

A faded background image of a bus driver looking out the window. The driver is a woman with dark hair, wearing a dark uniform. The bus interior and window are visible, with some text like 'a' and 'ok' partially seen on the window.

**AC Transit
FY 2025-26 Draft Budget
SR 24-480b**

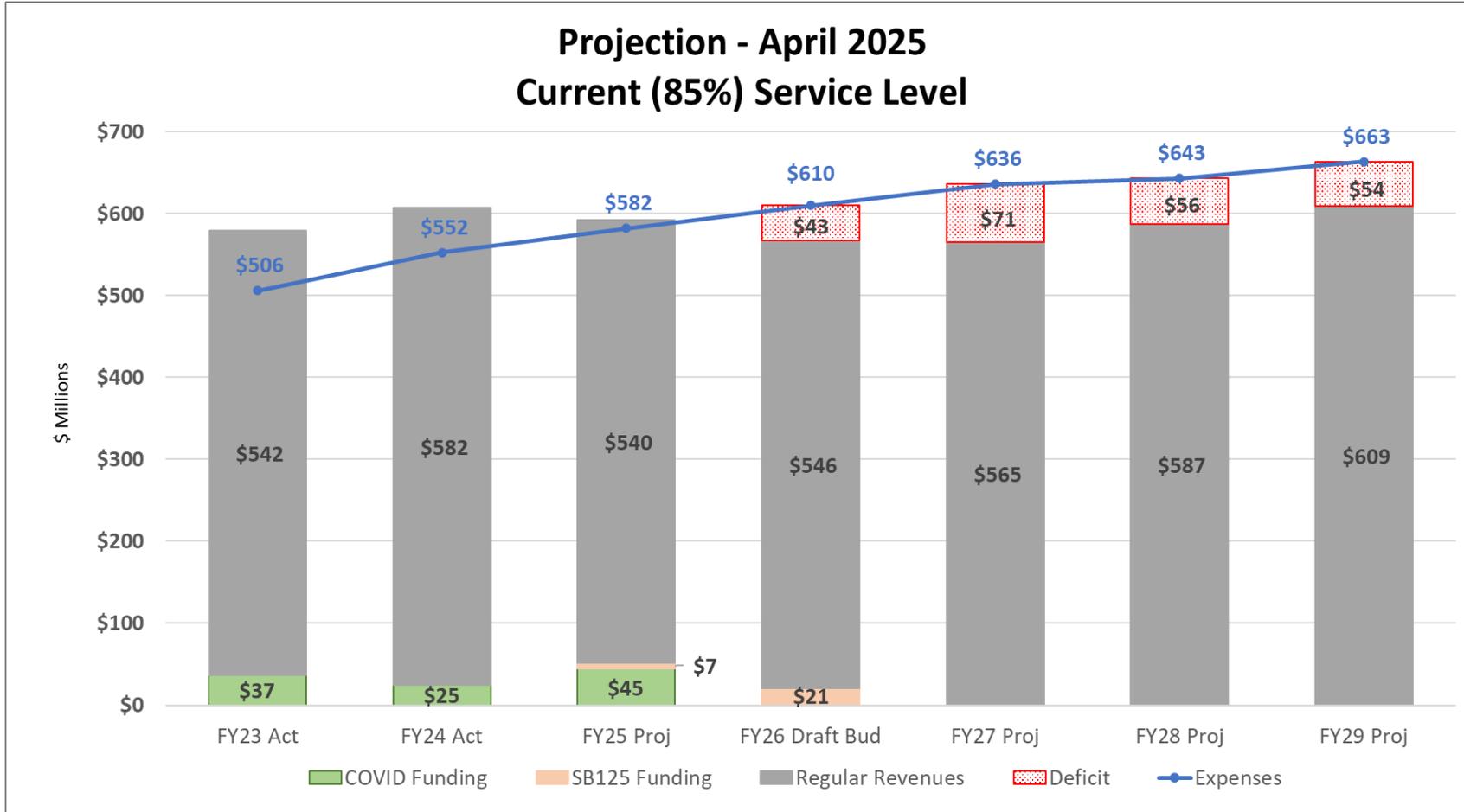
April 23, 2025

- **Operating Projections**
- **Highlights/Assumptions/Draft Budget**
- **Revenues**
- **Expenses**
- **Capital**
- **Issues/Outlook**



