A faded background image of a transit vehicle, showing a side mirror and a window. The mirror reflects a person's face. The window has text that is partially visible, including 'a' and 'ok'.

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

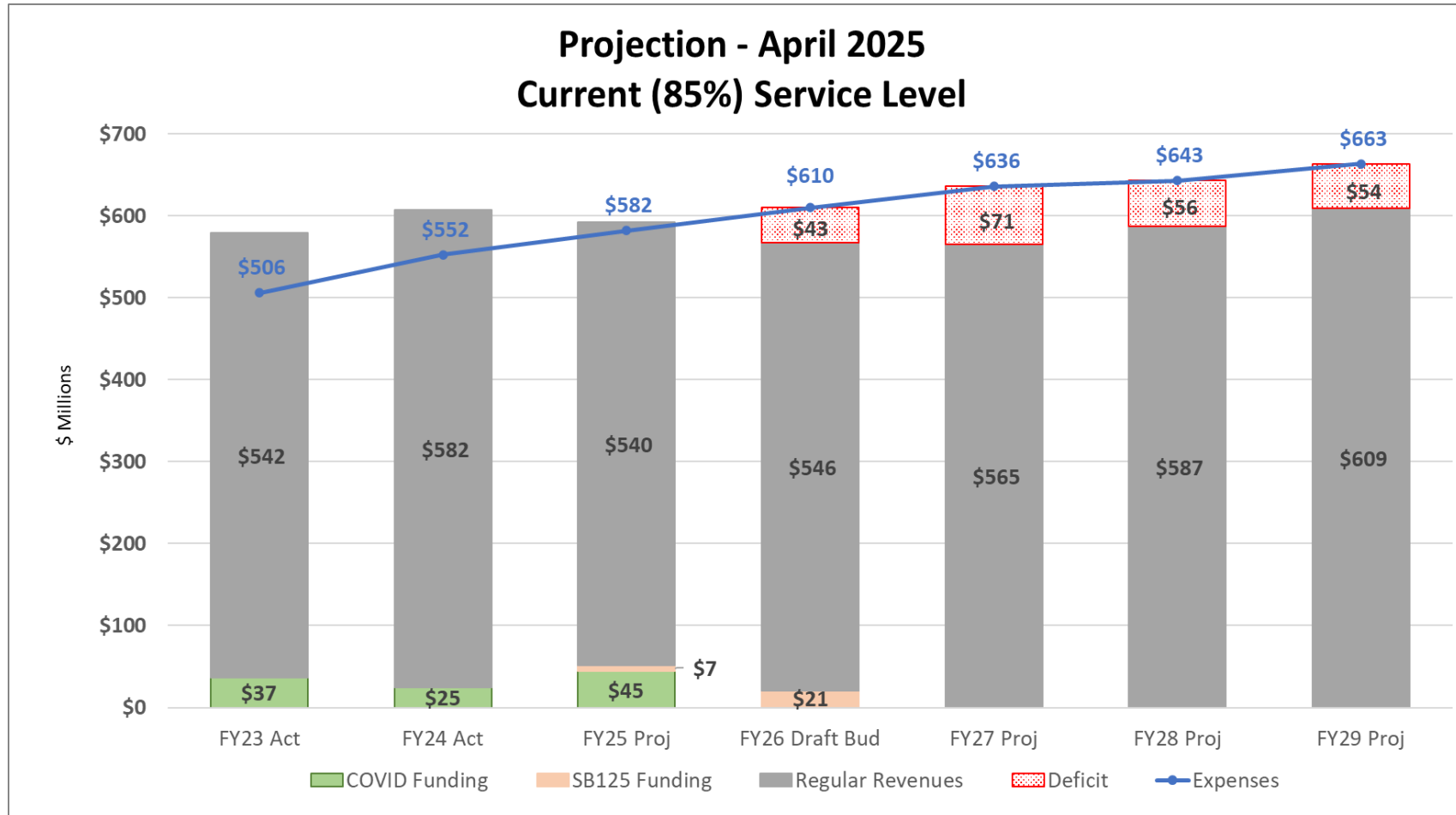
April 23, 2025

- 
- A blurred background image of a city street with a crosswalk and a blue-painted lane. In the background, there are trees, buildings, and parked cars. A sign for 'PERICO'S' is visible on the left.
- **Operating Projections**
 - **Highlights/Assumptions/Draft Budget**
 - **Revenues**
 - **Expenses**
 - **Capital**
 - **Issues/Outlook**



