while dealing with pandemic-induced operating constraints. The primary factors for the increased overtime usage are the need to run shadow buses (extra bus service to meet onboard social distancing requirements and avoid passenger pass ups) as well as accommodate COVID-related absences.
- Increase Regular Time by \$563,000 for clerical, salaried, and new bus operators. This increase is primarily due to the planned restart of hiring process for new bus operators. Staff expects attrition to reduce the operator count to the minimum needed for current service by the end of the fiscal year, and so the operator hiring process will need to start in March.

Non-Labor budget adjustments:

- Reduce ADA service by \$3.4 million due to lower ridership and service demand.
- Reduce Diesel by \$3.0 million due to lower than projected diesel prices.
- Reduce Professional & Technical Services by \$208,000 due to lower than projected demand for services during pandemic conditions.
- Increase Temporary Help by \$615,117 primarily to cover costs for temperature checkers stationed at all divisions.
- Increase Safety Supplies by \$538,552 to cover costs for Personal Protective Equipment (PPE) such as masks, gloves and polyethylene shields for office spaces.
- Increase Public Liability and Other Expenses by \$380,000 due to settlement costs.
- Increase Election of Directors by \$318,000 due to increase in registered voters and a projected increase in cost per voter.

Capital Budget

Year-to-Date District Capital spending is \$3.7 million less than budget (93.3%). This is due to slower than anticipated project implementation during pandemic conditions.

The FY 20-21 Capital Budget contains \$82.3 million in total spending made up of \$54.8 million in grant funds, \$8.2 million in District Capital, and \$13.1 million in Line of Credit funds for the Tempo Bus Rapid Transit project.

Staff is proposing to delete one project and add two other projects to the Capital Improvement Program (CIP). \$200,000 is proposed to be deleted from PeopleSoft hosting because the contract was awarded under the original budgeted amount. Of the two new projects, one is to budget \$507,000 to further efforts to install Real-Time Passenger Load Information (PLI) on all buses, which will enable the District and passengers to determine bus occupancy. The need to know the number of seats available is especially important while social distancing is required. The other new project is to budget \$30,000 to develop preliminary designs for space that could be freed up by reducing the size of the server room on the 9th floor.

No further changes are anticipated to the Capital Budget. The Capital Budget is shown in Attachment 3.

Non-Operating Items

There are no changes in the planned Other Post-Employment Benefits (OPEB) or Restricted Preventative Maintenance items.

ADVANTAGES/DISADVANTAGES:

This report is being provided to inform the Board of the financial activities of the first six months of the fiscal year, and to provide a revised budget for the remainder of FY 2019-20. The advantage of the mid-year budget changes is to better align the budget to projected revenues and expenses.

ALTERNATIVES ANALYSIS:

There are no practical alternatives to the recommendations presented in this report.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 20-062d Recommended FY 20-21 Operating & Capital Budgets
Resolution 20-044 Operating and Capital Budget
Board Policy 311 - Budget Policy

ATTACHMENTS:

1. Resolution 21-003
2. Proposed Mid-Year Budget
3. Capital Budget

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