



**Proposed &
Board Requested Draft
Operating and Capital Budgets**

SR 26-079b 5-13-2026



Agenda



- Budget Timeline
- Board Request
- Budget Action Timeline
- Mandatory Expenses
- Unfunded Budget
- Contingency “Unknowns”
- Savings
- Funded Budget
- Capital Budget

Budget Timeline



Budget Action	Date
Guidelines	January 28, 2026
State Loan Update	February 11, 2026
Updated Projections, Fund Estimate Revenues	March 11, 2026
FY 26-27 Draft Budgets (Funded + Unfunded)	April 8, 2027
FY 26-27 Proposed Budgets (Funded + Unfunded, Board Requested)	May 13, 2027
<i>State Loan Approval (tentative)</i>	<i>June 10, 2027</i>
<i>FY 26-27 Recommended Budgets for Approval</i>	<i>June 10, 2027</i>

- Budget guidelines – have a budget and contingency plan (Funded + Unfunded)
- June 10th approval is critical to transition smoothly to FY 26-27 budget
- Starting FY 26-27 month-to-month will be disruptive, and a strain on resources

Board Request



- Request was a “flat” budget for FY 26-27 while not cutting service
- Means flat for 2 years – current FY 25-26 budget is flat from FY 24-25.
- Approx. \$22M reduction from Funded budget
- We expect to go over budget this year - so “flat” to last year is actually *a reduction*

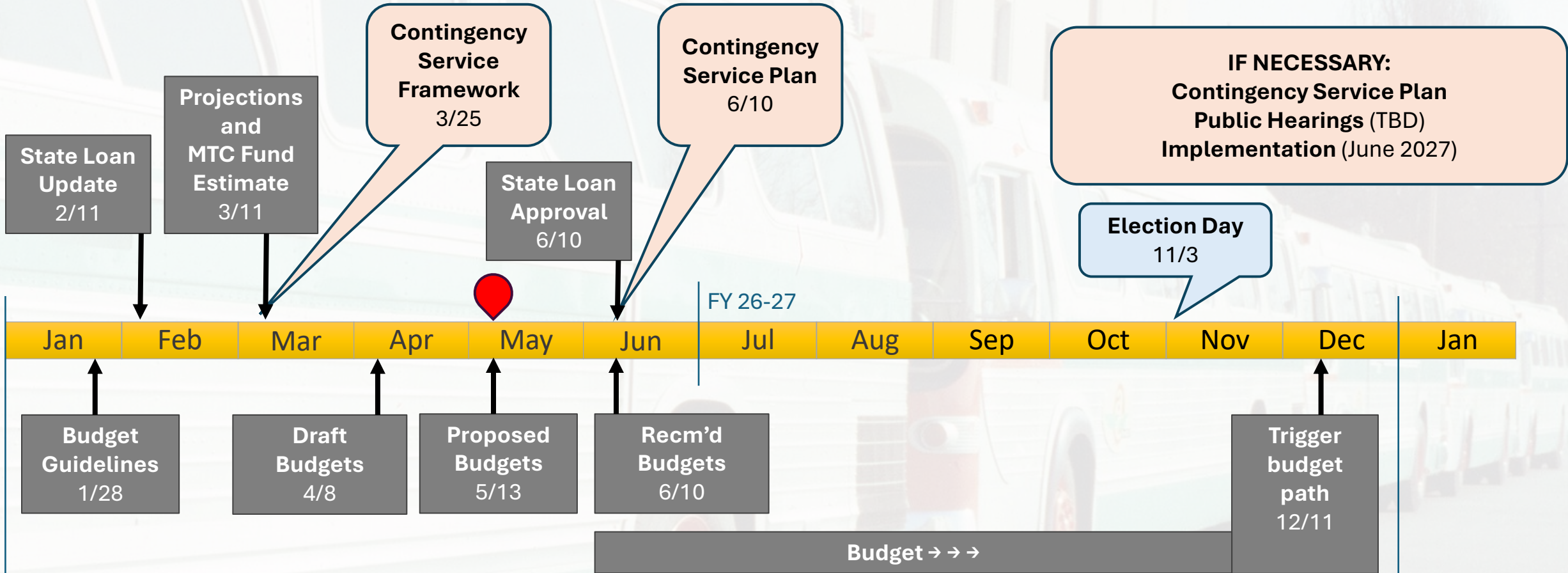
\$M	FY 25-26 Budget	FY 26-27 Funded	FY 26-27 Board Request
Operating Revenues	\$58.0	\$64.3	\$63.8
Subsidies	\$506.7	\$516.6	\$516.6
Reserves/State Loan	\$41.5	\$53.5	\$31.2
Total Revenue	\$606.3	\$634.3	\$611.6
Labor	\$416.0	\$430.9	\$411.4
Non-Labor	\$189.8	\$196.5	\$194.3
Total Expense	\$605.8	\$627.3	\$605.8
Surplus/(Deficit)	\$0.5	\$7.0	\$5.8
District Capital	\$11.3	\$7.0	\$5.8
Net Surplus/(Deficit)	(\$10.8)	\$0	\$0

