Regional Transit

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.

DocuSign Envelope ID: 314E0495-12E6-42BB-8DB0-3D368DEAAB92

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.

DocuSigned by:
PATRICK KENNEDY
853181B4EB3347E...

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: DocuSigned by:
Tabetha Smith
E1D44AD3E86A4F9...

Tabetha Smith, Assistant Secretary

DocuSign Envelope ID: 314E0495-12E6-42BB-8DB0-3D368DEAAB92

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%**

Regional Transit

STAFF REPORT

DATE: September 25, 2023

TO: Sacramento Regional Transit Board of Directors

FROM: Jason Johnson, VP, Finance/CFO

SUBJ: SECOND 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 Expenditure Budgets by $3,297,230 to cover increases in the costs of Personal Liability & Property Damage (PLPD) and Workers Compensation (WC) insurance claims expenditures.

FISCAL IMPACT

This action will increase the FY 2023 Operating Expenditure Budget by $3,297,230. An offsetting adjustment to the FY 2023 Operating Revenue Budget will be achieved by increasing Federal American Recovery Plan Act (ARP) funding by an equal amount. While the total increase in insurance claim expenditures was approximately $9.1M, several other expenditure categories (as noted in Exhibit A) were under budget for FY 2023 thus reducing the amount required for this amendment.

DISCUSSION

The actuarial valuations for FY 2023 saw an unprecedented increase in the PLPD liability which generated a large increase in the current year claims expense. SacRT met multiple times with the actuary to determine the underlying cause of the increase. In addition to the points outlined below, the actuary stated that SacRT is not alone in the claims liability increase. Transit agencies across the country are facing similar increases in claims cost.

The increase in claims expense for the PLPD program for FY 2023 is approximately $6.8M. Below are some of the main factors that contributed to the increase:

1. The original budget was based on an estimate of $2M for claims expense, or the change in the liability, which is determined by an actuary based on many factors, but the largest impact was from estimated passenger miles. What was projected for FY23 passenger miles was low in comparison to the ultimate mileage that was recognized in the FY23 valuation. In the past five years SacRT has seen varying levels of year-end adjustments to the PLPD expense. For example, in FY22 there

was a year-end adjustment to increase the expense by $1.7M, but in the previous year there was a reduction to the expense of $711K. In the current year, we have been very active working on open claims. Many of these claims were dormant during COVID-19 because the courts were not open and when they reopened in 2023, there was significant pressure to clear out old cases.

2. Making adjustments to reserves or settling claims in years where the Incurred But Not Reported (IBNR) levels are not sufficient to cover the cost (old claims). Annually the actuary reduces the IBNR in the old claim years because it is less likely that there will be a new claim submitted for those years. However, when SacRT settles or adjusts the reserves for an active claim in those older years, and there is no IBNR to cover the change, it equates to a dollar-for-dollar expense to the current fiscal year. As previously stated, SacRT was very active in FY 2023 settling and closing old claims that were from years with eroded IBNR balances.

3. Large claims (over $1M) are only expected by the actuary to occur infrequently over a ten-year span. This affects the liability because it updates the trends of the liability into future years. Because there are so few large claims it adds volatility into the calculation of the liability when a settlement over $1M occurs or if a case is reserved for over $1M.

The workers' compensation liability also increased in the current year by approximately $2.3M. This is related to an increase in claims and the ever-increasing costs of medical care, temporary disability rates, and the state work comp fee schedule. The Risk team is meeting regularly with Intercare, SacRT's third-party administrator, to ensure that claims are being settled as quickly as possible.

Exhibit A

Income	**FY 2023 Amend # 1**	**FY 2023 Amend # 2**	**$ Change**	**% Change**
Fare Revenue	$ 15,500,000	$ 15,500,000	$ -	0.0%
Contracted Services	649,730	649,730	-	0.0%
Other Income	5,890,000	5,890,000	-	0.0%
State and Local	158,801,942	158,801,942	-	0.0%
Federal	53,577,688	56,874,918	3,297,230	6.2%
Total	**$ 234,419,360**	**$ 237,716,590**	**$ 3,297,230**	**1.4%**
Expenses				
Labor/Fringes	$ 160,969,320	$ 160,969,320	$ -	0.0%
Services	22,151,982	19,421,495	(2,730,487)	-12.3%
Supplies	18,273,662	17,934,662	(339,000)	-1.9%
Utilities	8,231,000	8,009,000	(222,000)	-2.7%
Insurance/Liabilities	19,792,888	28,337,862	8,544,974	43.2%
Other expenses	5,000,508	3,044,251	(1,956,257)	-39.1%
Total	**$ 234,419,360**	**$ 237,716,590**	**$ 3,297,230**	**1.4%**

DocuSign Envelope ID: 8D5CA8A1-E671-45F2-9F05-B3829F0653C5

RESOLUTION NO. 2023-09-095

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

September 25, 2023

SECOND 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 Second Amendment to the Fiscal Year 2023 Operating Budget increasing the Operating Budget by $3,297,230, 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.

DocuSigned by:
PATRICK KENNEDY
853181B4EB3347E...
PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: DocuSigned by:
Tabetha Smith
E1D44AD3E86A4F9...
Tabetha Smith, Assistant Secretary

DocuSign Envelope ID: 8D5CA8A1-E671-45F2-9F05-B3829F0653C5

Exhibit A

Income	FY 2023 Amend # 1	FY 2023 Amend # 2	$ Change	% Change
Fare Revenue	$ 15,500,000	$ 15,500,000	$ -	0.0%
Contracted Services	649,730	649,730	-	0.0%
Other Income	5,890,000	5,890,000	-	0.0%
State and Local	158,801,942	158,801,942	-	0.0%
Federal	53,577,688	56,874,918	3,297,230	6.2%
Total	**$ 234,419,360**	**$ 237,716,590**	**$ 3,297,230**	**1.4%**
Expenses				
Labor/Fringes	$ 160,969,320	$ 160,969,320	$ -	0.0%
Services	22,151,982	19,421,495	(2,730,487)	-12.3%
Supplies	18,273,662	17,934,662	(339,000)	-1.9%
Utilities	8,231,000	8,009,000	(222,000)	-2.7%
Insurance/Liabilities	19,792,888	28,337,862	8,544,974	43.2%
Other expenses	5,000,508	3,044,251	(1,956,257)	-39.1%
Total	**$ 234,419,360**	**$ 237,716,590**	**$ 3,297,230**	**1.4%**