

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 10/27/2021

Staff Report No. 21-489

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 August 2021 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

The District financials are performing as expected for the first two months of the fiscal year and reflect the \$19.3 million board-approved American Rescue Plan (ARP) Act budget increase. Revenues are \$23.7 million (28.3%) above budget and Expenses are \$6.8 million (8.2%) below budget, resulting in a surplus of \$30.7 million. While tax revenues are higher than expected, the District's surplus position is explained by the draw-down of \$35.1 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. For comparison, at the end of August FY 2019-20, the Bi-Monthly report showed a surplus of \$27.2 million, reflecting the receipt of Coronavirus Aid, Relief, and Economic Security (CARES) Act early in the year.

Operating Revenues & Subsidies

Total revenues and subsidies are \$23.7 million (28.3%) above budget for the July-August period. Operating Revenues are \$2.3 million (33.7%) below budget, and Subsidies are \$26.0 million (33.9%) above budget. Specific revenues are as follows:

- Farebox - \$714,000 or 15.8 % below budget
 - Fare revenue is lower than budgeted, however \$3.6 million higher than prior year-to-date revenue since ridership was impacted by shelter-in-place, still in effect at this time last year. Recent weekly ridership trends have been positive, increasing approximately 45% between July and August. The budgeted fare revenues reflect the board-approved reduction of \$387,500 to allow for Fare Free Fridays for the month of September.
- Contract Services -- \$651,000 or 73.7% below budget
 - Contract service revenue is lower than budgeted, however due to the timing of EZ Pass Program receipts, they are \$111,000 higher than prior year-to-date revenue collection.
- Other Operating Revenues -- \$965,000 or 64.6% below budget
 - Other Operating Revenues are lower than budget due to the timing of BART Feeder Service Agreement Payments.
- Sales Tax -- \$1.7 million or 5.6% above budget
 - Sales taxes are slightly above budget for this fiscal year and \$5.7 million above prior year-to-date revenue collection. Staff is optimistic about local economic recovery and continues to closely monitor sales tax trends and the associated financial indicators.
- Other Federal, State, and Local -- \$23.6 million or 119.5% above budget
 - The surplus here reflects the receipt of \$35.1 million in CRRSA Act subsidies. The remaining \$20.4 million of CRRSA Act funds are anticipated to be drawn down in November and will result in higher monthly revenue actuals compared to budget.

Operating Expenses

Total expenses are \$6.8 million (8.2%) below budget for the July-August period. Labor expenses are \$4.9 million (8.1%) below budget, and Non-Labor expenses are \$1.9 million (8.5%) below budget. In comparison to prior year-to-date actuals for FY 2020-21, Labor expenses are \$1.1 million (1.9%) higher and Non-Labor expenses are \$4.9 million (31.2%) higher. Major factors are as follows:

- Salaries & Wages are tracking to budget.
- Fringe Benefits are below budget by \$3.3 million (15.0%) due to timing issues that will correct later in the year. Examples of Fringe Benefit expenses include Health Care, Paid Time Off, and Workers Compensation Insurance.
- Pension is under budget by \$723,000 (7.0%) due to the timing of accounting entries.
- Services is \$2.9 million (42.4%) below budget for this year and tracking \$670,000 (14.4%) lower than year-to-date Service expenses for last year. For Services, spending tends to be lower in the beginning of the year and will catchup later in the year.
- Fuel and Lubricants is \$503,000 (23.6%) over budget due to increasing demand for oil and tight global supply, even with increased budget this fiscal year.
- Other Materials and Supplies is \$478,000 under budget due primarily to lower purchases of Safety and Medical Supplies as well as other miscellaneous supplies.
- Utilities and Taxes is under budget by \$275,000 (26.3%) due to the timing of telephone charges.
- Casualty and Liability is over budget by \$1.3 million (35.3%) due to the timing of insurance premium payments.
- ADA/Other Purchased Transportation is tracking to budget for this year and \$1.2 million (35.5%) above prior year-to-date expenses due to service level recovery and higher ridership.
- Other category is slightly above budget because it includes the first quarter operating and maintenance

payment to the Transbay Joint Powers Authority for the Salesforce Transit Center. This expense was previously included in Services, which is why this category is \$1.1 million (2417.4%) higher than prior fiscal year-to-date actuals.

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

Prepared by:

Mary Archer, Acting Budget Manager

In Collaboration with:

Richard Oslund, Acting Director of Management and Budget

Approved/Reviewed by:

Chris Andrichak, Chief Financial Officer