Board Request Cont'd



- Board request assumes passage of ballot measure
- Elected officials championed \$55M bridge loan
- Starts with \$11.4M non-service reduction from unfunded budget
 - Mandatory furloughs of unrepresented and some AFSCME
 - Attrition in all areas due to severely restricted hiring
- Cannot maintain current service level
 - Need to cut \$2M of service to reach \$22M
 - Expected attrition of ~25 bus operators will reduce service quality
- No raises for any employees
 - Contractual raises: ATU 3.25%, IBEW 3.4%, AFSCME 3.85%
- Staff strongly recommends against this plan

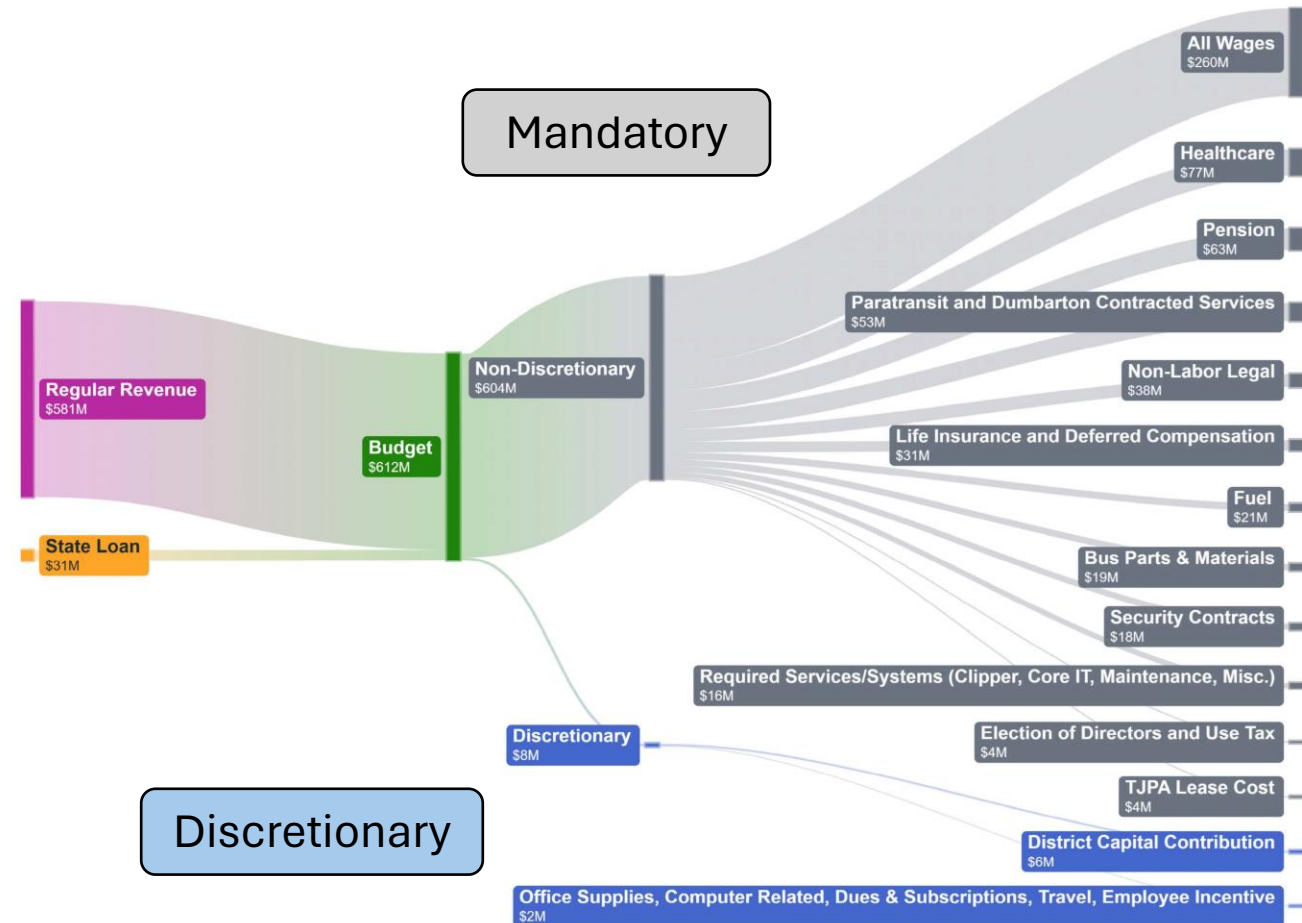
Budget Action Timeline



Mandatory Expenses



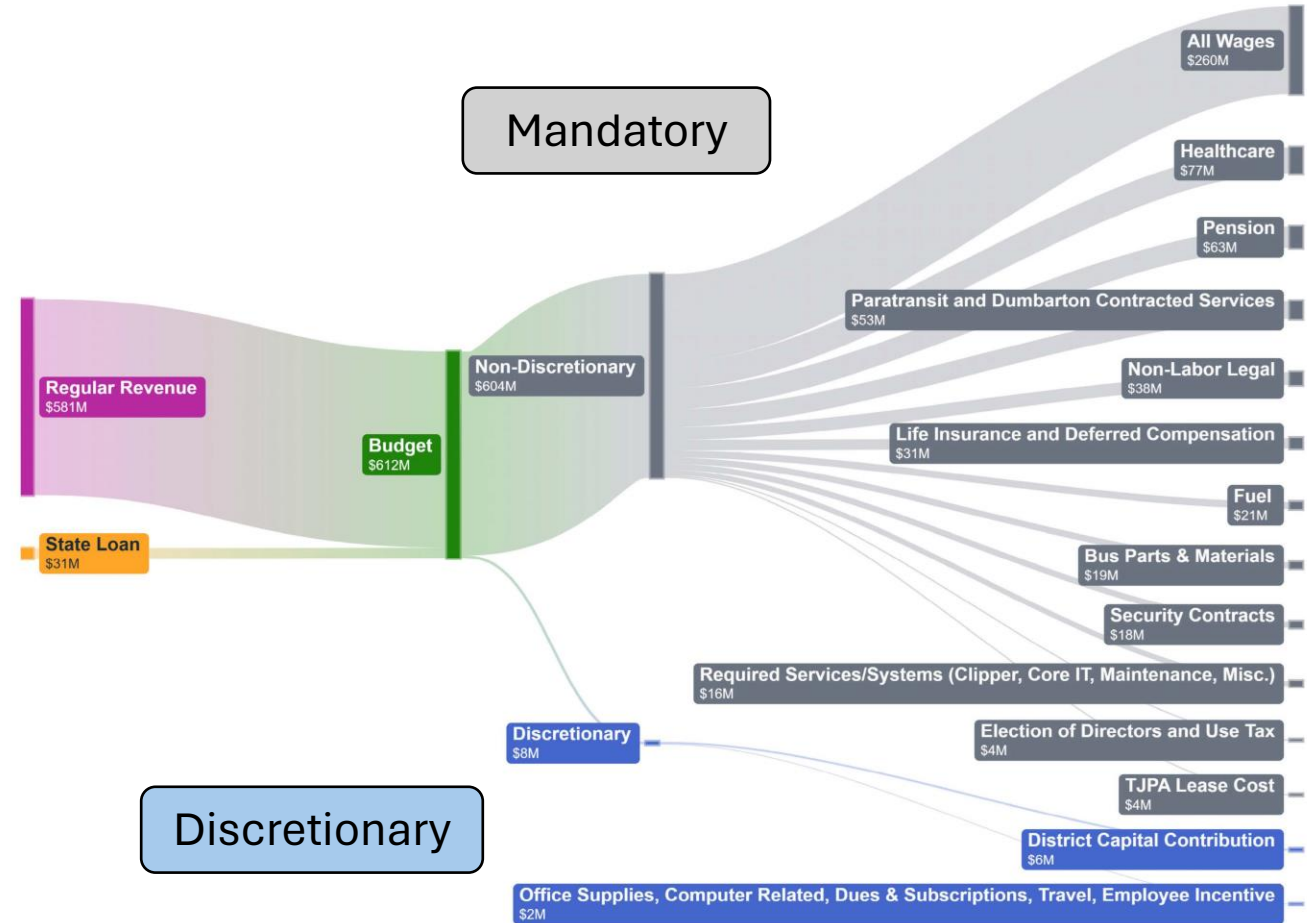
- Unfunded budget impacts 4 priorities
 - Operational Performance – Service Reliability
 - Organizational Effectiveness – Accountability
 - Customer Satisfaction & Improved Rider Experience – Putting-the-Rider-First
 - Financial Stability – Fiscal Sustainability



