

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 4/22/2026

**Staff Report No.** 26-156

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**TO:** AC Transit Board of Directors  
**FROM:** Salvador Llamas, General Manager/Chief Executive Officer  
**SUBJECT:** Application for FY 2026-27 Operating Funds

### ACTION ITEM

**AGENDA PLANNING REQUEST:**

**RECOMMENDED ACTION(S):**

Consider adoption of Resolution No. 26-006 authorizing the General Manager, or designee, to file and execute applications and funding agreements with the Metropolitan Transportation Commission (MTC) for Fiscal Year (FY) 2026-27 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 26-006 would allow AC Transit to apply for and receive approximately \$203.4 million in operating funds for FY 2026-27. 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 upon the fund estimate developed by MTC in early spring and often refined over the course of the year as revenues are realized.

Based on the MTC's fund estimate, AC Transit's "FY2026-27 operating claim" will be:

**Table 1: FY 2026-2027 Operating Claim Revenues**

Fund Source	FY 26-27 Amount	Change over FY 25-26
Transportation Development Act (TDA)	\$98,594,791	23.6%
State Transit Assistance (STA)	\$37,705,605	14.1%
Assembly Bill 1107 (AB1107)	\$52,500,000	1.0%
Regional Measure 2 (RM2)	\$11,620,545	0.0%
Regional Measure 3 (RM3)	\$3,000,000	-85.8%
<b>Total</b>	<b>\$203,420,941</b>	

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 Bay Area Rapid Transit (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 the amounts have been varying year to year. The large decrease in RM3 funds for FY 2026-27 is due to the fact that in FY 2025-26, the District received \$21M which included \$9.4M of Senate Bill 125 state emergency funds. The average RM3 allocation amount for FY 22 - FY 25 is \$6.4M.

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 FY 2026-27 application has a slight increase of 3.0% compared to FY 2025-26 application, which was \$197.5 million.

The Bay Area's economy is still recovering from the impacts of COVID-19 pandemic and has experienced a plateau or minor decline in 2025. The unemployment rates have ticked up in all counties except Alameda and San Francisco. The unemployment rates in all nine counties remain below the statewide rate. While there has been much improvement in employment since the pandemic, neither the labor force nor employment levels have returned to the pre-pandemic levels of 2019. The regional population tracked with the state increased slightly in 2025 by less than 1% while the statewide population grew by slightly above 1%. These factors could impact the transit operating revenues significantly, thus affecting the Bay Area's allocation of some of the funds. There still remains significant uncertainty about the general financial and economic health of the economy. 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 \$203.4 million in operating funds for FY 2026-27.

**ALTERNATIVES ANALYSIS:**

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

**PRIOR RELEVANT BOARD ACTION/POLICIES:**

SR 25-229 / Resolution 25-014, FY 25-26 Claim

**ATTACHMENTS:**

1. Resolution 26-006
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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