

Nashville Metropolitan Transit Authority

of Nashville & Davidson County, Tennessee

Board Action Item

Item Number:	M-A-21-019	Meeting Date:	06/24/2021
Item Title:	FY2022 Proposed Operating Budget		

BACKGROUND:

This action item presents the proposed budget for FY2022 and is a follow up from the May 2021 Board meeting in which we discussed relevant background information that went into the development of the FY2022 budget as well as the impact of COVID-19, the CARES Act, the American Rescue Plan (ARP) and the FY2021-22 Metro Nashville appropriation to the MTA, which was formally approved by the Council on June 15.

Some highlights:

- This budget would increase annual operating expenses by 3.7% over FY2021 to \$93,337,800. while accommodating an annualized increase in service hours of 7% beginning in October. Beyond restoration of service to full pre-pandemic levels in October, it would accommodate an annualized increase in service hours of 7%. Possible enhancements that follow the Better Bus plan are currently out for public comment and will be brought before the Board in July for consideration. The projected cost per service hour would increase at a reasonable rate of 1.35%.
- The Metropolitan Council adopted Mayor Cooper's proposal to fund Metro Transit Authority services at \$51,835,900. This is \$200,000 above our original baseline service request but does not address the "tier 2" request of \$3,200,000 for 9 months of Better Bus enhancements. If the Board decides to move forward with these enhancements, they would be funded with Federal American Rescue Plan Act funds for FY2021-22 and we will include a full year of these expenses in our baseline funding request to Metro Nashville for FY2022-23.
- Various categories of operating revenues show large increases over last year as we see recovery from the pandemic beginning. They are not budgeted at levels approaching pre-pandemic levels.
- A noteworthy change is the proposed use of pandemic-related funding for operating expenses and the elimination of Federal Capital Operating Reimbursements and ADA Reimbursements from the budget. In prior years, these reimbursements were (essentially) a transfer of funds from Federal resources available to fund our capital improvements budget over to eligible expenses in the Operating Budget. With the availability of pandemic relief funding through the CARES Act and American Rescue Plan Act, our normal formula Federal funds will be available to fund capital projects you will be considering this month. As relief funding is depleted, we will need to return to the practice of moving capital funds into the operating budget.
- Beyond the additional Bus Operators needed to support potential service expansion, additional positions will be required in operations supervision (Transportation and Maintenance) and Facilities to support the service expansion, particularly for extended service hours. In addition, the projected opening of the Hillsboro Transit Center in the Fall will increase fixed costs.

The following summary highlights the increases and decreases in revenues for this proposed budget compared to FY 2021:

Increase in Fare and Contract Revenue	\$590,300
Decrease in Advertising Revenue	(\$102,800)
Increase in Non-Transportation Revenue	\$605,300
Increase in Metro Subsidy	\$24,520,200
Increase in State Operating	\$120,700
Decrease in Federal Capital Reimbursements	(\$19,837,500)
Use of American Rescue Plan Funding	\$20,103,200
Decrease use of CARES Act Funding	(\$25,898,300)
Use of American Rescue Plan funding	\$3,200,000
Total Revenue Increase	<u>\$3,301,100</u>

