

STAFF REPORT

DATE: March 27, 2023
TO: Sacramento Regional Transit Board of Directors
FROM: Jason Johnson, Acting VP, Finance/CFO
SUBJ: FIRST AMENDMENT TO THE FY 2023 OPERATING BUDGET

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

This action will increase the FY 2023 Operating Revenue and Expenses Budgets by \$3,500,000 to cover increases in the cost of CNG fuel and petroleum-based fuels and products.

FISCAL IMPACT

While this action will increase the FY 2023 Operating Budget by \$3,500,000 to cover increases in the cost of CNG fuel and petroleum-based fuels and products, Staff has identified sufficient revenue adjustments to balance the budget.

This Budget Amendment will add \$2,353,000 to Fare Revenue and \$9,618,025 to Local Transportation Funds, while reducing COVID-19 stimulus funding by \$8,471,025, yielding a net revenue increase of \$3,500,000. Additionally, Staff was projecting an end of year Operating Budget surplus prior to the recognition of increased fuel costs. While the projected surplus does not negate the need for an amendment at this time, it will likely offset the increased costs by the end of the Fiscal Year.

DISCUSSION

For some time, SacRT has been faced increases to CNG costs.

The FY 2022 Operating Budget was amended in December 2021 to reflect increases to CNG costs that added \$600,000 to the original \$1,700,000 budgeted; this increase brought the overall CNG budget to \$2,300,000 for FY 2022.

For FY 2023, the CNG budget was increased to \$2,500,000 to allow for slight increases during the year. In the first half of FY 2023, there have been significant increases in costs for fuel and lubricants. Natural gas prices have trended higher than expected and can be attributed to the global shortages as well as high demand due to the extreme cold weather

across the country. In addition, gasoline and diesel prices, as well as petroleum products used in maintenance, have remained higher than expected.

The mid-year financial report for December 2022 showed cost for gasoline is 22.8% higher than budgeted for Sacramento-based services and 58.4% higher for Elk Grove-based services. The cost for diesel is 105% higher than budgeted. Lubricant costs have also trended higher than expected -- at the end of December costs were 53.5% higher than expected.

CNG prices are the most expensive in recent years, with the State Department of General Services notifying its customers of a possible 10-fold increase in prices for January 2023. Natural gas costs for all of FY 2023 have been higher than expected, with the December 2022 bill increasing by 100% month over month. SacRT's normal average price for natural gas is approximately \$0.70 per therm, but December's bill increased to \$1.40 per therm. January's price for natural gas was \$5.27 per therm. This is 600% higher than SacRT's normal average price.

The Bus Maintenance Department has calculated the following increased costs and needed FY 2023 budget additions: gasoline at \$706,000; diesel at \$50,000; CNG at \$2,684,000; and lubricants at \$60,000. The total increase to the FY 2023 Operating Expenditure Budget for this amendment is \$3,500,000.

The Operating Budget changes are laid out in detail in Exhibit A to the proposed Resolution.

RESOLUTION NO. 2023-03-023

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

March 27, 2023

FIRST AMENDMENT TO THE FY 2023 OPERATING BUDGET

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the First Amendment to the Fiscal Year 2023 Operating Budget increasing the Operating Budget by \$3,500,000, as further set out in Exhibit A, is hereby approved.

THAT, the Board hereby authorizes the General Manager/CEO or his designee to restructure the budgeted operating revenues for Fiscal Year 2023 consistent with the requirements contained in Governmental Accounting Standards Board (GASB) Statement 95.

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PATRICK KENNEDY

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PATRICK KENNEDY, Chair

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HENRY LI, Secretary

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Tabetha Smith

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By: _____

Tabetha Smith, Assistant Secretary

Exhibit A

Income	FY 2023 Adopted	FY 2023 Amended	\$ Change	% Change
Fare Revenue	\$ 13,147,000	\$ 15,500,000	\$ 2,353,000	17.9%
Contracted Services	649,730	649,730	-	0.0%
Other Income	5,890,000	5,890,000	-	0.0%
State and Local	149,183,917	158,801,942	9,618,025	6.4%
Federal	62,048,713	53,577,688	(8,471,025)	-13.7%
Total	\$ 230,919,360	\$ 234,419,360	\$ 3,500,000	1.5%
Expenses				
Labor/Fringes	\$ 160,969,320	\$ 160,969,320	\$ -	0.0%
Services	22,032,739	22,032,739	-	0.0%
Supplies	14,687,550	18,187,550	3,500,000	23.8%
Utilities	8,081,000	8,081,000	-	0.0%
Insurance/Liabilities	19,792,888	19,792,888	-	0.0%
Other expenses	5,355,863	5,355,863	-	0.0%
Total	\$ 230,919,360	\$ 234,419,360	\$ 3,500,000	1.5%