

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 4/23/2025

Staff Report No. 25-229

TO: AC Transit Board of Directors
FROM: Kathleen Kelly, Interim General Manager/Chief Executive Officer
SUBJECT: Application for FY 2025-26 Operating Funds

ACTION ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider adoption of Resolution No. 25-014 authorizing the Interim General Manager, or her designee, to file and execute applications and funding agreements with the Metropolitan Transportation Commission (MTC) for Fiscal Year (FY) 2025-26 allocations of Transportation Development Act (TDA), State Transit Assistance (STA), Assembly Bill 1107 (AB 1107), Regional Measure 2 (RM2) bridge toll revenues and Regional Measure 3 (RM3) bridge toll revenues.

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

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

This is an annual application for funds that together contribute up to a third of the District's operating revenues each year.

BUDGETARY/FISCAL IMPACT:

Approval of Resolution 25-014 would allow AC Transit to apply for and receive up to approximately \$189.2 million in operating funds for FY 2025-26. The exact amount each funding source provides will vary based on adjustments from the relevant collecting agencies. The funding details are provided in Table 1.

BACKGROUND/RATIONALE:

Each fiscal year, AC Transit submits a combined application to MTC for allocation of multiple formula-based funds that support the District's operating budget. This combined application for allocation of multiple operating funds is often referred to as AC Transit's annual "operating claim". The amount applied for is based on a fund estimate developed by MTC in early spring and is often refined over the course of the year as revenues are realized.

Based on MTC's fund estimate, AC Transit's FY25-26 "operating claim" will be:

Table 1: FY 2025-2026 “Operating Claim” Revenues

Fund Source	FY25-26 Amount	Change over FY24-25
Transportation Development Act (TDA)	\$80,261,224	-11.39%
State Transit Assistance (STA)	\$32,688,364	-27.68%
Assembly Bill 1107 (AB1107)	\$52,000,000	0.00%
Regional Measure 2 (RM2)	\$11,676,994	1.79%
Regional Measure 3 (RM3)	\$12,611,658	68.44%
Total	\$189,238,240	

The funds included in the annual “operating claim” are:

- **Transportation Development Act (TDA)** - A ¼ cent sales tax in each county.
- **State Transportation Assistance (STA)** - A statewide sales tax on diesel fuel.
- **Assembly Bill 1107 (AB1107)** - A ½ cent sales tax collected in Alameda, Contra Costa, and San Francisco Counties that is allocated primarily to BART, with 25% that is shared evenly between the District and the San Francisco Municipal Transit Agency (MTA), by longstanding MTC policy.
- **Regional Measure 2 (RM2)** - Regional Bridge tolls that provide operating funds for Regional Express Bus Service on the San Francisco-Oakland Bay, San Mateo-Hayward, and Dumbarton Bridge corridors, Owl Service, and the District’s line operations for the Tempo Bus Service.
- **Regional Measure 3 (RM3)** - Regional bridge tolls that provide operating funds for the Express Bus Service. MTC has not yet implemented a fixed plan for distribution of RM3 operating funds and has instead been using them to supplement the SB 125 state emergency funding. This is the reason for the significant year to year changes with RM3.

The amount of the District’s application is based upon the “fund estimate” prepared annually by MTC. The fund estimate includes projections of several revenue sources and their respective distribution to various recipients. MTC compiles this estimate in coordination with the state and county offices that collect the revenues. Ultimately, this estimate sets the amounts that the District is allowed to apply for, or “claim” in its initial application.

MTC’s initial fund estimate is based on information from both internal revenue collections as well as various state and county offices that collect the various revenues. This fund estimate is typically updated twice a year to incorporate the latest revenue information from the State.

The fund estimate is then updated in conjunction with the Governor’s budget proposal and adjusted in accordance with the state budget revisions and other periodic adjustments during the fiscal year.

Transit operators submit their applications for the annual allocation of funds from all these sources in the spring. However, if revenues are not received at the projected amounts, MTC may issue a rescission notice

towards the end of the fiscal year reducing the amount the District may receive.

Staff compares these amounts to internal projections when producing the yearly budgets and includes these revenues as a part of the development of the operating budget.

Overall, the FY25-26 application has decreased by 8.46% compared to FY24-25 application, which was \$206.7 million.

The Bay Area's economy is still recovering from the impacts of COVID-19 pandemic and significant uncertainty remains about the general health of the economy. The Bay Area population declined for four consecutive years and continues to track behind the state population, which affects the Bay Area's allocation of some of the funds. Unemployment rates have grown in the last year. These factors could impact transit operating revenues significantly. Accordingly, it is prudent for transit operators to continue to budget with great caution.

ADVANTAGES/DISADVANTAGES:

There are no disadvantages to approving this resolution. Applying for the funds would provide the District with approximately \$189.2 million in operating funds for FY 2025-26.

ALTERNATIVES ANALYSIS:

There are no alternatives to the course of action recommended in this report.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 24-215 / Resolution 24-010, FY 24-25 Claim

SR 23-234 / Resolution 23-033, FY 23-24 Claim

SR 22-233 / Resolution 22-014, FY 22-23 Claim

ATTACHMENTS:

1. Resolution 25-014
2. Opinion of Legal Counsel
3. Certifications and Assurances

Prepared by:

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Approved/Reviewed by:

Aimee L. Steele, General Counsel/Chief Legal Officer

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