Mandatory Expenses Cont'd



- Significantly reduced discretionary spending over past few years
 - \$9M reduction in non-labor FY 25-26
 - Systems and professional services reduced to primarily required items (for service, regulatory, approved programs)



Unfunded Budget



- Contingency plan if no new revenue
- Takes effect in December 2026 if revenue measure fails
- Cuts non-transit service spending to lowest possible level (-\$11.4M)
 - Prepares for Contingency Service Plan
 - Attrition will affect service quality
- Critical hiring only
- Attrition starts reducing headcount for all groups

\$M	FY 26-27 Funded	FY 26-27 Unfunded
Operating Revenues	\$64.3	\$63.5
Subsidies	\$516.6	\$516.6
State Loan	\$53.5	\$41.6
Total Revenue	\$634.3	\$621.7
Labor	\$430.9	\$421.7
Non-Labor	\$196.5	\$194.2
Total Expense	\$627.3	\$615.9
Surplus/(Deficit)	\$7.0	\$5.8
District Capital	\$7.0	\$5.8
Net Surplus/(Deficit)	\$0	\$0

Unfunded Budget cont'd



- Mandatory furloughs – Unrepresented and some AFSCME
- Reduce overtime districtwide
- Professional Services and Systems reductions
 - Ex: Maintain outdated stop signage system instead of replacing
- Further reduce administrative spending
- District Capital spend and projects reduced

Contingency Unknowns



- If no new revenue BART and other agencies will cut service also
 - When policymakers ask for congestion solutions, how will we respond (if we are even able to)?
 - Bridge commutes
 - Linking or serving BART stations
 - Overcrowding
 - Will District see higher ridership due to BART changes?
 - Regional planning staff are discussing – difficult to know which specific issues will happen and how to handle with no resources
- Having funded/unfunded budgets is more dynamic and complicated than usual budget

MTC Financial Efficiency Review (FER)



