



DATE: May 5, 2021
TO: GCTD Board of Directors
FROM: Dawn Perkins, Director of Finance *djp*
SUBJECT: Receive and File Update on Preliminary Budget Assumptions

Gold Coast Transit District staff typically brings a draft Annual Budget for review by the Board in May with a final budget for adoption in June of each year. This year, due to a number of factors, including staffing changes, and impacts of COVID-19, the preparation of the Budget is delayed. This year's budget is currently under development, and a draft budget will be presented at the June meeting, with proposed adoption at the July 7th meeting.

This report provides a summary of the Budget projections for the next two years including estimated impacts of COVID-19, which are expected to last beyond next year. Also included in this report are the assumptions staff will use to develop the budget. It is recommended that the Board receive and file this report and provide input to staff.

BUDGET ASSUMPTIONS

The impacts of COVID-19 on GCTD's current year operating budget beginning in the last fiscal year, has been significant. Ridership levels at the time of this report are 44% lower than the same period last year. Staff is working to develop a plan to restore service levels, however the uncertainty of the public health emergency and unknown funding levels, as well as staffing shortages makes full restoration of service a challenge. While ridership is increasing slowly as the orders are lifted, we do not expect a full rebound right away.

GCTD has also increased spending in areas like cleaning, disinfecting, and providing PPE (masks, gloves, sanitizer), a practice we plan to continue. Additional costs associated with COVID-19, include: biohazard cleaning and providing transportation to vaccination sites. Providing additional paid sick time and expanded FMLA under California's SB 95 will be an additional cost not yet fully known. Staff is actively looking into all available grant and funding sources, including FEMA, tax credits, etc. to offset these costs.

Expenses for FY 2021-2022 are projected to be \$28,127,797, which are 93% of the planned budget. Revenues for this same period are projected to be \$30,091,942. It should be noted that the largest driver of Operating costs is Fixed-Route service levels.

Current Year Budget Projection FY 20-21 (Revised Budget):

- FY 20-21 Fare Revenues Down by \$1.5 Million (*No Fares/College Ride/LCTOP since March 2020*).
- Expenses Due to COVID-19 Related Emergency Response \$400,000+/- (*PPE Masks, Gloves, Meal Delivery, OES Assistance, Staffing / Overtime, Communications*)
- Overtime and costs of Fixed-route services have not decreased (even though service level is down).

GOLD COAST TRANSIT DISTRICT

- LTF / TDA for FY 20-21 Expected to be increased by \$3,549,576 (June 2021).
- Member funding will continue as budgeted in June, even though more funding is available.

CURRENT YEAR FY 20-21

| FY 20-21 | Monthly | Budget | Projected Full Year | |
|---|---------------------|----------------------|----------------------------|------------|
| Fixed Route | \$ 1,160,833 | \$ 13,930,000 | \$ 12,351,096 | 89% |
| Paratransit | \$ 336,983 | \$ 4,043,800 | \$ 3,589,803 | 89% |
| Fleet & Facilities | \$ 405,597 | \$ 4,867,168 | \$ 4,224,627 | 87% |
| Administration | \$ 340,718 | \$ 4,088,615 | \$ 3,181,753 | 78% |
| Planning and Marketing | \$ 106,177 | \$ 1,274,120 | \$ 1,154,472 | 91% |
| | | | \$ 24,501,751 | 87% |
| COVID Related Expenses* Not including FFCRA / FMLA | | | \$ 400,000 | |
| Total Operating Expenses | \$ 2,350,309 | \$ 28,203,703 | \$ 24,901,751 | 88% |
| | | | | |
| Total Revenue | | \$ 28,201,603 | \$ 28,479,191 | |

Budget Assumptions FY 20-21 and FY 21-22 (Preliminary)

Passenger fares, and boardings are expected to be increase in FY 2021-2022 as the area continues to reopen and fare collections resume. In addition, increased LTF/TDA revenue of over 31% increase from the original budgeted amount is projected. LTF/TDA (state funds) and passenger fares together comprise 80% of GCTD’s Operating budget.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$25 billion to transit agencies to help to prevent, prepare for and respond to the COVID-19 pandemic. The total available amount for each program is based on funding appropriated under the Act. GCTD is anticipating being able to use the remainder of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in the amount of \$2.4 million to help fill the funding shortfall. The new American Rescue Plan Act of 2021 (ARPA) will also bring new funding, however, the amount to be received by GCTD has yet to be determined. Through the use of CARES ACT and ARPA funding it will enable GCTD to maintain service levels.

FY 21-22 Budget Assumptions are:

- Ridership / Passenger Fare Revenue 8% increase.
- State Funds – LTF/TDA 14% increase.
- Member requests for operating and capital funding under review (may need to be revised).
- Bond Payment must be made.
- Advertising Revenue expected to grow slightly.
- Budget will Include Negotiated Wage and Benefit increase (SEIU & Teamsters).
- Wage Increase for Non-Represented Employees (not guaranteed) subject to GM / Board Approval).
- Support staff additions in critical areas Finance, Paratransit, Maintenance (cleaning/sanitizing needs to be continued).

FY 22-23 Budget Assumptions are:

- Anticipate slow economic recovery and that LTF/TDA will increase somewhat.
- Wage and Benefits beyond FY 20-21 are subject to negotiation (undetermined at this time).

May 5, 2021 – Budget Status Update

- CARES Act will be exhausted this year.
- ARPA funding is unknown at this time.

GCTD OPERATING BUDGET STATUS

FY 20, FY 21, FY22 (Projected)

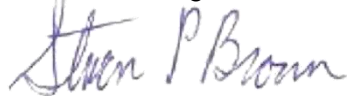
| | FY2020-21 Annual Budget | projected based on 8 mo actuals REVISED 20-21 BUDGET | PROJECTED FY 21-22 Budget | PROJECTED FY 22-23 Budget |
|---|----------------------------|---|---------------------------------|---------------------------------|
| Revenue (Not including CARES ACT) | \$28,203,703 | \$28,479,191 | \$30,091,942 | \$30,994,700 |
| Operating Expense | \$28,203,703 | \$24,901,751 | \$28,143,297 | \$29,500,000 |
| Projected Income | | \$3,577,440 | \$1,948,645 | \$1,494,700 |

SUMMARY

This report provides a summary of the Budget projections for the next two years including estimated impacts of COVID-19, which are expected to last beyond next year. The impacts of COVID-19 impacts, which are expected to last beyond next year are still not fully known, however the CARES Act funds will be used to help lessen the impact to the Operating Budget in the coming years. Also included in this report are the assumptions staff will use to develop the budget. The draft budget continues to be developed and staff anticipates a draft will be ready for the Board review in June.

It is recommended that the Board receive and file this report and provide input to staff.

General Managers Concurrence



Steven P. Brown