

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 6/10/2026

**Staff Report No.** 26-209

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**TO:** AC Transit Board of Directors  
**FROM:** Salvador Llamas, General Manager/Chief Executive Officer  
**SUBJECT:** Bay Area Financial Efficiency Review Phase 1 Report

### ACTION ITEM

**AGENDA PLANNING REQUEST:**

**RECOMMENDED ACTION(S):**

Consider receiving the Bay Area Financial Efficiency Review Phase 1 Report and adopting the early action strategies as recommended by staff.

Staff Contact:

Chris Andrichak, Chief Financial Officer

Claudia Burgos, Executive Director of External Affairs & Customer Experience

**STRATEGIC IMPORTANCE:**

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

Showing that the District operates as efficiently as possible is key to maintaining and increasing public, rider, and stakeholder support.

**BUDGETARY/FISCAL IMPACT:**

The near-term actions identified in the report are premised on AC Transit being able to implement them with existing resources. Where the strategies have a cost, such as with attendance incentives or EasyPass expansion, they are assumed to reduce costs or increase revenue and pay for themselves. Some of the strategies are to study or identify future actions that could have a cost impact, although these should also pay for themselves. For the strategies that staff recommends adopting, any necessary resources are included in the proposed FY 26-27 budget, which assumes passage of a revenue measure.

**BACKGROUND/RATIONALE:**

Senate Bill 63 (Weiner/Arreguin), also known as the “Connect Bay Area Act”, established a regional funding framework to help address the Bay Area’s ongoing transit operating funding challenges. The bill authorizes a sales tax-based ballot measure in five counties (Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara) to be placed on the ballot for the November 3, 2026 statewide general election that would fund transit operations. SB63 requires that the Metropolitan Transportation Commission (MTC) contract a consultant to

conduct a two-phase Financial Efficiency Review (FER) of four of the region's largest transit agencies: AC Transit, BART, Caltrain, and Muni.

The phase 1 analysis describes cost-saving measures taken by the transit agencies since 2020; identifies near-term opportunities to deliver increased or improved services and enhanced customer experiences with existing resources; and identifies real estate development opportunities that could increase revenue or ridership. If a regional ballot measure is passed by the voters, then a more detailed second phase will be initiated. The phase 1 report is included as Attachment 1 to this staff report.

SB63 also requires the formation of an Independent Oversight Committee (IOC) with the following composition to review the FER:

- Chair of MTC
- Board chairs of the four transit agencies or their designee. (AC Transit's designee is Director McCalley).
- Four independent transit experts appointed by the commission with expertise in transit operations and finance
- One representative from the State Transportation Agency and one representative from the State Department of Finance as ex officio, nonvoting members.

MTC hired Nelson\Nygard to conduct the phase 1 analysis. The analysis was done in a compressed timeframe to meet the requirements of SB63. A kickoff meeting with MTC, the consultants, and staff from the four agencies was held in early January. After nearly weekly meetings, the first draft of the report was completed for an April 1 deadline, as prescribed in SB63. The IOC reviewed the draft FER, requested clarifications, and then approved the final report on May 22. Per SB63, "On or before July 1, 2026, each subject operator shall identify the specific strategies in the final adopted phase one analysis that it commits to implementing and shall adopt those strategies as formal policy or budget actions, as applicable."

#### *Cost Savings Actions*

The Nelson\Nygard team requested data on cost savings and cost avoidance actions over the six-year period from FY 19-20 through FY 24-25. For AC Transit, the review found an average of approximately \$33 million in savings per year, indicating a sustained and cumulative cost-control effort rather than short-term reductions. As with the other three agencies, the largest cost savings were through pandemic service reductions. AC Transit initially reduced service levels to approximately 65% of pre-pandemic levels, and then gradually increased to 85% of pre-pandemic service levels, which is the level of service currently operated. Outside of service reductions, AC Transit pursued many other efforts to keep costs down and delay or defer initiatives and projects. Table 4 on page 23 of the report contains an itemized list of cost-saving actions implemented by the District. These "non-labor" savings primarily consist of tightly budgeting for and reducing the use of outside professional services and contractors. Some reductions can only be sustained for a year, and some are permanent reductions. At a high level, the effect of this belt-tightening can be seen in total expense growth in Figure 3 on page 19. Over the six fiscal years from FY 19-20 to FY 24-25, adjusted for inflation, AC Transit's budgeted operating expenses increased a total of 7.3% (1.2% annually).

