

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 7/8/2026

**Staff Report No.** 26-222

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**TO:** AC Transit Board of Directors  
**FROM:** Salvador Llamas, General Manager/Chief Executive Officer  
**SUBJECT:** Board Policy 322- Reserve Policy

### ACTION ITEM

**AGENDA PLANNING REQUEST:**

**RECOMMENDED ACTION(S):**

Consider approving amendments to Board Policy 322 - Reserve Policies.

Staff Contact:

Chris Andrichak, Chief Financial Officer

**STRATEGIC IMPORTANCE:**

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

The policy helps to ensure financial resilience and continuity of operations in the unforeseen instances of revenue reductions and/or one-time significant expenses.

**BUDGETARY/FISCAL IMPACT:**

The funding of District financial reserves is either part of the budget process or through use of carryover funds from the prior fiscal year.

**BACKGROUND/RATIONALE:**

The Reserve Policy details the purpose of maintaining the specified reserves, the acceptable uses of the reserves, funding target amounts or ranges, and how to replenish reserves when necessary. It provides direction to the District on how to maintain sufficient resources to handle short duration events, or if longer, allows time to implement orderly adjustments to the District's operations and staffing plans.

The proposed changes give similar structure to the description of each of the reserves. The descriptions now include the purpose, appropriate use, target funding level or range, and how the reserve is funded. For all the reserves, the funding of the reserve was consolidated to be through either or both of a budgeted contribution or use of fiscal year carryover.

For the operating reserve, the 10% threshold was replaced with "significant" to allow the District to consider

the whole situation when looking at reserve usage. For example, the District's current deficit and reserve usage is slightly below the 10% threshold but there was broad agreement that use of the reserve for this fiscal year was appropriate.

For the capital reserve, a target funding level was added as this is the level that staff has used in recent years. The projects in the capital budget can span multiple years and so the primary purpose of the reserve is to ensure the District can meet the contractual commitments it has made and to be able to complete needed project phases due to grant requirements or safety and operability concerns.

For the self-insurance reserve, the allowable usage and the method for determining a reserve level were clarified. The District does annual actuarial liability studies and these would be used to determine if a reserve is needed and if so, the appropriate level.

For debt service reserves, the language was clarified as to use of the funds, and that the funds are held by a trustee or the manner in which the debt agreements specify.

**ADVANTAGES/DISADVANTAGES:**

The changes to the policy make the policy clearer and more uniform in how the reserves are defined. The changes do not have a significant effect on how the reserves are managed or used. There are no identified disadvantages.

**ALTERNATIVES ANALYSIS:**

The primary alternative would be to leave the policy as is; however, this is not recommended.

**PRIOR RELEVANT BOARD ACTION/POLICIES:**

None

**ATTACHMENTS:**

1. Board Policy 322 with recommended changes.

**Prepared by:**

Chris Andrichak, Chief Financial Officer

**Approved/Reviewed by:**

Chris Andrichak, Chief Financial Officer

Kenneth Myers, Controller

Aimee L. Steele, General Counsel/Chief Legal Officer