

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 9/24/2025

Staff Report No. 25-406

TO: AC Transit Board of Directors
FROM: Salvador Llamas, General Manager/Chief Executive Officer
SUBJECT: Quarterly Budget Update

BRIEFING ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider receiving the Quarterly Budget Update for the period of July 2024 through the end of June 2025 of FY 2024-25.

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

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

Regular financial reporting 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:

The District financials are performing better than budgeted as of fiscal year end 2024-25. Revenues are at budget and Expenses are \$23.6 million (3.9%) below budget, resulting in an operating surplus of \$23.4 million. The operating surplus less District Capital of \$11.6 million results in a net surplus of \$11.8 million (2% of budget). See Attachment 1 for details.

The District's surplus is due in part to the lower cost of the negotiated paratransit contract compared to the anticipated budgeted cost (a difference of approximately \$10 million). Lower spending in Services also contributed to the surplus. These savings are offset by a deficit of \$9.1 million (-2.3%) in the labor budget, mostly explained by increases in workers compensation insurance, Pension Expense, and Bus Operator premium time expenses.

District capital funds are comprised solely of operating surplus. After subtracting District capital spending, the remaining operating surplus could be used to increase the District's reserves and balance future fiscal year

budgets. Due to forecasted deficits, the District will rely on reserves for the next couple fiscal years to balance the operating budget. Funding received as a part of any approved state loan or revenue measure would reduce reliance on reserves.

Revenues came in at the budget amount for FY 2024-25 but are expected to decline the following year when deficits are projected. The final drawdown of the remaining \$44.7 million of federal American Rescue Plan (ARP) Act funds was made in the first half of FY 2024-25. Sales tax subsidies were under budget and are expected to continue to decline next year. Without a new revenue source, the District is facing major deficits starting in FY 25-26.

The District's current vacancy rate for non-operations, non-ATU positions is 7%, down from 10% at the time the FY 2025-26 fiscal year budget was adopted. This reduction reflects the completion of hiring processes that were approved prior to the passage of the budget. The General Manager, in coordination with Human Resources and executive staff, is evaluating the operational impacts of sustaining a 10% vacancy rate. Several non-operations support positions are necessary for efficiency, safety, regulatory compliance and other critical business needs.

Operating Revenues

Total revenues are at the annual budget for FY 2024-25. Revenues from operations are above budget by \$6.4 million (11.6%) mostly due to higher interest income than expected. Farebox revenue increased very little over the previous year. Subsidies are \$6.7 million (-1.3%) under budget in the current fiscal year, and \$21.5 million (-4.1%) lower than prior fiscal year actuals due mostly to sales tax and federal ARP Act reductions. The final drawdown of \$44.7 million of the federal ARP Act funds was made in the first half of FY 2024-25.

Overall, revenues are \$1.9 million (-0.3%) lower than prior fiscal year actuals. Reductions in revenues are clearly pointing to tougher economic times ahead. Specific revenues are as follows:

- Farebox: \$2.0 million (-5.4%) below budget
 - Fare revenue is tracking below budget for the fiscal year and is only slightly higher than prior year-to-date actuals by \$426,000 (1.2%). This matches slowing increases in ridership.
- Contract Services: \$824,000 (9.7%) above budget
 - Contract Services are slightly higher than budget for the fiscal year due to the timing of EasyPass payments and the addition of new customers. Many of the EasyPass contract terms are not aligned with the fiscal year.
- Other Operations Revenues: \$7.5 million (79.2%) higher than budget
 - Other Operations Revenues are higher than budget for the fiscal year primarily due to higher than anticipated interest income because of favorable interest rates.
- Sales Tax: \$4.5 million (-1.9%) below budget

- Sales taxes are below budget for the fiscal year due to lower-than-expected Measure BB revenues. Sales taxes are \$8.2 million (-3.3%) below prior year-to-date revenue collection.
- Property & Parcel Tax: \$3.3 million (1.7%) higher than budget
 - Property and Parcel Tax are tracking at budget and \$4.3 million above prior year-to-date.
- Other Federal, State, & Local: \$5.5 million (-7.3%) below budget
 - Delays in approval Federal Transit Administration (FTA) funds for Paratransit operating support resulted in the deferral of \$6.9 million FY 2024-25 subsidies into FY 2025-26.