Projection

UPDATED OPERATING PROJECTION



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

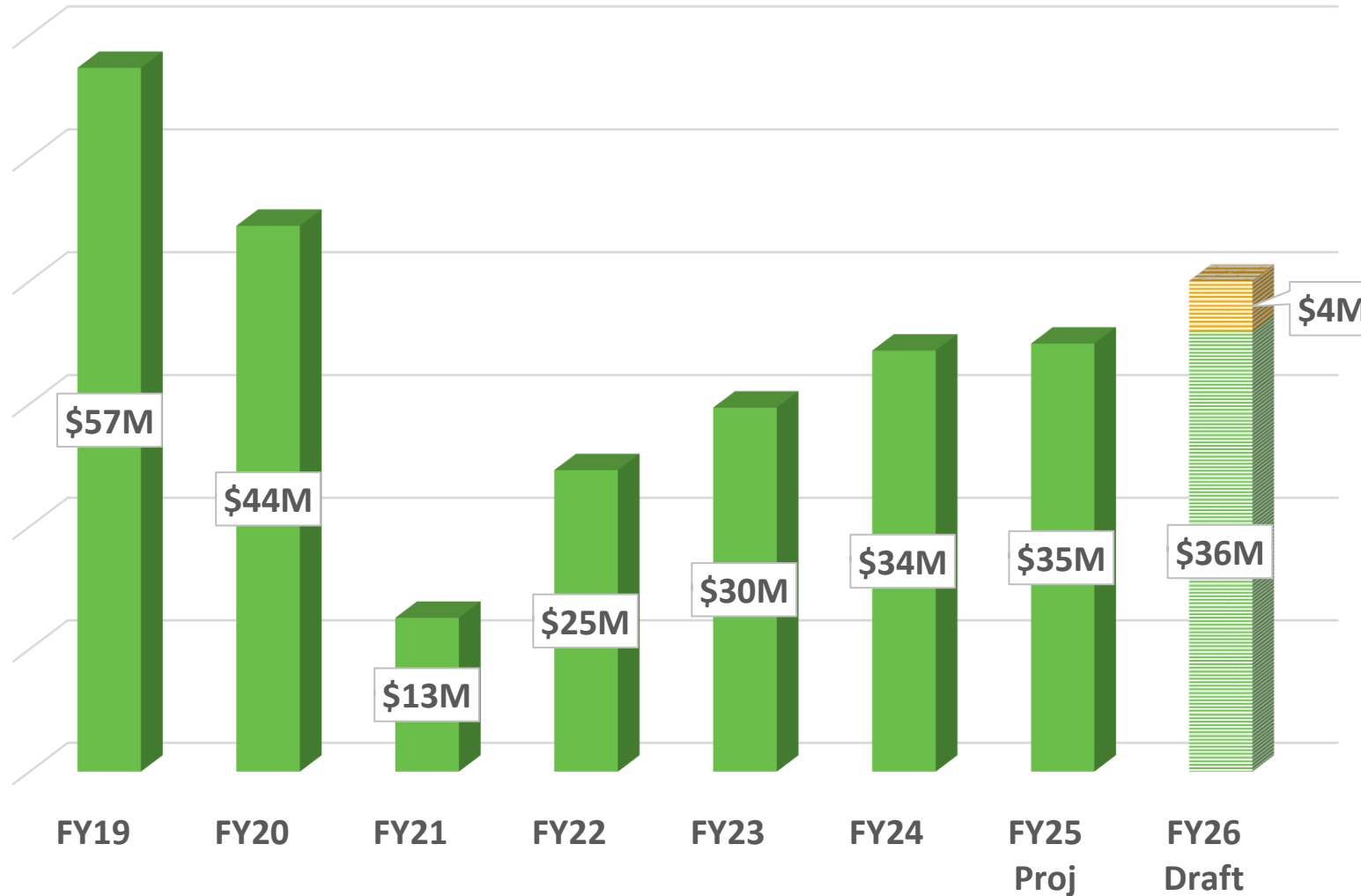
Operating Revenue

- 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

FAREBOX REVENUE



