

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 2/11/2026

Staff Report No. 26-004

TO: AC Transit Board of Directors
FROM: Salvador Llamas, General Manager/Chief Executive Officer
SUBJECT: FY 2025-26 Mid-Year Report

ACTION ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Consider receiving the FY 2025-26 Mid-Year Budget Review and Ridership Report.

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency
Initiative - Financial Efficiency and Revenue Maximization

Regular financial reporting and a review of ridership benefits staff and Board Members in assessing the condition of the District.

BUDGETARY/FISCAL IMPACT:

There are no budgetary or fiscal impacts with this report.

BACKGROUND/RATIONALE:

For this Mid-Year, staff recommends no adjustments to the operating or capital budgets. Because the District is currently running a deficit, no additional spending will be added to the budget.

The Mid-Year District financials reflect a \$15.7 million deficit before accounting for District Capital spending of \$1.8 million. The budget for the fiscal year includes \$41.5 million in reserves, with 50% or \$20.8 million budgeted to be used in the first half of the fiscal year. The District's cash flow is sufficient to delay the use of reserves until the second half of the year. Continuing to defer use of reserves allows the District to continue to generate interest income on the remaining balance. If the \$20.8 million reserve allocation had been utilized in the first half, the operating budget would have realized a \$4.8 million surplus.

Reference Attachment 1 for an overview of operating revenues and expenses.

Operating Revenues

Total year-to-date revenues of \$279.3 million are \$23.8 million (-7.9%) below the \$303.1 million budget for FY 2025-26. Revenues from operations are slightly above budget by \$4.6 million (15.9%) for the current fiscal year as well as above prior fiscal year by \$4.5 million (15.4%) mostly due to the addition of a large EasyPass client (California State University East Bay, CSUEB) and higher than expected Interest Income. Subsidies are \$7.7 million (-3.0%) below budget for the current fiscal year due mostly to lower-than-expected Property Tax subsidies and a TDA (sales tax) revenue recession.

As mentioned above, the \$20.8 million budgeted for reserves in the first half was not used due to sufficient cash balances, but Staff expects to begin drawing on reserves in the second half. Specific revenues are as follows:

- Farebox: \$2.0 million (-10.1%) below budget
 - Fare revenue is tracking below budget due to stagnant ridership growth, however, is slightly higher compared to prior year-to-date actuals due to the fare increase implemented at the start of the fiscal year.
- Contract Services: \$866,000 (19.7%) above budget
 - Contract Services exceeded the budget, driven primarily by the timing of EasyPass Program receipts and the acquisition of CSUEB as a new customer. Of note, prior year-to-date actuals were lower but caught up towards the end of the year.
- Other Operations Revenues: \$5.8 million (125.2%) above budget
 - Other Operations Revenues are above budget primarily due to higher interest income and temporary revenue from the automated citations program. The automated citations revenue is a result of timing, as it was received in December but will be paid out to the contractor, Hayden AI, early in the second half. If the payments had been made before the end of the first half, this revenue category would have been only \$3.8 million above budget.
- Sales Tax: \$3.3 million (-3.0%) below budget
 - Sales taxes revenue is below budget due to a recession of TDA revenues. The recession or reduction is due to lower than forecast revenues for last fiscal year but was applied to the current fiscal year.
- Property & Parcel Tax: \$4.6 million (-4.6%) below budget
 - Property tax revenue is below budget for the first half. The District receives property tax revenue in a few payments during the year, with the largest amount coming in December. The first half results show slightly below budget, but a second payment received early in the second half should increase to the total year's outlook to at budget or better. The improved outlook for Property Tax should show up in the third quarter results.
- Other Federal, State, & Local: \$289,000 (0.7%) above budget
 - The positive variance to prior year of \$9.5 million (30%) is due mostly to the receipt of funds through Senate Bill 125, which the Metropolitan Transportation Commission (MTC) gave to the District as Regional Measure 3 (RM3) funding. Due to grant process delays, the District is also recognizing FY 2024-25 Federal paratransit operating support funding in FY 2025-26.
 - The budget table line for ARP Act funds is included for comparison with the prior fiscal year when the remaining funds were used up.

Operating Expenses

Total operating expenses are \$7.8 million (2.6%) below budget for the first half of the fiscal year. Labor expenses are \$1.0 million (-0.5%) above budget, and non-labor expenses are \$8.9 million (9.4%) below budget. Major factors are as follows:

- Salaries & Wages: \$1.6 million (-1.7%) over budget
 - A lower-than-average attrition rate of operators has contributed to the current year negative budget variance. The increase of \$3.9 million (4.1%) over prior fiscal year-to-date actuals is mostly due to adopted wage increases as well as a one-time cost in August for new route training for the Realign service changes.
- Fringe Benefits: \$567,000 (-0.7%) over budget
 - The increase of \$6.9 million (9.4%) over prior fiscal year-to-date actuals is mostly due to increases in Healthcare rates and Workers Compensation.
- Pension: \$1.2 million (3.5%) under budget
 - While the first half actuals are under budget, recent reconciliation will cause an increase in pension expense in the second half. Staff expects the full year to end up above the annual budget.
- Services: \$8.3 million (31.9%) below budget
 - The category is under budget as normal, most spending occurs toward the latter part of the year due to the timing of payments for professional and software services.
- Casualty & Liability: \$1.4 million (-9.0%) over budget
 - For the first half, actuals are tracking to budget, however staff expect year-end expenses to exceed the annual budget due to pending settlements. Current year-to-date actuals are higher than prior year-to-date actuals due to a large settlement payment in December.
- Purchased Transportation: \$1.1 million (4.3%) under budget
 - The vast majority of expenses in this category are from the East Bay Paratransit Consortium. Expenses are showing as under budget primarily due to timing of payments and otherwise would be close to budget. Even with this timing issue, they are still \$4.6 million (21.4%) higher than prior year-to-date actuals due to increased costs for paratransit services.

District Funded Capital

District Capital is tracking under budget in FY 2025-26 due to delays on bus procurements and other large multi-year projects. District Capital is paid out of the District's working capital generated by budget surpluses. Staff anticipate a higher amount of District Capital to be spent throughout the year as bus purchases get completed and the delayed projects get back on schedule.

Budget Development Updates

Looking forward to the FY 2026-27 budget year, staff brought the budget guidelines to the Board at the January 28th meeting and has been preparing to kick off the budgeting process internally. As of the writing of the report, the District, MTC, and the other three agencies involved continue to negotiate terms for the bridge loans from the State. The District continues to ask for \$55 million, which will fill a significant amount of the

projected \$74 million gap. Staff is also exploring a backup plan of converting capital funds to operating should the loans or the final terms not work out as expected.

Staff expect to bring an interim budget update to the Board in March that will cover revenue projections from the MTC fund estimate which is released in February, along with developments in the State loan situation.

Quarterly Grant Application Reporting

Attachment 2 displays grant applications submitted from Q3 FY 2024-25 through Q2 FY 2025-26. It shows programs and projects for which AC Transit applied. It also shows in which quarter the applications were submitted, how much funding was asked for, and if applicable, how much funding was awarded. AC Transit continues to utilize grant programs to fund its prioritized projects as much as possible, with the goals of more easily achieving financial stability and realizing its stated mission and values. Due to the nature of these grant programs, it is difficult to predict in advance the amount AC Transit will receive in grant application awards.

Mid-Year Ridership Report

The Mid-Year ridership report provides a condensed analysis covering the period from July 2025 - November 2025, serving as a Mid-Year update to the annual ridership staff report presented to the Board. This report focuses on Fall 2025 ridership performance. Note: a separate staff report will focus on ridership and Realign.

- **Monthly Trend** [Attachment 3, Exhibit 1A]: The 5-month period from July-November 2025 saw a -0.7% system-wide ridership decrease compared to the same period in the prior year. Peak monthly ridership occurred in October 2025, with total monthly ridership of 3.7 million riders, a -2.2% decrease compared to the prior year. Fiscal year-to-date cumulative ridership of 17.0 million riders reflects 74.6% of pre-pandemic (FY 18-19) ridership levels. Using the current growth rate, fiscal year-end ridership is projected at an estimated 39.3 million riders by June 30, 2026.
- **Recovery Levels** [Attachment 3, Exhibit 1B and 1C]: Monthly ridership is broken out by service mode. Local (MB-Motorbus) service dropped 1.0% Y-Y, recovering to 68.0% of FY18-19 levels. Transbay (CB-Commuter Bus) service gained 11.8% Y-Y, however it remains at 22.9% of pre-pandemic level. Tempo (RB-Rapid Bus) service averaged approximately 400,000 monthly riders during this period.

Exhibit 1C shows the current recovery percentage trend by day type, comparing weekday versus weekend trend lines relative to pre-pandemic levels in 2019. Comparing peak ridership in October 2025 with October 2019, average weekday ridership was down 21.9%. Weekend ridership performed close to or better than pre-pandemic levels, with Saturdays down 4.8%, while Sunday ridership was down 1.6%.

- **Route-level Performance** [Attachment 3, Exhibit 1D]: This table provides average weekday ridership performance across all service routes, comparing October ridership since FY20-21. Among the top performing routes, Tempo (Line 1T) is the District's top performer, carrying 16,000 average daily weekday riders in Fall 2025. Lines 51B, 40, 51A, 18, 57, 52, 6, 9, and 72, round out the top 10 local routes, carrying between 3,500-9,000 daily passengers

ADVANTAGES/DISADVANTAGES:

The advantage of the Mid-Year report is to allow the Board of Directors to remain current on the status of the annual budget revenues and expenditures.

ALTERNATIVES ANALYSIS:

This report does not recommend an action; therefore, no alternatives analysis is presented.

PRIOR RELEVANT BOARD ACTION/POLICIES:

Board Policy 311 - Budgets

ATTACHMENTS:

1. Revenue and Expense Report
2. Quarterly Grant Application Reporting
3. Ridership Report

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