

Nashville Metropolitan Transit Authority

of Nashville & Davidson County, Tennessee

Board Action Item

Item Number:	M-A-24-022	Meeting Date:	6/27/2024
Item Title:	FY2025 Proposed Operating Budget		

BACKGROUND:

Attached is the proposed FY2025 operating budget for Nashville MTA. As was reported last month, the Mayor's recommended budget to the Council did not fully fund the baseline budget requested for the coming fiscal year. In order to avoid service reductions or fare increases, the cut in funding of our baseline request has been addressed through a one-time temporary conversion of federal \$5307 capital resources available to fund our capital improvements budget over to eligible expenses in the operating budget related to preventive maintenance. This was only possible because of the significant amount of capital funding support received through Metro's Capital Spending Plan for bus replacement, reducing the need for these federal dollars on the capital side.

The following summary highlights the changes in revenues for this proposed budget compared to FY2024:

Fare and Contract Revenue	\$148,150
Advertising Revenue	(\$120,000)
Non-Transportation Revenue	\$45,460
Metro Subsidy	\$2,675,000
State Operating	\$79,700
Reduction in American Rescue Plan (ARP) Funding	(\$593,470)
Federal 5307 Capital for PM and ADA	\$5,075,989
Use of CARES Act Funding	\$58,051
Total Revenue Increase	<u>\$7,368,880</u>

- Fares remain flat year-over-year due mainly to the successful launch of QuickTicket, which allows our riders to top out their monthly cost through fare-capping, and more customers are taking advantage of the two-hour free transfer window. This has been true across the board in all fare categories. Fares have also been affected by the growing number of business partners joining the WeGo Ride program, which provides a reduced fare per rider.
- Contract Service revenues for both the regional bus services operated by MTA for RTA and the management oversight services increased by 5.4% and 5%, respectively, to help defray increased costs due to inflation.
- Advertising Revenues will continue to decline as we migrate away from the traditional transit advertising model to the Community Impact Partnership program.
- Rental Revenues through agreements with Metropolis Parking and Dunkin' Donuts collectively increased 9.6% over FY2024, with Metropolis reflecting the most significant portion of the increase.
- Capital ADA Reimbursement covering a portion of WeGo Access service expenses increased by \$750,000 or 27.3%. Federal regulations allow the conversion to operating of up to 10% cap of the annual federal regional apportionment, and this increase is just under the 10% maximum allowed.

- As previously noted, the large majority of the increase in Capital Operating Reimbursement revenues is due to the one-time conversion of additional \$5307 capital resources to operating funds in order to offset the reduced baseline operating subsidy request from Metro.

The proposed budget for FY2025 increases annual operating expenses by 6.1% over FY2024 to \$127,997,050 and includes the annualized increase in Better Bus service hours implemented in FY2024. The cost per service hour for the new fiscal year is projected to increase by 4.2%.

The following summary highlights the increases in operating expenses in the proposed budget compared to FY2024:

Labor and PTO Benefits	\$3,868,720
FICA, Pension, Workers' Comp, and Other Fringes	\$742,910
Health Insurance	\$636,390
Fuel	(\$890,660)
Overflow WeGo Access Providers	\$523,110
Other Services	\$1,225,120
Parts, Materials, and Supplies	\$428,910
Liability Insurance	\$737,160
Other	\$97,220
Total Expense Increase	<u><u>\$7,368,880</u></u>

- Labor costs are increasing as a result of assumed contractual wage and scheduled wage step increases as management continues to meet with Union representatives to negotiate a new 3-year Collective Bargaining Agreement (CBA) and proposed annual administrative wage increases. There is also an additional labor expense due to the annualizing of the FY2024 Better Bus service improvements.
- The increased FICA, Pension, and Workers' Comp costs directly relate to the corresponding increase in overall labor described above. The employer contribution rate of 8% for our pension plan remains unchanged for the FY2025 budget based on the actuarial analysis.
- Worker's Comp reflects an anticipated increase of approximately 7.4% and is primarily due to known ongoing expenses related to vehicle accidents that occurred in FY2024.
- With the more favorable fuel hedging contracts we were able to procure through Metro for the coming budget year, fuel expenses year-over-year have decreased. We hedge approximately 80% of our diesel and 75% of our gasoline consumption, and during FY2024, we were able to lock in hedging contract prices for FY2025 of \$2.66 and \$2.47 for diesel for an average hedged price of \$2.56 per gallon. For gasoline, we were able to lock in hedge prices of \$2.26 & \$2.17 for an average hedged price of \$2.23 per gallon. The contract pricing for FY2024 for diesel was \$2.80 and \$2.36 for gasoline.
- The increase in Overflow and Other Services anticipates increases in our overflow third-party expenses as we continue to work to balance our in-house WeGo Access services versus outsourced overflow services. It also includes increased security costs primarily related to the Dr. Ernest Rip Patton, Jr. Transit Center as well as additional coverage at WeGo Central and covers anticipated continued recruitment expenses focusing on attracting and retaining employees with a particular focus on operators and mechanics as we continue to work to stabilize our workforce. Normal contractual maintenance-type contract increases are also assumed.
- The increase in parts, materials, and supplies is primarily related to inflationary adjustments but also includes ongoing improvements to shelters and transit stops as we continue the Shelter Improvement Program.
- The increase in casualty and liability insurance is due to the increased overall dollar value of our revenue