Projection

UPDATED OPERATING PROJECTION



\$224M 4-year deficit total

Update

- Incorporates FY 25-26 Draft Budget including fare increase

Assumptions

- 85% Service Levels
- No position level changes
- Fed and State emergency support finished in FY 26-27
- No local or regional measure revenue included
- Reductions to Pension contributions in FY 27-28
- Average inflation 3%



Highlights
Assumptions
Draft Budget Overview

- Revenue is the problem and budget will be in deficit
- Next year will be a transition year – will not be sustainable
- Draft budget is a high-level view of the financial situation next year, supports Realign and 85% service levels
- Extensive efforts made to reduce expenses, but not done - review still in progress
- The projection already assumed some expense reductions, so additional reductions may not improve the financial picture much
- Reductions and deferrals to capital projects incorporated, some review remaining
- Service level reduction plans will be considered for FY 2026-27 and presented at a later date

DRAFT BUDGET OVERVIEW



| (\$ millions) | FY 2024-25 Budget | FY 2025-26 Draft Budget |
|--------------------------------------|----------------------|----------------------------|
| Revenues | | |
| Operating Revenue | \$54.8 | \$58.0 |
| Subsidies | \$498.8 | \$488.1 |
| Federal/State Emergency Support | \$52.2 | \$21.0 |
| <i>Total Revenues</i> | <i>\$605.8</i> | <i>\$567.1</i> |
| Expenses | | |
| Labor | \$405.5 | \$414.7 |
| Non-Labor | \$200.3 | \$195.4 |
| <i>Total Expenses</i> | <i>\$605.8</i> | <i>\$610.1</i> |
| Operating Surplus / (Deficit) | \$0 | (\$43.0) |
| District Capital* | \$12.0 | \$10.9 |
| Net of District Capital | (\$12.0) | (\$53.9) |

Total Revenues -6.4%

Total Expenses +0.7%

- FY 2025-26 State Emergency Support from SB125
- * Capital Projects often require multi-year commitments of funding. FY 2024-25 and FY 2025-26 are based on projected actual spending, rather than Budget.
- Deficit will be supported by reserves



