

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/11/2025

Staff Report No. 24-480d

TO: AC Transit Board of Directors
FROM: Salvador Llamas, General Manager/Chief Executive Officer
SUBJECT: Recommended FY 2025-26 Operating and Capital Budgets

ACTION ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider adoption of Resolution 25-026 approving the Recommended FY 2025-26 Operating and Capital Budgets.

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

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

The District must adopt a budget per Board Policy and to provide financial stability for operations during the fiscal year.

BUDGETARY/FISCAL IMPACT:

The Recommended FY 2025-26 Operating Budget is balanced with the use of \$41.5 million in reserves. It includes a projected operating revenue and subsidy budget of \$564.7 million and an operating expense budget of \$606.3 million, resulting in an operating deficit of \$41.5 million before the use of reserves. These figures are outlined in Attachment 2.

The Recommended FY 2025-26 Capital Budget includes a projected maximum investment of \$393.5 million, composed of \$368.2 million in grant funds, \$25.3 million in District Capital funds. The Recommended Capital Budget is shown in Attachment 3.

BACKGROUND/RATIONALE:

No changes have been made to the Recommended budget since presented to the board on May 28, 2025. Below is a review of the changes from the FY 2024-25 budget to the Recommended FY 2025-26 budget.

Revenue

The overall Operating Revenue for next year, at \$564.7 million, is a decrease of \$41.1 million (6.8%) from the FY 2024-25 budget. The primary decrease is in Federal and State “emergency” funding, which will be reduced from \$52.2 million in the FY 2024-25 budget to \$21.0 million.

Below is a summary of the major revenue categories, and changes from the current year budget:

- Farebox revenue of \$40.0 million, a \$3.3 million (8.9%) increase from FY 2024-25 budget. Ridership and farebox revenue growth have slowed considerably and the increase is mostly due to the recently approved fare change that is effective July 1, 2025.
- Property and parcel taxes (Measure VV/C1) remain resilient and are budgeted at \$199.9 million, a \$9.7 million (5.1%) increase over FY 2024-25 budget, which is in line with recent trends.
- Sales Taxes (Measures BB/J, Transportation Development Act (TDA), and AB1107) are budgeted at \$225.4 million, a \$14.7 million reduction from the FY 2024-25 budget.
- Other Federal, State, & Local revenues (State Transportation Assistance (STA), Federal and State operating assistance, Regional Measure 2 (RM2) and RM3 operating support) of \$60.5 million, an \$8.1 million reduction from the FY 2024-25 budget.
- Federal/State Emergency Funds of \$52.2 million in the FY 2024-25 budget are decreasing to \$21.0 million (-59.7%). Federal emergency funding is exhausted in this fiscal year and drops to zero. The \$21.0 million budget for next fiscal year is entirely from the second and final year of Senate Bill 125 state funding.

Expenses

The overall Operating Expenses for next year, at \$606.3, is an increase of \$500,000 (0.1%) from the FY 2024-25 budget. Significant effort was put into the budget process to restrict and reduce expenses that do not directly affect service level or reliability.

Labor expenses

- Salaries and Wages of \$191.3 million, a \$7.7 million (4.2%) increase based on a combination of the following factors:
 - Expected average wage increases of 3.0%
 - Continued reliance on overtime for operators, maintenance, and salaried (Planning, Scheduling, and Transportation Supervision) to maintain service levels
 - There are no new positions included in this budget, and only essential vacancies will be filled
- Fringe Benefits of \$159.5 million, a \$8.1 million (5.3%) increase over FY 2024-25 budget, primarily due to increasing Healthcare costs. Healthcare contracts are based on calendar year, and staff as well as the District’s healthcare broker project continued increases based on recent year trends.
- Pension contribution of \$65.2 million, a \$5.3 million (7.5%) decrease from the FY 2024-25. Although this is a decrease from budget, it is an increase from the projected FY 2024-25 actual results.

Non-Labor expenses

- Services expense of \$51.7 million, a \$4.6 million (8.1%) reduction from the FY 2024-25 budget. Savings are due to concerted efforts by all departments to coordinate and reduce expenses in Professional Services, Temporary Help, and other accounts.
- Fuel and Lubricants of \$16.4 million, a \$1.7 million (9.6%) reduction from the FY 2024-25 budget, and a

modest increase over the projected spending for this year.

- Materials & Supplies of \$21.7 million, a \$500,000 (2.4%) reduction from the FY 2024-25 budget.
- Casualty & Liability of \$30.7 million, a \$2.4 million (8.4%) increase over the FY 2024-25 budget.
- Purchased Transportation (East Bay Paratransit and Dumbarton Express) of \$54.4 million, a \$4.2 million (7.2%) reduction over FY 2024-25 budget. The FY 2024-25 budget included a conservative estimate made before the paratransit contract terms were finalized. Actual paratransit expenses are projected to come in under budget this fiscal year. The FY 2025-26 budget represents a \$2.7 million (5.5%) increase over the projected actuals for this fiscal year.
- The Other expense category of \$5.1 million, a \$1.6 million (23.5%) reduction from the FY 2024-25 budget. Reductions in this category are made up of various accounts such as Salesforce Transit Center Lease, Election of Directors, Travel & Training, Dues & Subscriptions, and Employee Incentive, all of which were reduced.