- The increase in fare revenues represents the estimated recovery from the pandemic lows that we hope to see in our ridership. This increase is estimated to be at 60% to 70% of pre-COVID fare revenues. CARES Act funding will be used to cover the operating expenses that would have been covered by the lost revenue. Contract revenues include a proposed 3% increase in the hourly rate charged to RTA with services proposed to return to full service with the Fall service changes for the Southeast Corridor contracted service. It also reflects staff's intention to recommend that "fare capping" be incorporated into our fare structure when the QuickTicket system comes online later in the fiscal year.
- The decrease in advertising revenues is primarily due to the impact the pandemic has had on advertising in general and the fact that more buses are being transitioned over to the WeGo branding thus impacting the number of buses in the fleet available for traditional advertising other than full wraps.
- Other non-transportation revenues are increasing as our tenants, Dunkin Donuts and Premier Parking, continue to recover from the impacts of the pandemic. We hope that both tenants will be back to full rental payments sometime during FY2022. CARES Act funding will be used to cover our overall operating expenses should rent revenues not reach budgeted expectations.
- The increase in Metro Government's subsidy represents adopted Metro Nashville budget for FY2022 which restores the \$22.8 million in Nashville MTA's subsidy funding plus inflation.
- The increase in State operating support represent a 2.4% increase from the prior year.
- The decrease in federal operating reimbursements and the increase in ARP represent a swapping of grant dollars to free up Federal 5307 Capital formula funding for capital projects and utilize American Rescue Plan dollars for operations as previously discussed. With the requirements surrounding the use of ARP funding being somewhat more restrictive we proposed this swap to use ARP dollars more expediently and at the same time allow federal 5307 capital to be used as it is intended on the capital plan. The reason that the ARP amount is greater than the federal reimbursement is an assumed 2% increase traditionally requested for increased preventive maintenance costs.
- The decreased use of CARES Act is primarily due to the restoration of the Metro Subsidy, modest increases in fare revenues and some reduction in COVID related expenses. The anticipated use of CARES Act funding is based upon the combination of lost revenues, cleaning supplies, additional labor related to enhanced cleaning and disinfecting practices that will continue.

The following summary highlights the increases and decreases in operating expenses for this proposed budget compared to FY 2021:

Labor	\$1,023,800
FICA, Pension and Workers' Comp	\$576,400
Health Insurance	\$1,710,400
New Positions	\$1,765,100
Fuel	(\$1,443,900)
Other Services	(\$200,300)
Parts, Materials, and Supplies	(\$255,300)
Liability Insurance	\$67,500
Other	\$57,400
Total Expense Increase	<u>\$3,301,100</u>

- Labor costs are increasing primarily a result of contractual wage increases and scheduled wage step increases for union wages as stipulated in our collective bargaining agreement. There is also additional labor expense associated with proposed service improvements for phase 1 of the Metro Nashville Transportation Plan that are explained below.
- The increased FICA, Pension and Workers' Comp cost directly relate to the corresponding increase in overall labor costs described above plus additional FTEs being added for proposed service increases. The actuarially determined employer contribution rate of 8% for our pension plan contributions remains unchanged for the FY2022 budget based upon actuarial analysis.
- An increase of approximately 11.6% in health care coverage is anticipated due to increased medical claim costs, administrative costs and actuarial results, as well as increases associated with adding additional FTEs for the proposed service increases.
- This increase in new positions are associated with proposed service increases included in the Metro Nashville Transportation Plan, anticipated needs with the opening of the Hillsboro Transit center as well as positions related to facilities and cleaning as a result of the pandemic that will remain in place as a part of our resiliency planning. Positions proposed to be added include 25 additional bus operators, 2 dispatchers, 2 operations supervisors, 2 maintenance shop supervisors, 4 building specialists and 6 general helpers.
- Decreases in fuel costs are the result of new diesel and gasoline fuel hedging contracts. We hedge approximately 80% of our diesel and 75% of our gasoline consumption. FY 2022 hedging contract prices for diesel are decreasing from an average of \$1.82 per gallon this year to a new contractual diesel hedge price in FY2022 of \$1.23 per gallon. Unleaded fuel hedge prices are also decreasing from an average of \$1.55 this year to an average contracted price in FY2022 of \$0.97 per gallon. The decrease in fuel will be partially offset by the additional fuel needed for the proposed new services included in the budget.
- The decrease in Other Services is primarily due to significant reductions in our Access on Demand and overflow expenses related to decreased overall ridership when compared to FY2021 which was budgeted at pre-COVID ridership levels. This decrease was partially offset by increased security related to the extended service hours included in the proposed new service as well as increases in software maintenance fees related to our Trapeze software and licensing fees associated with our new fare collection system.
- The decrease in parts, materials and supplies is primarily related to a reduction in cleaning supplies needed to adhere to new standards set by the Health Department for cleaning and disinfecting our revenue fleet. While we will be continuing these enhanced cleaning practices, the current year's budget estimate was much larger than what actual usage has been during the current year. This decrease was partially offset by increases in parts maintenance related to general inflationary increases to the cost of parts as well as expenses associated with the proposed new service increase.