Operating Expenses

Total operating expenses are \$23.6 million (3.9%) below budget for the fiscal year. Labor expenses are \$9.1 million (-2.3%) above budget, and non-labor expenses are \$32.8 million (16.4%) below budget. Labor costs reflect higher operator premium time expense and increases in both Pension Expense and workers compensation insurance. It should be noted that when comparing non-labor expenses to the prior fiscal year, the largest percentage increases occurred in Casualty & Liability (11.7%) and Purchased Transportation (11.6%). These areas were expected to increase and were budgeted accordingly. Conversely, the budget was based on estimates for the new Paratransit Contract, while the final costs ended up lower and resulted in more than \$10 million in savings. Major factors are as follows:

- Salaries & Wages: \$2.8 million (-1.5%) over budget
 - Primarily due to heavy use of operator overtime to backfill vacant Bus Operator positions. The increase of \$9.6 million (5.4%) over prior fiscal year-to-date actuals reflects wage increases adopted at the start of the fiscal year and increased operator count from the prior year.
- Fringe Benefits: \$3.6 million (-2.4%) over budget
 - Primarily higher than anticipated costs for workers' compensation (\$23.6 million budget vs \$28.5 million actuals) due to the increasing cost of claims. It should be noted that the FY 2024-25 actuals for workers' compensation are lower than the actuals for the prior two fiscal years (FY 2023-24 actuals of \$32.7 million and FY 2022-23 actuals of \$29.8 million).
 - Compared to prior fiscal year-to-date actuals, FY 2024-25 Fringe actuals are higher by \$3.2 million (2.1%), mostly due to increases in healthcare costs (FY 2023-24 actuals \$63.8 million vs FY 2024-25 actuals \$69.1 million).
- Pension: \$2.7 million (-3.8%) over budget
 - A payment accrual posting to this fiscal year instead of last fiscal year is the reason for being over budget, and also is a significant factor in why Pension is \$12.0 million (19.7%) over the

prior year actuals.

- Services: \$14.9 million (26.4%) below budget
 - The largest portion of the surplus (\$3.3 million) is attributed to moving a portion of software subscription/lease costs from operating expense to capital per the recently adopted Government Accounting Standards Board (GASB) Standard 96.
 - Lower security services expense (\$1.2 million) is the most significant savings. The District budgeted for anticipated increases for a new contract with Contra Costa County that did not occur.
 - In general, unused budget is a result of a combination of ambitious planning, timing of payments, and staff shortages, which cause delays in implementation of plans throughout the District.
 - While surpluses vary by department, the current fiscal year (FY 25-26) Services budget is lower by \$4.6 million reflecting significant tightening of work plans.
- Fuel & Lubricants: \$2.8 million (15.5%) under budget
 - Lower than anticipated fuel costs. Compared to prior year-to-date actuals, FY 2024-25 is lower by \$2.5 million (14.3%), reflecting an extended period of lower oil prices.
- Purchased Transportation: \$11.8 million (20.1%) under budget
 - Final paratransit contract costs are less than estimated during the budget creation process, which resulted in savings of more than \$10 million. While the current contract amount is less than what was budgeted for prior to contract award, the year-to-date actuals are \$4.9 million (11.6%) higher than prior year-to-date actuals due to increases in contract costs year over year.

District Funded Capital

District Capital is tracking under budget in FY 2024-25 due to delays on bus procurements and other large multi-year projects. District Capital is paid for out of the District's working capital generated by budget surpluses. Staff anticipate project delays will likely push expenses for many of these projects into FY 2025-26.

Quarterly Grant Application Reporting

Attachment 2 to this staff report summarizes grant applications submitted during FY 24-25. AC Transit continues to utilize grant programs to fund its prioritized projects. Due to the nature of these grant programs, it is difficult to predict the amount AC Transit will receive.

Since the last report, the District has been notified of the award of several formula grants including Regional Measure 3 funds for the TEC and D6 Hydrogen Fueling Station projects. These funds will round out the funding match required for Low-No grants. Additionally, state Local Partnership Program funds were programmed for the Zero Emission Maintenance Bay project. Several new applications have been submitted or will be submitted by the time the report is published for FY 25-26.

ADVANTAGES/DISADVANTAGES:

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

ALTERNATIVES ANALYSIS:

Staff did not analyze any alternatives as this report is informational and does not recommend an action.

PRIOR RELEVANT BOARD ACTION/POLICIES:

None.

ATTACHMENTS:

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

Prepared by:

Mary Archer, Budget Manager

In Collaboration with:

Emily Heard, Capital Planning & Grants Manager

Approved/Reviewed by:

Chris Andrichak, Chief Financial Officer

Richard Oslund, Director of Management & Budget