



#Item 11

DATE: May 6, 2020
TO: GCTD Board of Directors
FROM: Vanessa Rauschenberger, Director of Planning and Marketing *VR*
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 April/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 1st 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 March 2020, will be significant. Ridership levels at the time of this report are 60-70% decreased from 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 anticipated reduction in funding levels, as well as staffing shortages makes full restoration of service a challenge. While some ridership is expected to increase once the "stay at home" orders are lifted, we do not expect a full rebound right away, but slowly over time.

GCTD has also increased spending in areas like cleaning, disinfecting, and providing PPE (masks, gloves, sanitizer) which is a practice we plan to continue. Additional costs associated with COVID-19 include: biohazard cleaning, providing transportation support to VCOES, and support for Area Agency on Aging meal delivery programs. Providing additional paid sick time and expanded FMLA under the Families First Act will be an additional cost not yet fully known. Staff is actively looking into all available grant and funding sources, including CARES, FEMA, tax credits, etc. to offset these costs.

Expenses for FY 2019-2020 are projected to be \$25,547,719, which are 94% of the planned budget. However, Revenues for this same period are projected to be 24,779,395, which creates a shortfall in the current year budget that will need to be filled. It should be noted that the largest driver of Operating costs is Fixed-Route service levels. While service was reduced in March 2020 due to COVID-19, Operating costs have been tracking closely with original budgeted estimates due to a significant amount of overtime paid to cover absences this year.

GOLD COAST TRANSIT DISTRICT

Current Year Budget Projection FY 19-20 (Revised Budget):

- FY 19-20 Fare Revenue Down by \$0.7 Million (*No Fares/College Ride/LCTOP since March*)
- 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 not decreased (even though service level down)
- LTF / TDA for FY 19-20 Expected to be reduced by - \$670,000 (June 2020)
- Member funding will continue as budgeted in June, even though less funding available.

CURRENT YEAR FY 19-20 – REVISED BUDGET

FY 19-20	Monthly	Budget	Projected Full Year	
Fixed Route	\$ 1,045,226	\$ 13,579,700	\$ 13,424,056	99%
Paratransit	\$ 271,348	\$ 3,948,100	\$ 3,363,257	85%
Fleet & Facilities	\$ 278,285	\$ 4,487,600	\$ 3,741,584	83%
Administration	\$ 154,130	\$ 3,806,000	\$ 3,514,350	92%
Planning and Marketing	\$ 80,732	\$ 1,232,500	\$ 1,154,472	94%
			\$ 25,197,719	93%
COVID Related Expenses* Not including FFCRA / FMLA			\$ 400,000	
Total Operating Expenses	\$ 1,829,721	\$ 27,053,900	\$ 25,597,719	95%
Total Revenue		\$ 27,053,900	\$ 24,779,395	

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

Passenger fares, and boardings are expected to be significantly decreased in FY 2020-2021. In addition, lower LTF/TDA revenue of over 30% decrease 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 provides \$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 Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in the amount of \$13.8 million to help fill the funding shortfall. While this is good news, the funds will need to be spread over multiple years in order to avoid a cliff drop in funding in the following year. This means that while the CARES ACT will enable GCTD to maintain service levels, some level of service reduction may be unavoidable to spread the paid of the shortfall over multiple years.

FY 20-21 Budget Assumptions are:

- Ridership / Passenger Fare Revenue 30% lower
- State Funds – LTF/TDA 30-40% lower
- Member requests for capital funding under review (may need to be revised)
- Bond Payment must be made
- Service levels may need to be temporarily reduced 5%-10% for two years until LTF/TDA and economic rebound occurs

- Addition of Grant Funded New Route will continue
- Advertising Revenue Expected to be lower
- Budget will Include Negotiated Wage and Benefit increase (SEIU & Teamsters)
- *Wage Increase for Non-Rep (not guaranteed) subject to GM / Board Approval)*
- Support staff additions in critical areas Finance, Paratransit, Maintenance (additional cleaning needs to be continued)

FY 21-22 Budget Assumptions are:

- Anticipate slow economic recovery and that LTF / TDA will increase somewhat
- Anticipate increasing fare revenue (fare increase may need to be considered)
- Wage and Benefits beyond FY 20-21 are subject to negotiation (undetermined at this time)
- CARES Act will be exhausted mid-year, won't fully cover costs this year.

GCTD OPERATING BUDGET STATUS

FY 19, FY 20, FY22 (Projected)

	FY2019-20 Annual Budget	projected based on 8 mo actuals REVISED 19-20 BUDGET	PROJECTED FY 20-21 Budget	PROJECTED FY 21-22 Budget
Revenue (Not including CARES ACT)	\$27,053,900	\$24,779,395	\$17,640,694	\$19,475,064
Operating Expense	\$27,053,900	\$25,597,719	\$26,000,000	\$26,500,000
Projected Shortfall		-\$818,324	-\$8,359,306	-\$7,024,936

CARES ACT

Estimated \$13.8 Million in CARES ACT funds would help partially cover shortfall.

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