- The increase in property and liability insurance is directly related to our revenue fleet. Property damage premiums are directly proportional to total asset values of our revenue fleet.
- This increase in other expenses is due to inflationary increases in anticipated utility costs and administrative expenses.

Controller Shelly McElhaney and Chief Executive Officer Steve Bland will lead a discussion on the information presented above with the Board.

RECOMMENDATION:

We recommend the Board to adopt the FY2022 budget as presented here.

APPROVED:

Board Secretary

June 18, 2021

Date

Metropolitan Transit Authority

FORECAST (FY2021 - FY2023)

Metro Cut \$21.3m & Reduced Other Revenues +CARES

6/15/2021

Account Number	Account Description	FY2022 PROPOSED	FY2021 FINAL BUDGET	FY2022 vs FY2021 Budget Variance	% Var	FY2023 FORECAST	FY2024 FORECAST	FY2025 FORECAST
401010	FULL ADULT FARES	2,849,030	2,609,900	239,130	9.2%	3,276,920	3,769,000	4,146,240
401020	SENIOR CITIZEN FARE	645,000	425,000	220,000	51.8%	741,750	853,010	938,310
401030	STUDENT FARE	555,000	555,000	0	0.0%	638,250	733,990	807,390
Passenger Fares		4,049,030	3,589,900	459,130	12.8%	4,656,920	5,356,000	5,891,940
401050	ACCESS FARES	513,250	425,000	88,250	20.8%	590,240	678,780	746,660
Access		513,250	425,000	88,250	20.8%	590,240	678,780	746,660
402040	CONTRACT SERVICES - TRANSPORTATION	2,037,480	1,994,587	42,893	2.2%	2,078,230	2,119,790	2,162,190
405010	CONTRACT SERVICES- MANAGEMENT RTA	1,044,070	1,044,070	0	0.0%	1,064,950	1,064,950	1,086,250
Contract Revenue		3,081,550	3,038,657	42,893	1.4%	3,143,180	3,184,740	3,248,440
406030	ADVERTISING SALES REVENUE	502,070	604,900	(102,830)	-17.0%	512,110	522,350	532,800
Advertising		502,070	604,900	(102,830)	-17.0%	512,110	522,350	532,800
407010	MISC INCOME: NON-TRANSPORTATION	128,200	128,200	0	0.0%	130,760	133,370	136,040
407030	RENTAL OF BUILDING & PROPERTY	1,187,865	582,600	605,265	103.9%	1,211,620	1,235,850	1,260,570
40799-408	OTHER RECEIPTS	20,000	20,000	0	0.0%	20,400	20,810	21,230
Other Non-Transportation Revenue		1,336,065	730,800	605,265	82.8%	1,362,780	1,390,030	1,417,840
		2,200,000						
409010	LOCAL ASSISTANCE	51,835,900	27,315,700	24,520,200	89.8%	59,262,650	61,040,500	62,871,700
411010	STATE ASSISTANCE	5,098,610	4,977,900	120,710	2.4%	5,200,580	5,304,590	5,410,680
411010	CMAQ	0	0	0		0	0	0
	JARC & NEW FREEDOM	0	0	0		0	0	0
	RESCUE ACT FUNDING	23,303,190	0	23,303,190	#DIV/0!	22,940,055	0	0
	CARES ACT FUNDING	3,618,135	29,516,373	(25,898,238)	-87.7%	1,639,365	4,031,160	4,262,620
Operating Assistance		83,855,835	61,809,973	22,045,862	35.7%	89,042,650	70,376,250	72,545,000
422223	CAPITAL OPERATING REIMBURSEMENT	0	17,212,435	(17,212,435)	-100.0%	0	18,265,970	18,631,290
422224	CAPITAL ADA REIMBURSEMENT	0	2,625,000	(2,625,000)	-100.0%	0	2,750,000	2,750,000
Capital Revenue		0	19,837,435	(19,837,435)	-100.0%	0	21,015,970	21,381,290
TOTAL REVENUE		93,337,800	90,036,665	3,301,135	3.7%	99,307,880	102,524,120	105,763,970