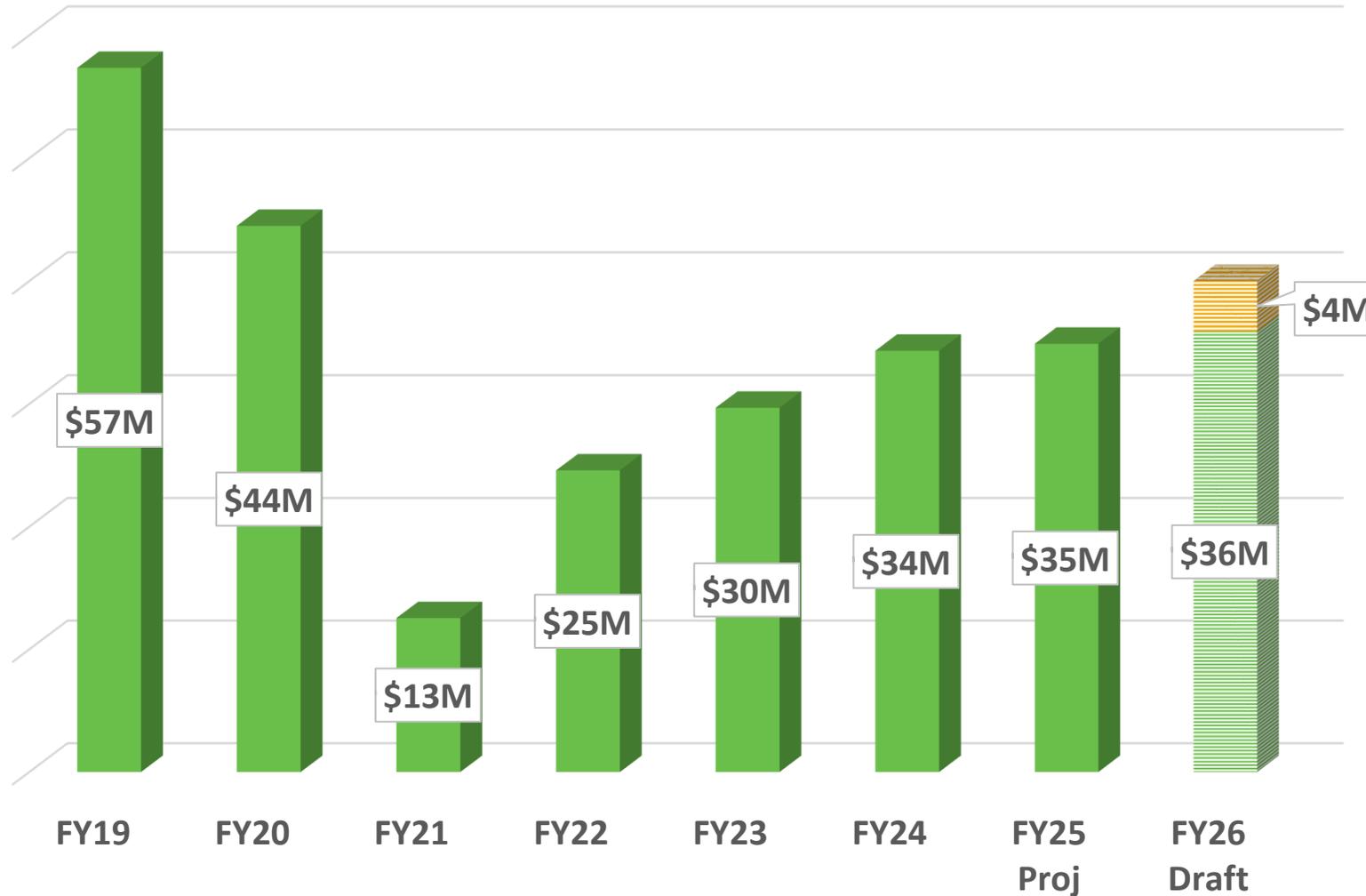
Revenues

Operating Revenue

- Fare revenue on following slide
- Contract Services
 - Based on expectation for EasyPass (and BayPass) revenues, Alameda County student pass program, and BART bus bridges
- Other
 - Investment income should still be significant for at least first half

Subsidies Revenue

- Reduced Sales taxes unchanged from revised projections presented on Feb 28
- Property and Parcel tax expectations unchanged from Oct 2024 projections
- SB 125 state support of \$21M in FY 2025-26



- Current FY 2024-25 expected to come in ~5% less than budget
- FY 2025-26 Draft Budget is \$40.0M including fare increase of \$4.1M.
- Represents 72% of pre-pandemic revenue (*vs 75% ridership*)