Recommended Capital Budget

Since the Proposed Budget was brought to the Board, there have been no substantive changes to the Capital Budget.

The Recommended FY 2025-26 Capital Budget includes a projected maximum investment over time of \$393.5 million, composed of \$368.2 million in grant funds (94% of total), and \$25.3 million (6%) in District Capital funds. The Recommended Capital Budget is shown in Attachment 3. The Recommended FY 2025-26 Capital Budget includes nine new, 39 continuing, and seven annual projects for a total of 55 projects.

The Budgeted amounts for capital projects represent what is necessary to complete the projects (usually the full project, but sometimes just a distinct phase, such as design) but this budget is not limited to a single fiscal year. The project budget is approved so that the District can make the commitments necessary to hire contractors and procure materials over the life of the project. This also means that in a given year, actual capital spending will be less than the full budget, often around 50% less. To better show spending needs given the District's projected deficit, while the Capital Budget listing shows the full budgets, staff has changed to showing an expected spending amount at the bottom of the full Operating Budget table (Attachment 2). This is to show what the size of the net deficit will be in the fiscal year including Capital.

Capital projects are mainly supported by grant funds that are restricted to a specific project, particularly facilities and bus purchases. Many grants require a proportional contribution from the project sponsor, referred to as "local match". To the extent possible, staff utilize other grants to meet these requirements. However, a District Capital commitment is still needed as match for certain grants, and for projects that are difficult to fund with grants.

Ridership Report

This ridership update (Attachment 5) provides a condensed analysis for the period from July 2024 to April 2025 and follows the format of the mid-year ridership report presented in February 2025. Ridership projections are provided for the remaining two months of the current Fiscal Year ending June 30, 2025.

- Monthly Trend: For the period July 2024 through April 2025, system-wide ridership saw an average

year-over-year growth of 2.1% over the same period in the previous year. In the current Fiscal Year, October 2024 saw peak monthly riders (3.9 million), followed by September 2024 (3.6 million), both months representing peak ridership in the Fall season. Fiscal year-to-date (July - April 2025) cumulative ridership of 33.5 million riders currently reflects 75% of pre-pandemic (FY 18-19) ridership. Ridership is projected to remain at 75% of pre-pandemic levels as of June 30, 2025, with an estimated 40 million annual riders

- Recovery Levels: Local (MB-Motorbus) service has seen a year-over-year increase in ridership of 2.3% from the same period last fiscal year. Transbay (CB-Commuter Bus) service has increased 8.2% year-over-year through the same period last year. Tempo (Line 1T) service remained constant at 0.1% year-over-year growth. Tempo continues to be the district's highest ridership line, with ridership exceeding 400,000 monthly riders.
- Route-level performance: Average weekday ridership performance provides a quick comparison of pre-pandemic ridership levels with current performance. The Tempo line had the highest average daily ridership, carrying on average just over 16,000 riders per weekday. Lines 51B, 40, 51A, 57, 6, 52, 72R, 18, and 14 round out the top 10 routes in terms of ridership with a range between 3,500 and 9,200 average weekday riders.

ADVANTAGES/DISADVANTAGES:

Staff cannot identify any disadvantages to approving the recommended budgets as described.

ALTERNATIVES ANALYSIS:

Staff analyzed many possible expense item reductions and requests from all departments. The Recommended budget builds on the feedback from the Board and all departments received after the Draft and Proposed budgets.

PRIOR RELEVANT BOARD ACTION/POLICIES:

1. SR 24-480 FY26 Budget Development Process and Calendar
2. SR 24-480a FY26 Budget Guidelines
3. SR 24-480b FY26 Draft Operating and Capital Budget
4. SR 24-480c FY26 Proposed Operating and Capital Budget

ATTACHMENTS:

1. Resolution No. 25-026
2. Operating Budget Table
3. Capital Budget Table
4. Recommended Budget Book
5. Ridership Summary

Prepared by:

Mary Archer, Budget Manager

In Collaboration with:

Emily Heard, Capital Planning and Grants Manager

Diana Nguyen, Principal Financial Analyst

Anthony Manaois, Senior Financial Analyst

Campbell Jung, Manager of Business Analytics

Approved/Reviewed by:

Richard Oslund, Director of Management & Budget

Chris Andrichak, Chief Financial Officer

Ramakrishna Pochiraju, Executive Director of Planning & Engineering

Aimee L. Steele, General Counsel/Chief Legal Officer