

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 5/28/2025

**Staff Report No. 25-289**

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**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 March 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 is performing well financially for the first three-quarters of FY 2024-25. Revenues are \$2.5 million (0.6%) above budget and Expenses are \$31.5 million (6.9%) below budget, resulting in a surplus of \$33.7 million.

The current District's surplus position is mostly explained by accelerated American Rescue Plan (ARP) Act funding drawdowns at the beginning of the year, the addition of \$4.0 million from Senate Bill 125, as well as lower year-to-date Pension, Service expenses, and Purchase Transportation which should pick up in the last quarter of the year. Property & Parcel Taxes remain resilient and continue to perform well. Funding from sales taxes is beginning to show signs of weakness and is expected to continue to negatively impact District financials in the coming fiscal year.

By year-end, staff expects the current surplus to be greatly reduced as the above timing issues are resolved. Any surplus budget remaining at year-end will be used to pay for District capital requirements and to increase

the District's reserves in preparation for the end of American Rescue Plan (ARP) funds.

### **Operating Revenues**

Total revenues are \$2.5 million (0.6%) above the year-to-date budget for the fiscal year. Revenues from operations are below budget by \$77,000 mostly due to lower than projected farebox revenues, and helped by interest income increases. Subsidies are \$8.6 million (2.3%) below budget.

Overall, revenues are \$9.1 million (2.0%) higher than prior fiscal year-to-date actuals. Specific revenues are as follows:

- Farebox - \$2.5 million or 9.1% below budget
  - Fare revenue is below budget for the first three quarters of the fiscal year and is close to even with last year's actuals. Ridership continues to make gradual increases.
- Contract Services - \$1.5 million or 22.7% above budget
  - Contract Services are higher than budget for the first three quarters of the year due to the timing of EasyPass payments. Many of the EasyPass contracts do not follow the District fiscal year timing.
- Other Operations Revenues -- \$992,000 or 13.9% higher than budget
  - Other Operations Revenues are higher than budget for the first three quarters of the year, primarily due to higher interest income resulting from continued higher interest rates than anticipated.
- Sales Tax -- \$3.4 million or 1.9% below budget
  - Sales taxes are below budget for the first three quarters of the fiscal year and \$10.8 million (5.8%) below prior year-to-date due reporting, primarily due to a reduction in TDA revenue.
- Other Federal, State, & Local Subsidies - \$5.1 million or 9.0% below budget
  - Federal Transit Administration (FTA) formula funds for Paratransit operations have been delayed in the grant application process.
- American Rescue Plan (ARP) - \$11.2 million or 33.3% above budget.
  - The remaining \$44.7 million of ARP Act funds were drawn down on an accelerated schedule earlier in the fiscal year.

### **Operating Expenses**

Total operating expenses are \$31.5 million (6.9%) below budget for the first three quarters of the fiscal year. Labor expenses are \$1.7 million (0.6%) below budget, and non-labor expenses are \$29.8 million (19.8%) below budget. It should be noted that year-to-date actuals in areas related to services, contracts, and casualty & liability costs, while below budget, are higher than the prior fiscal year. The surplus in fuel & lubricants is nearly the same as last year at this time. Major factors in the Operating Expense surplus are:

- Salaries & Wages are slightly over budget due to a higher use of Overtime for operators and an overall year-to-date increase in hiring. The increase of \$7.4 million (5.6%) over last year at this time is mostly due to wage increases adopted at the start of the fiscal year.
- Fringe Benefits are above budget by \$1.5 million (1.3%) mostly due to Workers Compensation insurance, which reflects the unpredictable timing of payment of long-term claims. The increase of \$9.6 million (9.1%) over last year's actuals is primarily due to increases in Health Care costs.
- Pension payments are below budget by \$5.2 million (9.9%); staff is coordinating on an updated estimate from the AC Transit Employees' Retirement Plan (ACTERP).
- Services expenses are \$12.1 million (28.6%) below budget for the first three quarters of the fiscal year

but \$3.6 million (13.5%) higher than the prior year-to-date actuals. Costs are trending higher year-over-year and payments are expected to “catch up” in the last quarter of the year when consultant work tends to be completed and invoiced.

- Materials & Supplies spending is on budget; however, this category includes Vehicle Parts, which is trending over budget due to an inventory adjustment as well as a larger number of buses needing parts. Staff expects this category to be over budget by year end.
- Purchased Transportation costs are below budget for the first three quarters of the fiscal year but \$3.2 million (10.6%) higher than prior year-to-date. Year-to-date expenses are higher than the prior fiscal year due to new contract costs, but below budget. The budget was based on a preliminary contract draft, and staff expects a surplus of approximately \$8.0 million at the end of the 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 displays grant applications submitted in Q3 FY 2023-24 through Q3 FY 2024-25. The table shows the programs and projects for which AC Transit applied. It also shows in which quarter the applications were submitted, how much funding was requested, and if applicable, how much funding was awarded. AC Transit continues to use grant programs to fund its prioritized projects as much as possible, to achieve financial stability and realize 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.

Since the last report, the District has been notified of the positive results of Alameda County Transportation Commission (ACTC) Comprehensive Investment Program (CIP) and the Air District Managed Community Air Protection (CAP) Program. These requests were for D4 Battery Electric Infrastructure Project and Zero Emission bus procurements. Additionally, several new applications have been submitted or will be submitted by the time the report is published.

With recent news about federal grant rescissions, there has been growing concern about the status of AC Transit’s federal grants. In recent weeks, FTA has executed six previously awarded but not yet obligated grants, including four grants for corridor projects and fleet purchases and two discretionary Low and No Emissions grants for facility upgrades, fleet purchases and workforce development.

### **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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**In Collaboration with:**

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**Approved/Reviewed by:**

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Richard Oslund, Director of Management & Budget