fleet, which has resulted from having received a large number of new replacement revenue vehicles. We are also anticipating larger-than-normal increases in general liability premiums due to more significant loss claims experienced in August of last year, shortly after entering into the new relationship with Chubb Insurance on July 1, 2024. Additionally, as has been mentioned to the Board over the last several months, auto liability claims continue to trend upward, so we have increased the auto liability expense and will continue to work with our third-party administrator to identify adverse trends that can be better managed going into the new fiscal year.

Chief Executive Officer Steve Bland will discuss the information presented above with the Board and respond to any questions.

RECOMMENDATION:

We recommend that the Board adopt the FY2025 budget as presented here.

APPROVED:

Board Secretary

6/27/2024

Date

Metropolitan Transit Authority

FY2024 Proposed Budget

6/17/2024

Account Number	Account Description	FY2025 PROPOSED	FY2024 FINAL BUDGET	FY2025 vs FY2024 Budget Variance	% Var	FY2026 FORECAST	FY2027 FORECAST	FY2028 FORECAST
401010	FULL ADULT FARES	5,500,000	5,500,000	0	0.0%	5,665,000	5,834,950	6,010,000
401020	SENIOR CITIZEN FARE	735,000	735,000	0	0.0%	757,050	779,760	803,150
401030	STUDENT FARE	650,000	650,000	0	0.0%	669,500	689,590	710,280
Passenger Fares		6,885,000	6,885,000	0	0.0%	7,091,550	7,304,300	7,523,430
401050	ACCESS FARES	637,640	637,640	0	0.0%	656,770	676,470	696,760
Access		637,640	637,640	0	0.0%	656,770	676,470	696,760
402040	CONTRACT SERVICES - TRANSPORTATION	2,047,330	1,942,440	104,890	5.4%	2,108,750	2,172,010	2,237,170
405010	CONTRACT SERVICES- MANAGEMENT RTA	1,023,610	980,350	43,260	4.4%	1,023,610	1,074,790	1,096,290
Contract Revenue		3,070,940	2,922,790	148,150	5.1%	3,132,360	3,246,800	3,333,460
406030	ADVERTISING SALES REVENUE	180,000	300,000	(120,000)	-40.0%	183,600	187,270	191,020
Advertising		180,000	300,000	(120,000)	-40.0%	183,600	187,270	191,020
407010	MISC INCOME: NON-TRANSPORTATION	102,440	170,100	(67,660)	-39.8%	104,490	106,580	108,710
407030	RENTAL OF BUILDING & PROPERTY	1,286,260	1,173,140	113,120	9.6%	1,311,990	1,338,230	1,364,990
40799-408	OTHER RECEIPTS	20,000	20,000	0	0.0%	20,400	20,810	21,230
Other Non-Transportation Revenue		1,408,700	1,363,240	45,460	3.3%	1,436,880	1,465,620	1,494,930
409010	LOCAL ASSISTANCE	77,365,900	74,690,900	2,675,000	3.6%	89,110,560	94,071,000	99,360,120
411010	STATE ASSISTANCE	5,394,000	5,314,300	79,700	1.5%	5,501,880	5,611,920	5,724,160
422226	*RESCUE ACT* FUNDING	0	593,470	(593,470)	-100.0%	0	0	0
422225	*CARES ACT* FUNDING	6,597,591	6,539,540	58,051	0.9%	0	0	0
Operating Assistance		89,357,491	87,138,210	2,219,281	2.5%	94,612,440	99,682,920	105,084,280
422223	CAPITAL OPERATING REIMBURSEMENT	22,957,279	18,631,290	4,325,989	23.2%	23,772,260	24,485,430	25,219,990
422224	CAPITAL ADA REIMBURSEMENT	3,500,000	2,750,000	750,000	27.3%	3,500,000	3,500,000	3,500,000
Capital Revenue		26,457,279	21,381,290	5,075,989	23.7%	27,272,260	27,985,430	28,719,990
TOTAL REVENUE		127,997,050	120,628,170	7,368,880	6.1%	134,385,860	140,548,810	147,043,870
501-ALL	SALARIES & WAGES	51,284,260	47,918,160	3,366,100	7.0%	54,345,320	57,062,550	59,915,700
502-PTO	PTO BENEFITS	7,407,800	6,905,180	502,620	7.3%	7,778,300	8,167,250	8,575,670
502010	EMPLOYER F.I.C.A.	4,467,860	4,175,870	291,990	7.0%	4,729,270	4,965,740	5,214,030
502020	PENSION	4,635,270	4,335,540	299,730	6.9%	4,906,790	5,152,130	5,409,740
502030-40	HOSP, MEDICAL & SURGICAL PLAN	20,569,870	19,933,480	636,390	3.2%	21,531,280	22,667,260	23,869,820
502071	STATE UNEMPLOYMENT INS.	5,000	17,860	(12,860)	-72.0%	5,200	5,380	5,570
502080	WORKERS COMP	1,811,600	1,686,260	125,340	7.4%	1,902,180	1,997,290	2,097,150
502-FF	OTHER FRINGE BENEFITS	870,410	831,700	38,710	4.7%	905,190	936,870	969,650
Labor & Fringes		91,052,070	85,804,050	5,248,020	6.1%	96,103,530	100,954,470	106,057,330