DRAFT REVENUE TOTALS



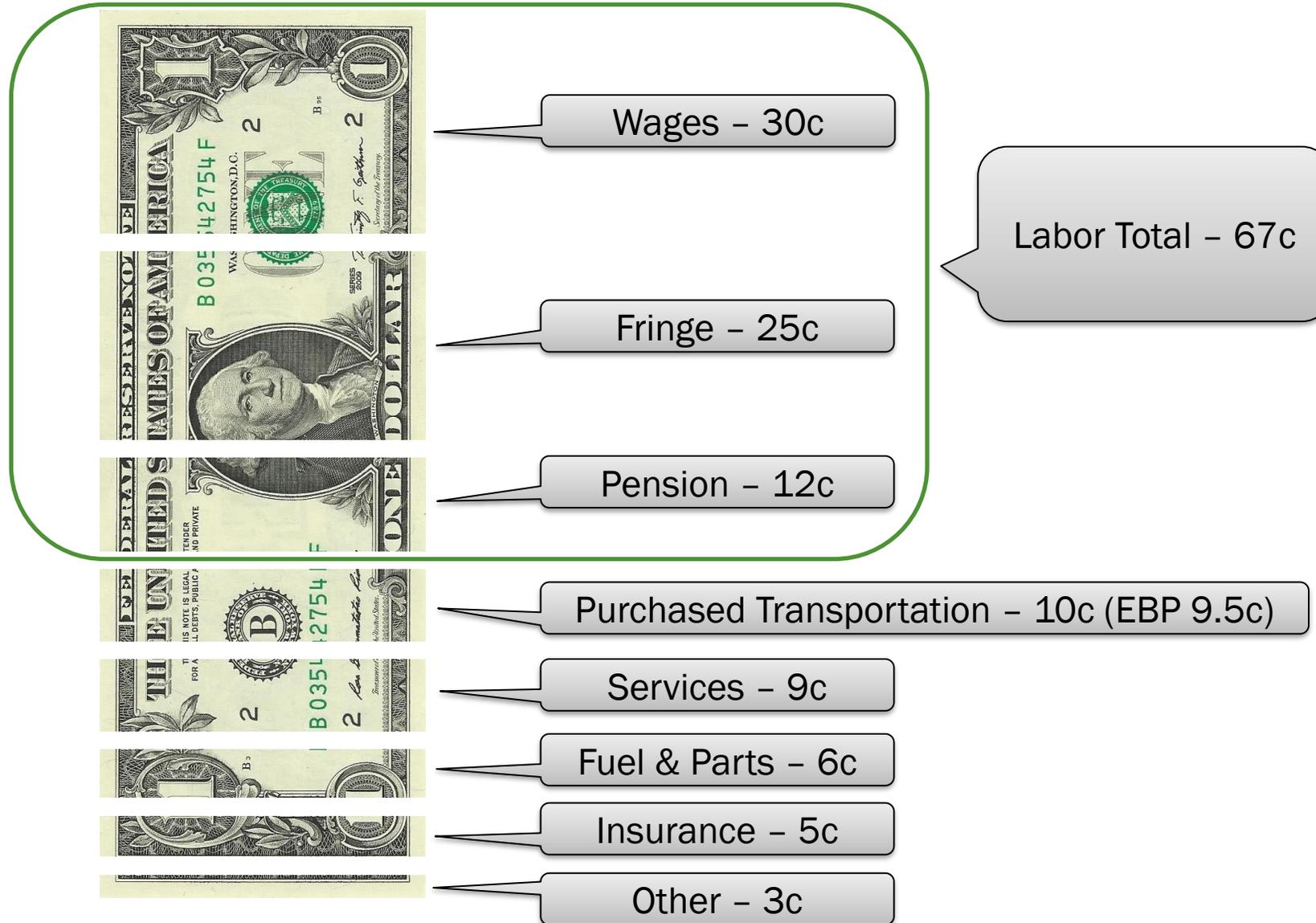
| (\$ millions) | FY 2024-25 Budget | FY 2025-26 Draft Budget |
|---|----------------------|----------------------------|
| Operating Revenues | | |
| Fares | \$36.7 | \$40.0 |
| Contract Services | \$8.5 | \$8.8 |
| Other | \$9.5 | \$9.2 |
| <i>Subtotal Operating Revenues</i> | <i>\$54.8</i> | <i>\$58.0</i> |
| Subsidies | | |
| Property & Parcel Taxes | \$190.2 | \$199.9 |
| Sales Taxes | \$240.1 | \$226.5 |
| Other Federal, State & Local | \$68.5 | \$61.7 |
| <i>Subtotal Subsidies</i> | <i>\$498.8</i> | <i>\$488.1</i> |
| <i>Federal Emergency Support (ARP)</i> | <i>\$44.7</i> | <i>\$0.0</i> |
| <i>State Emergency Support (SB 125)</i> | <i>\$7.5</i> | <i>\$21.0</i> |
| Total Revenues | \$605.8 | \$567.1 |



Expenses

WHERE DOES EACH DOLLAR WE SPEND GO?

