

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 11/19/2025

Staff Report No. 25-534

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

BRIEFING ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider receiving the Quarterly budget update and grant activity for the period of July 2025 through the end of September 2025 of FY 2025-26.

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 first quarter District financials reflect a \$9.1 million deficit before accounting for District Capital spending of \$1.0 million. The budget for the fiscal year includes \$41.5 million in reserves, with 25% or \$10.3 million “budgeted” to be used in the first quarter. The District’s cash flow is currently in a good enough state that staff is not planning on actually using reserves until the second half of the year. Holding off on use of reserves allows for continued interest income on the unused amount. Had the \$10.4 million in reserve “budget” for the quarter been used, the operating budget for the first quarter would have shown a surplus of \$1.3 million.

Operating Revenues

Total year-to-date revenues of \$138.3 million are \$13.3 million (8.8%) below the \$151.6 million budget for FY 2025-26. Revenues from operations are slightly above budget by \$1.4 million (9.5%) for the current fiscal year as well as above prior fiscal year by \$2.3 million (17.1%) mostly due to the timing of EasyPass Program receipts and Interest Income accounting entries. Subsidies are \$4.3 million (-3.4%) below budget for the current fiscal

year and below the prior fiscal year by \$1.0 million (-0.8%) due mostly to lower than expected Property Tax subsidies as well as the timing of SB 125 funds (expected to be received later in the year as RM3 funds). And as mentioned above, the \$10.4 million budgeted from reserves was not used. The American Rescue Plan (ARP) funds line is shown because those funds were included in the prior fiscal year when they were fully used up. Specific revenues are as follows:

- Farebox: \$658,000 (-6.6%) below budget
 - Fare revenue is tracking slightly below budget for the first quarter of the fiscal year and is relatively flat compared to prior year-to-date actuals.
- Contract Services: \$439,000 (-20.0%) below budget
 - Contract Services are lower than budget for the first quarter of the fiscal year primarily due to the timing of EasyPass Program receipts. Many of the EasyPass contracts do not follow the District fiscal year timing and staff expect expenses to increase later this fiscal year. Of note, prior year-to-date actuals were lower but caught up towards the end of the year.
- Other Operations Revenues: \$2.5 million (107.7%) above budget
 - Other Operations Revenues are above budget for the first quarter of the fiscal year primarily due to higher interest income and revenue from the Hayden AI automated citations program. The automated citations revenue is all currently being paid out to Hayden AI to cover program expense and the revenue increase is a temporary timing issue. Since the program is relatively new staff is unsure if any surplus revenue will be retained by the District this fiscal year.
- Sales Tax: \$3.5 million (6.2%) above budget
 - Sales taxes revenue is above the first quarter budget due to higher-than-expected State sales tax subsidies from TDA.
- Property & Parcel Tax: \$2.1 million (4.2%) below budget
 - Property and Parcel Tax revenue is below budget for the first quarter of the fiscal year. Most Property tax is received in December, so it is too early in the year to project total year revenue.
- Other Federal, State, & Local: \$5.7 million (-27.9%) below budget
 - Revenues are running below expected budget due to the timing of SB 125 funding that is being received as Regional Measure 3 (RM3) bridge toll funds. Staff expects to start receiving RM3 funds in the next quarter.
- American Rescue Plan (ARP) Act:
 - The budget table line for ARP Act funds is included for comparison with the prior fiscal year when the funds were used up.

Operating Expenses

Total operating expenses are \$4.1 million (2.7%) below budget for the first quarter of the fiscal year. Labor expenses are \$1.8 million (-1.8%) above budget, and non-labor expenses are \$5.9 million (12.4%) below budget. Major factors are as follows:

- Salaries & Wages: \$1.2 million (2.6%) over budget
 - A lower-than-average attrition rate of operators has contributed to the current year negative budget variance. The increase of \$2.7 million (5.8%) 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 Realign.

- Fringe Benefits: actuals track with Salaries & Wages
 - The increase of \$3.0 million (7.8%) over prior fiscal year-to-date actuals is mostly due to the current year wage increase.
- Pension: actuals slightly under budget
 - Staff expects Pension expense to track close to budget as the year progresses. Prior fiscal year-to-date actuals are close to current fiscal year results.
- Services: \$4.4 million (34.1%) below budget
 - Most spending occurs toward the latter part of the year due to the timing of payments for professional and software services.
- Casualty & Liability is tracking to budget
 - For the first quarter, actuals are tracking to budget, however expenses are \$287,000 (4.2%) higher than prior year-to-date actuals due to increasing costs for insurance.
- Purchased Transportation: \$417,000 (3.1%) under budget
 - Primarily due to timing of payments, however \$3.1 million (31.8%) higher than prior year-to-date actuals due to increasing 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.

Quarterly Grant Application Reporting

The attached spreadsheet displays grant applications submitted from the Q2 FY2024-25 through Q1 FY2025-26.). It shows to which programs AC Transit applied, and for what projects. 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.

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:

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

PRIOR RELEVANT BOARD ACTION/POLICIES:

None.

ATTACHMENTS:

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

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Approved/Reviewed by:

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