Metropolitan Transit Authority

FY2024 Proposed Budget

6/17/2024

Account Number	Account Description	FY2025 PROPOSED	FY2024 FINAL BUDGET	FY2025 vs FY2024 Budget Variance	% Var	FY2026 FORECAST	FY2027 FORECAST	FY2028 FORECAST
503023-28	PROMOTIONAL SERVICES & PROJECTS	383,660	365,390	18,270	5.0%	399,000	412,960	427,420
503031	MTA SECRETARY	12,050	11,480	570	5.0%	12,530	12,970	13,420
503032	ATTORNEY'S FEES	231,710	220,680	11,030	5.0%	240,980	249,410	258,140
503033	OUTSIDE AUDITING EXPENSE	93,370	88,920	4,450	5.0%	97,100	100,500	104,020
503034	WEB MANAGEMENT	110,080	104,840	5,240	5.0%	114,480	118,490	122,640
503035	SECURITY SERVICES	3,524,930	2,477,220	1,047,710	42.3%	3,665,930	3,794,240	3,927,040
503036	INTEREST ON LINE OF CREDIT	192,000	213,280	(21,280)	-10.0%	199,680	206,670	213,900
503037	BANK SERVICE CHARGES	116,450	110,910	5,540	5.0%	121,100	125,340	129,720
503030	ACCESS ON DEMAND	1,494,870	1,709,400	(214,530)	-12.6%	1,554,660	1,609,070	1,665,390
503038	PARATRANSIT OVERFLOW	3,993,420	3,255,780	737,640	22.7%	4,153,160	4,298,520	4,448,970
503039	OTHER SERVICES	3,062,410	3,384,500	(322,090)	-9.5%	3,106,910	3,215,640	3,328,150
503040	TEMPORARY PERSONNEL	65,000	28,690	36,310	126.6%	67,600	69,970	72,420
503029	COVID-19 TESTING TRANSPORTATION	0	0	0	0.0%			
503050	CONTRACT MAINT - SERVICE	3,552,440	3,113,070	439,370	14.1%	3,691,980	3,824,170	3,964,380
Services		16,832,390	15,084,160	1,748,230	11.6%	17,425,110	18,037,950	18,675,610
504011	DIESEL FUEL	5,130,100	5,670,140	(540,040)	-9.5%	5,284,840	5,443,820	5,634,360
504012	GASOLINE	1,180,300	1,571,000	(390,700)	-24.9%	1,218,220	1,256,070	1,300,030
504013	LUBRICANTS	476,180	436,530	39,650	9.1%	495,230	512,560	530,500
504014	PROPANE GAS	9,080	8,650	430	5.0%	9,440	9,780	10,120
Fuel		6,795,660	7,686,320	(890,660)	-11.6%	7,007,730	7,222,230	7,475,010
504022	TIRES & TUBES	772,590	725,660	46,930	6.5%	803,500	831,620	860,730
504990	PARTS	4,868,670	4,594,510	274,160	6.0%	5,063,420	5,240,630	5,424,040
504991	M & S GENERAL	1,122,210	1,003,030	119,180	11.9%	1,167,060	1,207,890	1,250,170
504995	PRINTING SERVICES	137,110	191,920	(54,810)	-28.6%	142,590	147,570	152,740
504997	OFFICE SUPPLIES	83,410	79,940	3,470	4.3%	86,710	89,700	92,860
504998	JANITORIAL SUPPLIES	513,680	477,090	36,590	7.7%	534,230	552,940	572,310
504999	DATA PROCESS SUPPLIES /GENERAL	71,220	67,830	3,390	5.0%	74,070	76,660	79,340
Parts, Materials & Supplies		7,568,890	7,139,980	428,910	6.0%	7,871,580	8,147,010	8,432,190
505021	ELECTRIC	741,740	804,270	(62,530)	-7.8%	771,410	798,400	826,360
505022	NATURAL GAS	248,190	236,370	11,820	5.0%	258,120	267,160	276,510
505024	WATER & SEWER	115,490	87,980	27,510	31.3%	120,100	124,300	128,650
505025/6	OFFICE TELEPHONES	433,240	403,250	29,990	7.4%	450,570	466,340	482,670
Utilities		1,538,660	1,531,870	6,790	0.4%	1,600,200	1,656,200	1,714,190
506030	LIABILITY & PHYSICAL DAMAGE	3,382,340	2,645,180	737,160	27.9%	3,517,630	3,640,750	3,768,180
Casualty and Liability		3,382,340	2,645,180	737,160	27.9%	3,517,630	3,640,750	3,768,180
507040	LICENSING TRANS VEHICLES	1,060	1,010	50	5.0%	1,100	1,140	1,180
509011	DUES & SUBSCRIPTIONS	162,120	177,270	(15,150)	-8.5%	168,610	174,510	180,620
509021-3	TRAVEL & TRAINING	332,130	257,650	74,480	28.9%	345,400	357,500	370,020