Based on FY 2024-25 Budget



EACH DOLLAR - REQUIRED VS. CHOICE



Based on FY 2024-25 Budget



Required – 96c
Wages
Fringe
Pension
Purchased Transportation (EBP, DBX)
Services (maintenance, support)
Fuel & Parts
Insurance
Other

Choice – 4c
Services

- Required Expenses are either directly tied to service level, indirectly tied to service, or independent of service
- Choice Expenses are mainly contractual services that are not required for service

DRAFT EXPENSE TOTALS

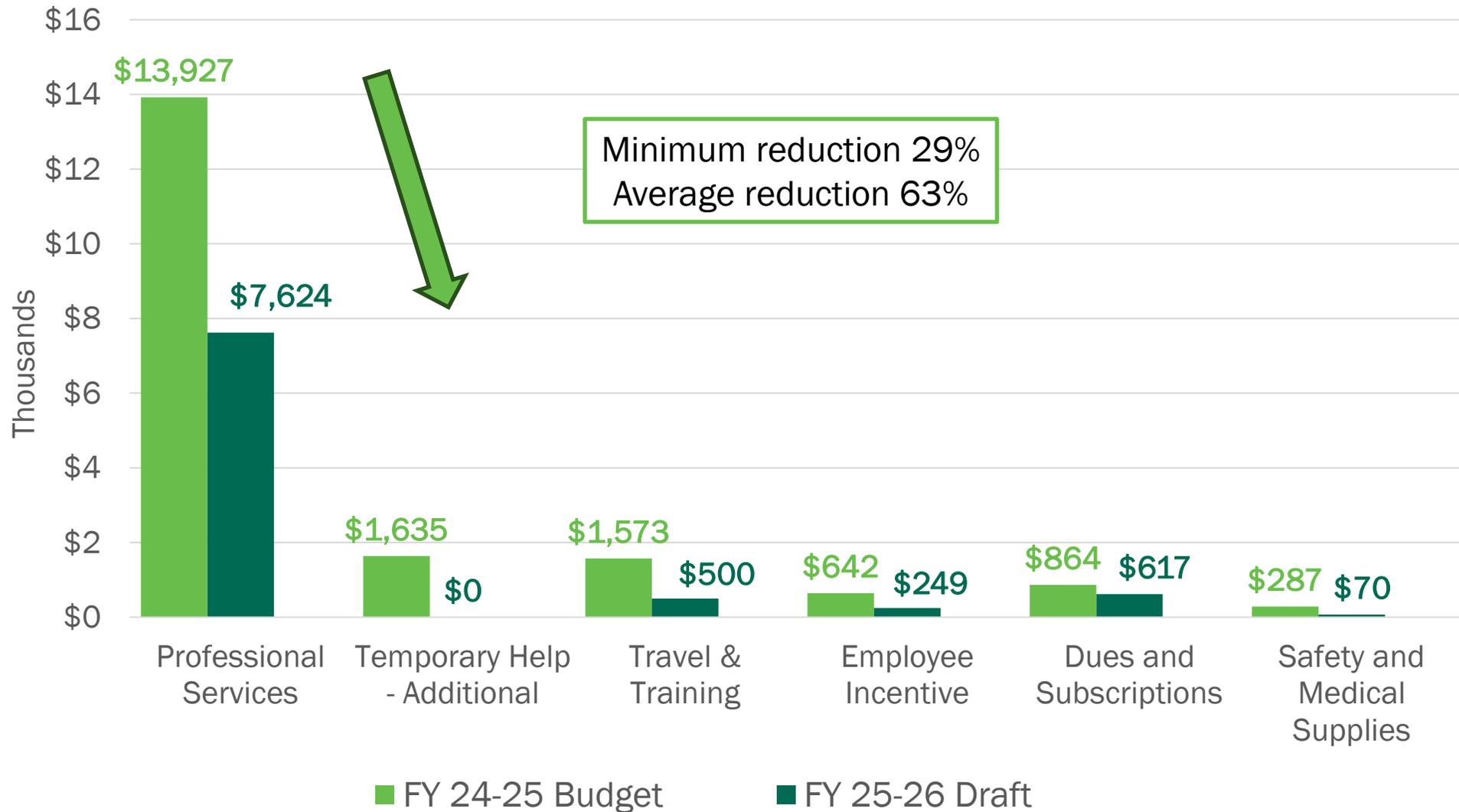


| (\$ millions) | FY 2024-25 Budget | FY 2025-26 Draft Budget | |
|----------------------------|-------------------|-------------------------|----------------------|
| Labor Expenses | | | |
| Wages | \$183.6 | \$190.8 | |
| Fringe | \$151.4 | \$158.7 | |
| Pension | \$70.5 | \$65.2 | |
| <i>Subtotal Labor</i> | <i>\$405.5</i> | <i>\$414.7</i> | <i>2.3% increase</i> |
| Non-Labor | | | |
| Services | \$56.3 | \$52.0 | |
| Fuel & Lubricants | \$18.1 | \$16.4 | |
| Other Materials & Supplies | \$22.2 | \$21.8 | |
| Utilities & Taxes | \$10.0 | \$10.3 | |
| Casualty & Liability | \$28.3 | \$34.6 | |
| Purchased Transportation | \$58.6 | \$54.7 | |
| Other | \$6.6 | \$5.5 | |
| <i>Subtotal Non-Labor</i> | <i>\$200.3</i> | <i>\$195.4</i> | <i>2.4% decrease</i> |
| Total Expenses | \$605.8 | \$610.1 | 0.7% increase |

- Insurance & Liability (+\$6.3M, 22.2% increase)
 - Factors include service mileage but also accidents, insurance market
- Healthcare (+\$4.7M, 6.7% increase)
 - Healthcare contracts are based on calendar year and rates generally increase 4-9% annually
- Utilities & Taxes (+\$300k, 3.1% increase)
 - Higher utility rates
- Workers Compensation (+\$2.4M, 10.0% increase)
 - Estimate will be refined in Proposed Budget

