

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 5/27/2026

Staff Report No. 26-250

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 2025 through the end of March 2026 of FY 2026-26.

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:

Overview

The District financials reflect an artificially-created \$21.2 million deficit before accounting for District Capital spending of \$3.1 million. This deficit is being created by delayed use of reserve funds. Revenues are \$24.3 million (5.3%) below budget and Expenses are \$2.7 million (0.6%) below budget.

The budget for the fiscal year includes \$41.5 million in reserves. The first three quarters would normally reflect 75% or \$31.2 million budget used, however the District's cash flow has been sufficient to delay the use of most reserves until the final quarter of the fiscal year. Staff used \$5.0 million reserves in the third quarter and expects to draw down additional reserves in the fourth quarter. Deferring the use of reserves allows the District to continue to generate interest income on the remaining balance. If \$31.2 million in reserves

proportional to the first three quarters had been used, the operating budget surplus would have been \$5.0 million.

Reference Attachment 1 for an overview of operating revenues and expenses.

Operating Revenues

Total year-to-date revenues of \$430.4 million are \$24.3 million (-5.3%) below the year-to-date budget of \$454.7 million for the fiscal year. Revenues from operations are above budget by \$3.5 million (8.0%) as well as above prior fiscal year by \$300,000 (0.6%) mostly due to the addition of a large EasyPass client (California State University East Bay, CSUEB) and higher than expected Interest Income. Subsidies are \$1.6 million (-0.4%) below budget for the current fiscal year due mostly to lower than expected Property Tax revenue.

As mentioned above, only \$5 million of the \$31.2 million budgeted for reserves in the first three quarters was used due to sufficient cash balances. Staff will determine the amount required and will reflect this final draw down in the fourth quarter of the fiscal year.

Specific revenues are as follows:

- Farebox: \$3.3 million (-10.9%) below budget
 - Fare revenue is still tracking below budget despite recent ridership increases starting in February. Fare revenue is slightly higher compared to prior year-to-date actuals primarily due to the fare increase implemented at the start of the fiscal year, with some recent contribution due to the aforementioned ridership increase.
- Contract Services Revenue: \$1.9 million (28.1%) above budget
 - Contract Services exceeded the budget, driven primarily by the timing of EasyPass Program receipts and the acquisition of CSUEB as a new customer.
- Other Operations Revenues: \$4.9 million (70.7%) above budget
 - Other Operations Revenues are above budget primarily due to higher interest income.
- Sales Tax: at budget
 - Sales taxes revenue is currently at budget.
- Property & Parcel Tax: \$1.0 million (-0.7%) below budget
 - Property tax revenue is slightly below budget for the first three quarters. The District receives property tax revenue in a few payments during the year, with the largest amount coming in December. An expected payment received in the fourth quarter should improve the full year budget outlook.
- Other Federal, State, & Local Funding: \$863,000 (-1.4%) below budget
 - The positive variance to prior year of \$7.0 million (13.1%) is due mostly to the receipt of funds through Senate Bill 125, which the Metropolitan Transportation Commission (MTC) gave to the District as Regional Measure 3 (RM3) funding. Due to grant process delays, the District is also recognizing FY 2024-25 Federal paratransit operating support funding in FY 2025-26.
 - The budget table line for American Rescue Plan (ARP) Act funds is included for comparison with the prior fiscal year. There is no ARP funding in this fiscal year.

Operating Expenses

Total operating expenses are \$2.7 million (0.6%) below budget for the first three quarters of the fiscal year. Labor expenses are \$10.3 million (-3.3%) above budget, and non-labor expenses are \$13.0 million (9.1%) below budget. Compared to prior year actuals, Labor costs are \$14.2 million (4.6%) higher and Non-Labor is \$8.8 million (7.3%) higher. Major factors are as follows:

- Salaries & Wages: \$800,000 (-0.6%) over budget
 - The District is leveling out after a lower-than-average attrition rate of operators in the first half of the fiscal year, which contributed to a projected year-end negative budget variance. The increase of \$4.7 million (3.4%) over prior fiscal year-to-date actuals is mostly due to adopted wage increases as well as a one-time cost in August for new route training for the Realign service changes.
- Fringe Benefits: \$2.9 million (-2.4%) over budget
 - Increases in Sick Leave, Vacation, and Workers Compensation in March pushed the year-to-date expense higher than budget. The increase of \$7.4 million (6.5%) over prior fiscal year-to-date actuals is mostly due to increases in Workers Compensation.
- Pension: \$6.6 million (-13.5%) over budget
 - While the first half was under budget, a third quarter reconciliation is increasing pension expense in the second half. Staff expects the full year to end above the annual budget.
- Services: \$9.5 million (24.5%) below budget
 - The category is under budget as normal; most spending occurs toward the latter part of the year due to the timing of payments for professional and software services. Lower spending also highlights District's efforts to reduce costs. Compared to prior year actuals, spending is less by \$882,000 (2.9%).
- Fuel & Lubricants: \$537,000 (-4.4%) over budget
 - Fuel prices have increased due to the war in the Middle East. The increase of \$1.7 million (15.4%) over prior fiscal year-to-date actuals is mostly due to increases in costs for diesel. Staff expects the full year to end up well above the annual budget.
- Casualty & Liability: \$1.0 million (4.4%) under budget
 - For the three quarters, actuals are tracking slightly below budget, however staff expect year-end expenses to exceed the annual budget due to a pending settlement. Current year-to-date actuals are higher than prior year-to-date actuals due to a large settlement payment in December.
- Purchased Transportation: \$1.5 million (3.7%) under budget
 - This category of spending is on track with budget and projected to stay within budget at year end. Compared to prior year actuals, costs are higher by \$5.9 million (18.0%) mostly due to increased costs for paratransit services

District Funded Capital

District Capital is tracking under budget in FY 2025-26 due to delays on large multi-year projects, project cancellations, and due to concerted efforts by staff to replace budgeted District Capital with grants whenever possible. District Capital is paid out of the District's working capital generated by budget surpluses. Staff

anticipate a higher amount of District Capital to be spent in the fourth quarter of the year as delayed projects and invoices get back on schedule.

Quarterly Grant Application Reporting

Attachment 2 displays grant applications submitted from Q4 FY 2024-25 through Q3 FY 2025-26. It shows programs and projects for which AC Transit applied. It also shows in which quarter the applications were submitted, how much funding was asked for, and if applicable, how much funding was awarded. AC Transit continues to utilize grant programs to fund its prioritized projects as much as possible, with the goals of more easily achieving financial stability and realizing 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

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. There are no disadvantages.

ALTERNATIVES ANALYSIS:

This report does not recommend an action other than Board acceptance; 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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Approved/Reviewed by:

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