Metropolitan Transit Authority

FY2024 Proposed Budget

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Account Number	Account Description	FY2025 PROPOSED	FY2024 FINAL BUDGET	FY2025 vs FY2024 Budget Variance	% Var	FY2026 FORECAST	FY2027 FORECAST	FY2028 FORECAST
509071	BAD DEBT EXPENSE - GENERAL	1,820	1,730	90	5.2%	1,890	1,960	2,030
509081-991	MISCELLANEOUS-GENERAL	128,680	80,670	48,010	59.5%	133,800	138,480	143,320
509994	POSTAGE	41,680	20,650	21,030	101.8%	43,350	44,870	46,440
509995	FREIGHT - PARTS	47,680	45,410	2,270	5.0%	49,590	51,330	53,130
509996	BUS ROADEO EXPENSES	54,410	48,240	6,170	12.8%	56,580	58,560	60,610
512121	LEASE/RENT - STORAGE/EQUIPMT	57,460	103,980	(46,520)	-44.7%	59,760	61,850	64,010
	Other	827,040	736,610	90,430	12.3%	860,080	890,200	921,360

TOTAL EXPENSES	127,997,050	120,628,170	7,368,880	6.1%	134,385,860	140,548,810	147,043,870
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SURPLUS/(DEFICIT)	0	0	0		0	0	0
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RTA Mgmt Fee	(\$1,023,610)	(\$980,350)			(\$1,023,610)	(\$1,074,790)	(\$1,096,290)
Taxi Overflow & Access on Demand	(\$5,488,290)	(\$4,965,180)			(\$5,707,820)	(\$5,907,590)	(\$6,114,360)
Net Operating Expenses	\$121,485,150	\$114,682,640			\$127,654,430	\$133,566,430	\$139,833,220
<i>Revenue Service Hours Estimated</i>	<i>781,421</i>	<i>768,471</i>			<i>791,133</i>	<i>794,371</i>	<i>794,371</i>
<i>Cost per Hour</i>	<i>\$155.47</i>	<i>\$149.23</i>			<i>\$161.36</i>	<i>\$168.14</i>	<i>\$176.03</i>
<i>Percentage Change</i>	<i>4.18%</i>	<i>2.69%</i>			<i>3.79%</i>	<i>4.20%</i>	<i>4.69%</i>