- Services (-\$4.3M, 7.6% decrease)
 - Includes: Professional Services (-\$6.3M), Software (+\$2.2M), Temporary Help (-\$1.6M), and other accounts
- Purchased Transportation (-\$4.0M, 6.7% decrease)
 - Current FY budgeted high, was based on early contract estimate (projected spending is \$54.7M vs \$58.6M budget)
 - Tied to service area, which is related to amount of service
 - Required service so cost depends on ridership
- Fuel (-\$1.7M, 9.6% decrease)
 - FY 2025-26 projected to come in under-budget at \$14.7M (vs \$18.1M budget)
 - Projected mileage similar to prior year

BUDGET TIGHTENING PROGRESS



EXPENSE DECREASE HIGHLIGHTS



| Line-Item Reductions | FY26 Original Requests | FY26 Revised Requests | Savings |
|---|------------------------|-----------------------|--------------------|
| Targeted IT Software and Professional Services | 2,257,050 | 404,000 | (1,853,050) |
| Deferred and Reduced/Phased Projects | 2,152,000 | 380,000 | (1,772,000) |
| Temporary Help Services (Temporary Employees and Professional Services) | 754,000 | 15,000 | (739,000) |
| HR Data Analytics Project | 635,000 | 0 | (635,000) |
| Fiber Optic Repair (Costs Shared with City of Oakland) | 300,000 | 0 | (300,000) |
| Total | 6,098,050 | 799,000 | (5,299,050) |

- Position levels unchanged for Draft Budget
 - “Ideal” position counts still being determined
 - Non-operator/non-mechanic assumed vacancy rates already high (~10%)
 - Budgeting has always aimed to fund existing and/or *achievable* position levels even if lower than adopted number of positions
 - Reductions in adopted position levels will not likely reduce budget *if just removing un-budgeted positions*
- Proposed budget will likely have changes to position levels