- 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

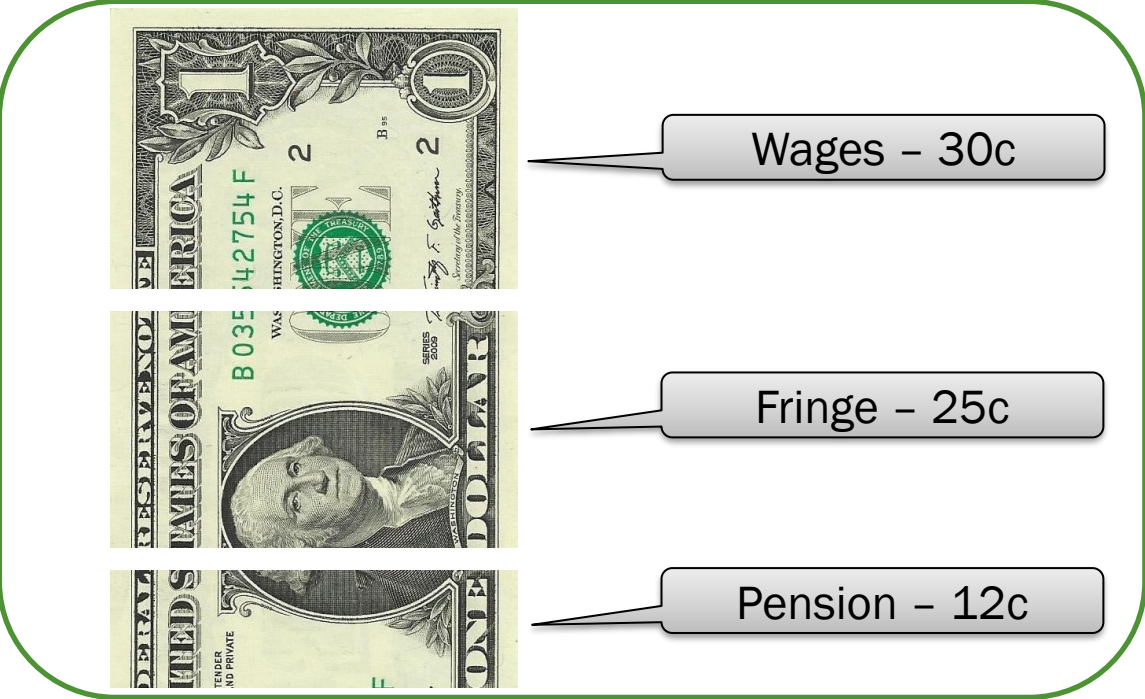


Expenses

WHERE DOES EACH DOLLAR WE SPEND GO?



Based on FY 2024-25 Budget



Wages – 30c

Fringe – 25c

Pension – 12c

Labor Total – 67c

Purchased Transportation – 10c (EBP 9.5c)