Metropolitan Transit Authority

FORECAST (FY2021 - FY2023)

Metro Cut \$21.3m & Reduced Other Revenues +CARES

6/15/2021

Account Number	Account Description	FY2022 PROPOSED	FY2021 FINAL BUDGET	FY2022 vs FY2021 Budget Variance	% Var	FY2023 FORECAST	FY2024 FORECAST	FY2025 FORECAST
501-ALL	SALARIES & WAGES	38,526,315	36,262,880	2,263,435	6.2%	39,964,110	40,963,260	41,987,340
502-PTO	PTO BENEFITS	5,102,910	4,673,310	429,600	9.2%	5,296,070	5,428,480	5,564,140
502010	EMPLOYER F.I.C.A.	3,319,350	3,113,860	205,490	6.6%	3,443,660	3,529,760	3,617,990
502020	PENSION	3,445,590	3,231,890	213,700	6.6%	3,574,950	3,664,330	3,755,930
502030-40	HOSP, MEDICAL & SURGICAL PLAN	16,496,050	14,785,690	1,710,360	11.6%	17,972,400	18,918,270	19,910,260
502071	STATE UNEMPLOYMENT INS.	22,290	21,470	820	3.8%	23,240	23,940	24,660
502080	WORKERS COMP	1,257,510	1,101,070	156,440	14.2%	1,311,070	1,350,400	1,390,910
502-FF	OTHER FRINGE BENEFITS	699,100	603,240	95,860	15.9%	724,580	746,340	768,740
Labor & Fringes		68,869,115	63,793,410	5,075,705	8.0%	72,310,080	74,624,780	77,019,970
503023-28	PROMOTIONAL SERVICES & PROJECTS	323,500	302,500	21,000	6.9%	337,290	347,410	357,830
503031	MTA SECRETARY	10,610	10,300	310	3.0%	10,930	11,260	11,600
503032	ATTORNEY'S FEES	195,380	182,700	12,680	6.9%	203,710	209,820	216,110
503033	OUTSIDE AUDITING EXPENSE	82,220	79,825	2,395	3.0%	84,690	87,230	89,850
503034	WEB MANAGEMENT	63,650	61,800	1,850	3.0%	65,560	67,530	69,560
503035	SECURITY SERVICES	2,028,380	1,896,750	131,630	6.9%	2,114,890	2,178,340	2,243,690
503036	INTEREST ON LINE OF CREDIT	96,310	93,500	2,810	3.0%	99,200	102,180	105,250
503037	BANK SERVICE CHARGES	102,540	99,560	2,980	3.0%	105,620	108,790	112,050
503030	ACCESS ON DEMAND	1,480,000	1,877,750	(397,750)	-21.2%	1,524,400	1,570,130	1,617,230
503038	PARATRANSIT OVERFLOW	1,944,000	2,430,000	(486,000)	-20.0%	2,002,320	2,062,390	2,124,260
503039	OTHER SERVICES	2,139,060	1,991,850	147,210	7.4%	2,214,960	2,281,390	2,349,820
503040	TEMPORARY PERSONNEL	26,520	25,750	770	3.0%	27,320	28,140	28,980
503029	COVID-19 TESTING TRANSPORTATION	-	-	-	#DIV/0!			
503050	CONTRACT MAINT - SERVICE	2,637,225	2,277,420	359,805	15.8%	2,716,340	2,805,580	2,897,500
Services		11,129,395	11,329,705	(200,310)	-1.8%	11,507,230	11,860,190	12,223,730
504011	DIESEL FUEL	2,018,080	3,116,480	(1,098,400)	-35.2%	3,244,910	3,406,200	3,508,380
504012	GASOLINE	781,570	1,151,650	(370,080)	-32.1%	1,210,380	1,266,590	1,304,580
504013	LUBRICANTS	371,210	347,110	24,100	6.9%	387,040	398,650	410,610
504014	PROPANE GAS	7,540	7,050	490	7.0%	7,850	8,080	8,320
Fuel		3,178,400	4,622,290	(1,443,890)	-31.2%	4,850,180	5,079,520	5,231,890

Metropolitan Transit Authority

FORECAST (FY2021 - FY2023)