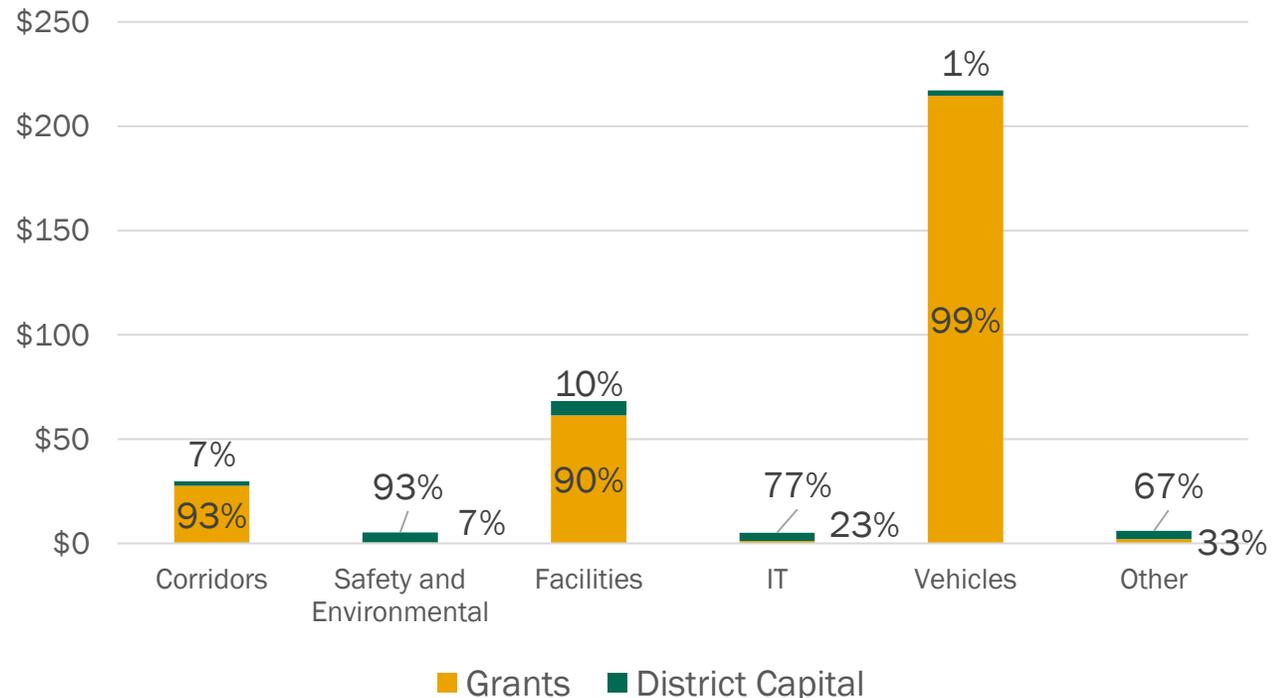


Capital Budget

Where does capital spending fit in all of this?

- Majority of all capital funding from grants – anticipated at 93% of total
- District Capital used for match and hard to fund priorities – more than 60% of projects partially or fully grant funded
- 100% District funded projects make up less than 6% of the total Budget.

| Draft FY 25-26 Capital Budget | |
|-------------------------------|----------------|
| Grants | \$307.2 |
| District Capital | \$24.3 |
| Total | \$331.5 |



The Capital Budget must balance current constraints with long term impacts

- Staff recommend deferring discretionary projects where possible
- Projects may be delayed to seek additional grants for larger projects requiring local match.
- Flexible cost savings from closed projects can offset District Capital.

The District completed 12 projects YTD and anticipates closing 14 more before fiscal year end