#### *Real Estate Development Opportunities*

AC Transit is different from the other three agencies in that it has minimal real estate holdings outside of its primary operating facilities. The consultants identified only one of the District's existing properties (Division 2 in Emeryville) as having joint development potential. Even this potential has the significant restriction of the

need to identify either a temporary or permanent alternate location for bus transit operations for any development to be feasible. The real estate review is more relevant to the other three agencies with much more significant holdings and development potential.

### *Early Action Strategies*

The seven early action strategies proposed for AC Transit (pages 49-52 of Attachment 1) are summarized as follows:

- Enhance Revenues
  - Improve fare compliance and enforcement
- Contain Costs
  - Evaluate zero-emission bus (ZEB) transition program for cost efficiency
  - Offer incentives to improve attendance
  - Improve speed and reliability of service
  - Pursue scheduling efficiencies that do not impact service to the rider
- Increase Ridership & Enhance Experience
  - Expand EasyPass and/or Clipper BayPass with more institutions and employers
  - Direct customers to a single, regional trip-planning app

Staff recommends adopting four of the strategies as a whole, adopting one in part, and two strategies are not recommended for adoption. The four strategies recommended for adoption are:

- Improve fare compliance and enforcement
- Evaluate zero-emission bus (ZEB) transition program for cost efficiency
- Offer incentives to improve attendance
- Improve speed and reliability of service

The strategy that staff recommend adopting in part is:

- Expand EasyPass and/or Clipper BayPass with more institutions and employers
  - District staff will focus efforts on expanding the District's EasyPass program which will require additional staff to grow the program. The BayPass program is led by MTC and the District does not receive additional resources to help promote or expand this program. Staff believe the strategy to grow the BayPass program should be led by MTC while District resources will be focused on expanding the EasyPass program.

The two strategies that staff do not recommend are:

- Pursue scheduling efficiencies that do not impact service to the rider
  - Staff agrees that we should aim to have efficient schedules but does not recommend adopting this strategy as it could be disruptive in our ongoing optimization of schedules. Scheduling changes that do not impact the rider could have unintended impacts on bus operators or operations. District Planning and Scheduling staff have made significant strides recently with the implementation of Realign to make schedules work better for operators. Having a healthier and happier workforce will pay larger long-term dividends for riders, through service reliability

and performance, than a focus on short-term efficiency gains.

- Direct customers to a single, regional trip-planning app
  - Staff does not believe there is currently a single regional app with sufficient trip-planning functionality to meet rider expectations, particularly for more advanced or rider-focused features. Development of a unified regional platform would be more appropriately led by the regional transportation planning agency, the Metropolitan Transportation Commission (MTC). For example, MTC already operates the regional 511 system, which could potentially be expanded into a more robust regional transit information hub and mobile application.
  - In addition to trip planning, AC Transit's app includes other features specifically optimized for AC Transit riders. Because most transit customers who utilize more than one transit system also have either multiple transit system apps, or a commercially available third-party app like Google Maps or Transit, staff does not believe a single regional app is a wise investment to serve the comparatively smaller number of multi-system riders.

#### **ADVANTAGES/DISADVANTAGES:**

There are no disadvantages to accepting the FER report and adopting the strategies that make sense for the District. Under SB63 AC Transit is required to accept the report and adopt at least some of the strategies.

#### **ALTERNATIVES ANALYSIS:**

The main alternatives are which early action strategies to adopt. This is covered in the Background section of the report.

#### **PRIOR RELEVANT BOARD ACTION/POLICIES:**

None

#### **ATTACHMENTS:**

1. Phase 1 Financial Efficiency Report

#### **Prepared by:**

Chris Andrichak, Chief Financial Officer

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

Claudia Burgos, Executive Director of External Affairs and Customer Experience

Robert del Rosario, Director of Service Development and Planning

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#### **Approved/Reviewed by:**

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