Metro Cut \$21.3m & Reduced Other Revenues +CARES

6/15/2021

Account Number	Account Description	FY2022 PROPOSED	FY2021 FINAL BUDGET	FY2022 vs FY2021 Budget Variance	% Var	FY2023 FORECAST	FY2024 FORECAST	FY2025 FORECAST
504022	TIRES & TUBES	616,450	576,900	39,550	6.9%	642,580	661,860	681,720
504990	PARTS	3,756,510	3,459,230	297,280	8.6%	3,915,030	4,032,480	4,153,440
504991	M & S GENERAL	772,660	755,500	17,160	2.3%	795,850	819,710	844,290
504995	PRINTING SERVICES	177,460	172,290	5,170	3.0%	182,780	188,270	193,910
504997	OFFICE SUPPLIES	73,900	72,200	1,700	2.4%	76,140	78,450	80,800
504998	JANITORIAL SUPPLIES	374,090	992,000	(617,910)	-62.3%	390,050	401,740	413,780
504999	DATA PROCESS SUPPLIES /GENERAL	61,800	60,000	1,800	3.0%	63,650	65,560	67,530
Parts, Materials & Supplies		5,832,870	6,088,120	(255,250)	-4.2%	6,066,080	6,248,070	6,435,470
505021	ELECTRIC	753,760	725,270	28,490	3.9%	776,370	799,660	823,660
505022	NATURAL GAS	222,790	216,300	6,490	3.0%	229,480	236,370	243,460
505024	WATER & SEWER	70,770	66,680	4,090	6.1%	72,880	75,080	77,330
505025/6	OFFICE TELEPHONES	362,900	367,900	(5,000)	-1.4%	373,790	385,010	396,550
Utilities		1,410,220	1,376,150	34,070	2.5%	1,452,520	1,496,120	1,541,000
506030	LIABILITY & PHYSICAL DAMAGE	2,318,600	2,251,070	67,530	3.0%	2,388,160	2,459,800	2,533,590
Casualty and Liability		2,318,600	2,251,070	67,530	3.0%	2,388,160	2,459,800	2,533,590
507040	LICENSING TRANS VEHICLES	930	900	30	3.3%	960	990	1,020
509011	DUES & SUBSCRIPTIONS	120,030	116,530	3,500	3.0%	123,630	127,330	131,160
509021-3	TRAVEL & TRAINING	226,890	219,560	7,330	3.3%	233,690	240,700	247,920
509071	BAD DEBT EXPENSE - GENERAL	1,600	1,550	50	3.2%	1,650	1,700	1,750
509081-991	MISCELLANEOUS-GENERAL	60,450	56,490	3,960	7.0%	178,720	184,100	189,630
509994	POSTAGE	19,100	18,540	560	3.0%	19,670	20,260	20,870
509995	FREIGHT - PARTS	39,250	38,110	1,140	3.0%	40,430	41,640	42,890
509996	BUS ROADEO EXPENSES	34,810	33,800	1,010	3.0%	35,850	36,920	38,020
512121	LEASE/RENT - STORAGE/EQUIPMT	96,140	90,440	5,700	6.3%	99,030	102,000	105,060
Other		599,200	575,920	23,280	4.0%	733,630	755,640	778,320
TOTAL EXPENSES		93,337,800	90,036,665	3,301,135	3.7%	99,307,880	102,524,120	105,763,970
SURPLUS/(DEFICIT)		-	-	-		-	-	-
RTA Mgmt Fee		(\$1,044,070)	(\$1,044,070)			(\$1,064,950)	(\$1,064,950)	(\$1,086,250)
Taxi Overflow & Access on Demand		(\$3,424,000)	(\$4,307,750)			(\$3,526,720)	(\$3,632,520)	(\$3,741,490)
Net Operating Expenses		\$88,869,730	\$84,684,845			\$94,716,210	\$97,826,650	\$100,936,230
Service Hours Estimated		722,726	698,000			731,526	731,526	731,526
Cost per Hour		\$122.96	\$121.32			\$129.48	\$133.73	\$137.98
Percentage Change		1.35%				5.30%	3.28%	3.18%