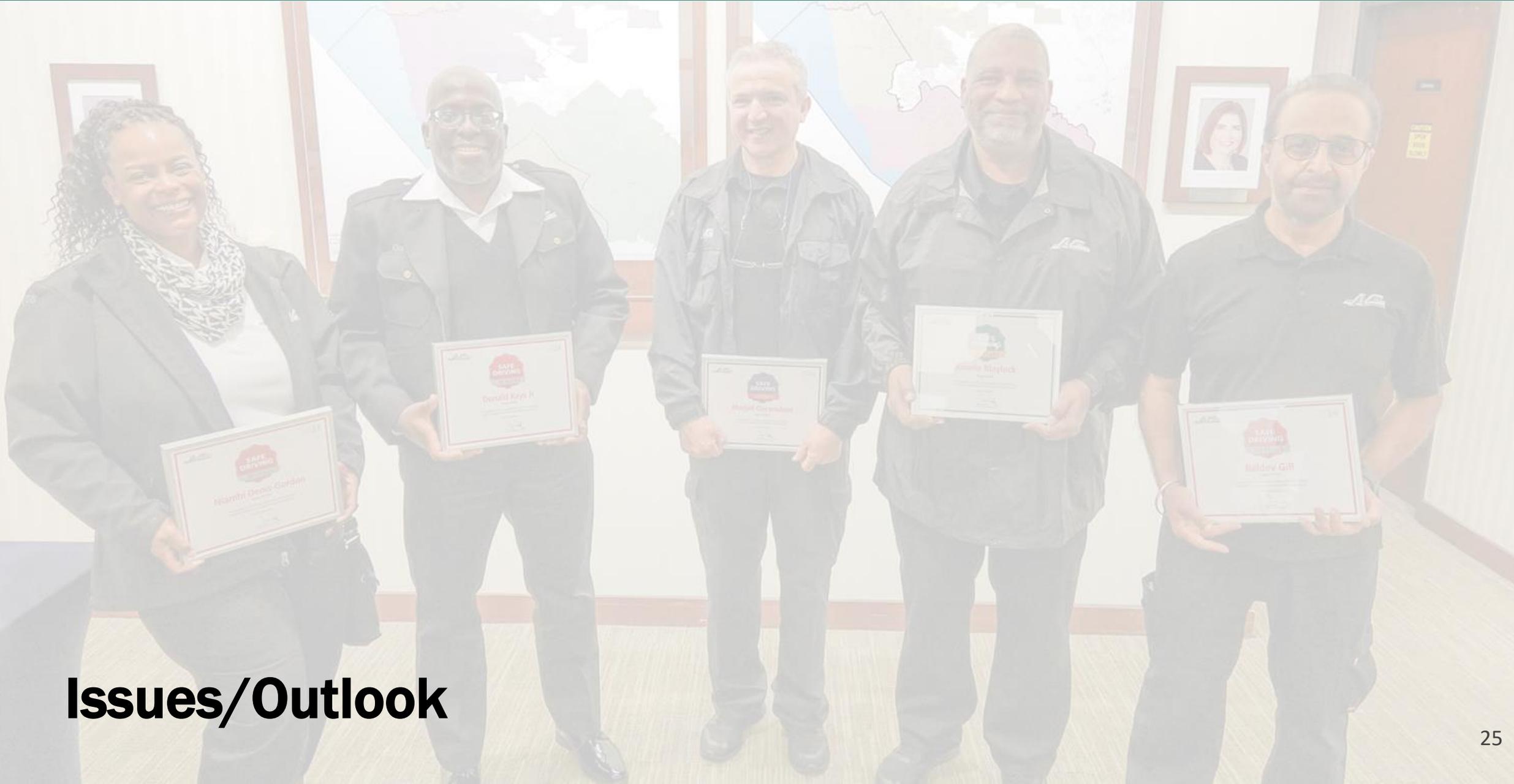


| Completed Projects – YTD FY25 |
|--------------------------------------|
| D6 Security Enhancements |
| GO Roof Repair |
| Buses funded with AHSC Grants |
| D6 Employee Parking Relocation |
| Bus Operator Security Shields |
| Dumbarton IDEA Corridor Improvements |
| 40 x 40ft ZE Buses |
| D2 Replace Underground Storage Tank |
| D4 Entry/Exit Gate & Guard Shack |
| CMF External Stairways |
| Engine Dynamometer Replacement |
| 50 x 40ft Diesel Buses |

Key FY 25-26 Projects

- Replacement of Aging Buses (99% grant funded)
- Installing ZEB Infrastructure (85% grant funded)
- Corridor enhancement to improve reliability (93% grant funded)
- Projects required to improve safety and maintain compliance (100% District funded)





Issues/Outlook

What needs to be considered in FY 2025-26, leading up to FY 2026-27:

- Measures to increase revenues – continue preparation efforts
- Service level reductions – months of preparation required
- Reserve management – how much and when to draw down reserves
- Pension smoothing – push out impact of pension payments
- Convert Capital funding to operating – begin discussions with MTC

- Deficit of \$43M next year
- We have been prudent - we knew this was coming and saved up for it – so we can handle the deficit next year
- We will not have enough resources to handle the second year (FY 26-27) of deficits
- Continued emergency state support is key in allowing us to get through FY 26-27
 - FY 26-27 projected need: \$71M
 - Working with our state delegation
- November 2026 regional measure is key to keeping current service level after that
 - Need nearly \$60M/yr to keep current service level
 - We are fighting for enough funding to keep current level – expansion is highly unlikely
- Need a “plan B” that will have service reduction to balance budget if state does not come through and/or the regional measure fails
 - Will have to put service cuts into effect in spring 2027 if measure fails

| May 28, 2025 | Proposed Operating & Capital Budgets |
|---------------|---|
| June 11, 2025 | Recommended Operating & Capital Budgets |