- MTC FER was mandated by SB 63
- Draft report shows that District has been working to reduce expenses
- Board expected to adopt some or all recommendations, requiring additional “startup” resources to achieve long-term savings
- Funded budget allows for all draft recommendations
 - Addition of FTE for EasyPass program
 - Keeps staffing level to work on other items



FINANCIAL EFFICIENCY REVIEW

MTC DRAFT REPORT

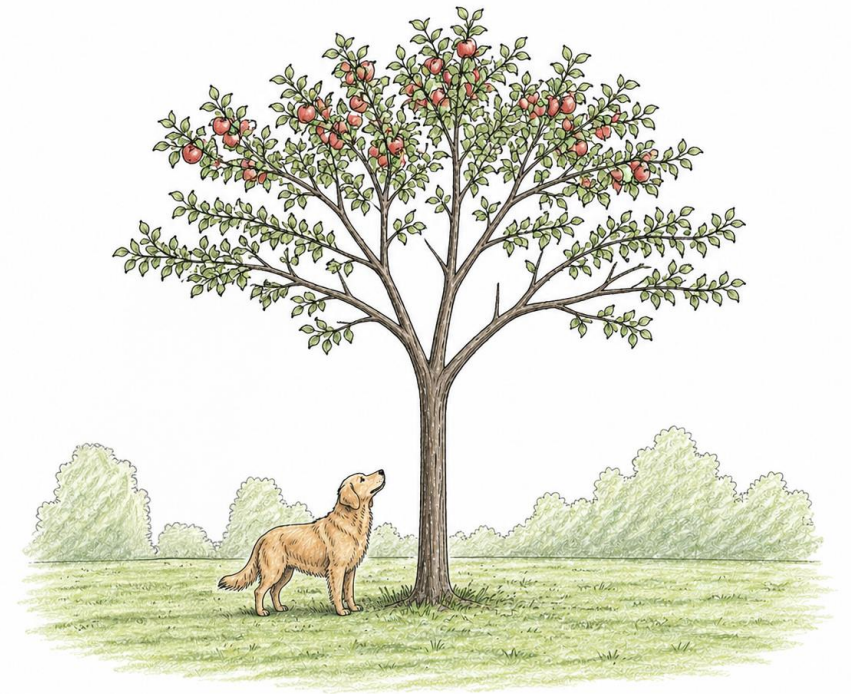
March 31, 2026

Prepared By: Nelson\Nygaard Consultant Team

Savings



- District has put in significant effort to save over past few years
 - FY 25-26 Budget - \$9M in non-labor reductions
 - Memberships – annual review and removal of low-ROI items
 - Insurance renewal increases less than expected in FY 24-25 and FY 25-26
 - Removed unnecessary COVID cleaning regimens



Where's the low hanging fruit?

Savings cont'd



- Savings in FY 26-27 Funded Budget
 - Reduced bus parts budget (-\$1.0M)
 - Salesforce Transit Center lease cost reduced (-\$1.0M)
 - Reduced East Bay Paratransit & DBX budget (-\$426k)
 - Reduced Travel & Training budget (-\$203k)
 - Eliminate Push-to-Talk system (-\$50k)
 - Stopped hiring/referral/retention bonuses (-\$350k)
 - Reduced advertising/promotional materials (-\$83k)



Funded Budget

- Amount required to:
 - Achieve 4 District priorities
 - Maintain safe and reliable Realign service for riders and staff
- Includes CBA negotiated wages and cost of living adjustment
- Positions for EasyPass and STPP (\$184k)
 - Offset by increased revenue from EasyPass (+\$300k) and Advertising (+\$200k)
- Savings from FY26 budget
- District Capital (\$7.0M spend)

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District Capital	\$11.3	\$7.0
Net Surplus/(Deficit)	(\$10.8)	\$0

Capital Budget



- Funded Capital Budget
 - \$13.4M District Capital Budget
- Matching \$331M in grants

Funded		
District	\$13.4M	4%
Grants	\$331.0M	96%
Total	\$344.4M	