Services – 9c

Fuel & Parts – 6c

Insurance – 5c

Other – 3c

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

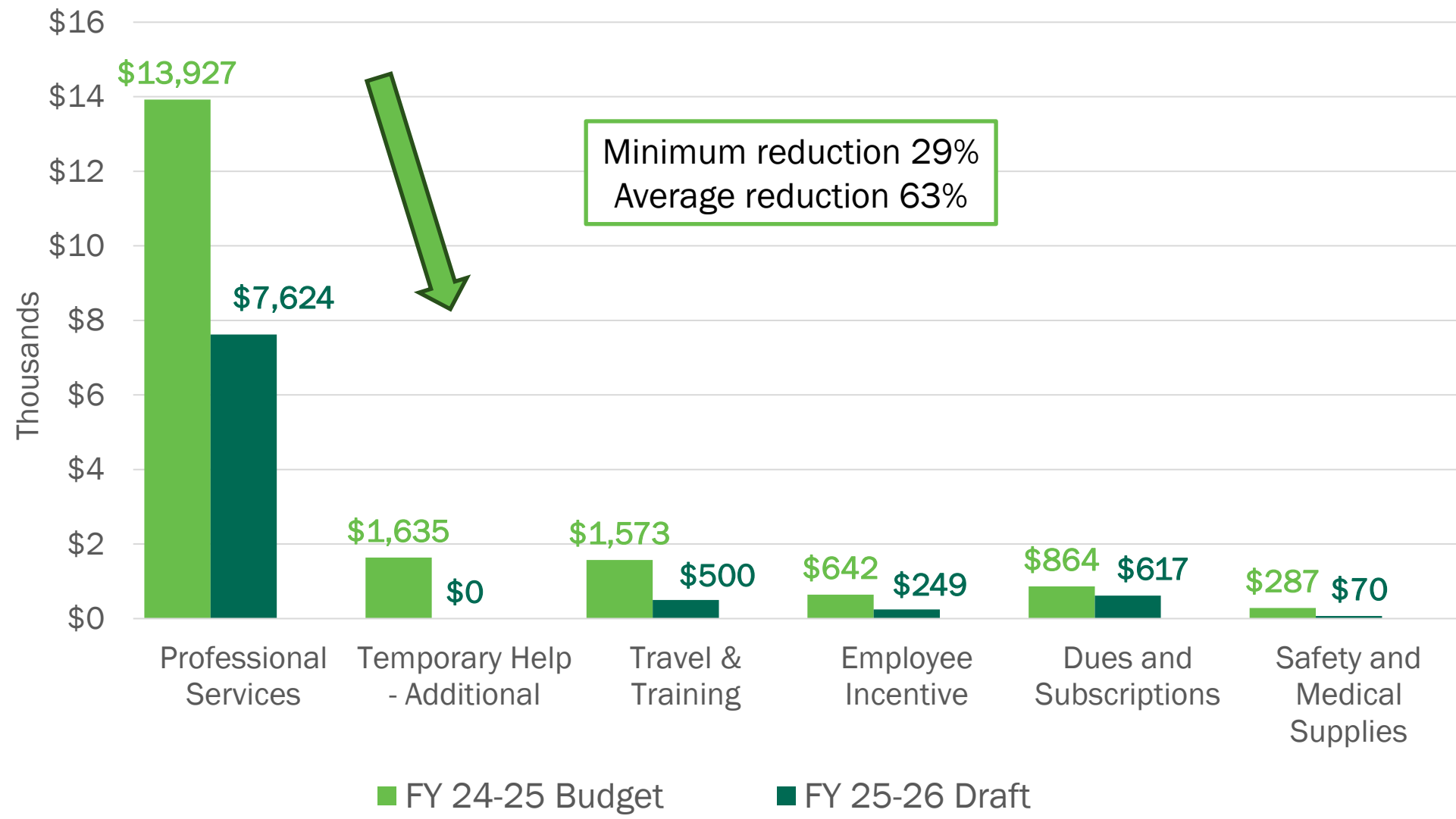


(\$ millions)	FY 2024-25 Budget	FY 2025-26 Draft Budget	
Labor Expenses			
Wages	\$183.6	\$190.8	
Fringe	\$151.4	\$158.7	
Pension	\$70.5	\$65.2	
<i>Subtotal Labor</i>	<i>\$405.5</i>	<i>\$414.7</i>	<i>2.3% increase</i>
Non-Labor			
Services	\$56.3	\$52.0	
Fuel & Lubricants	\$18.1	\$16.4	
Other Materials & 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

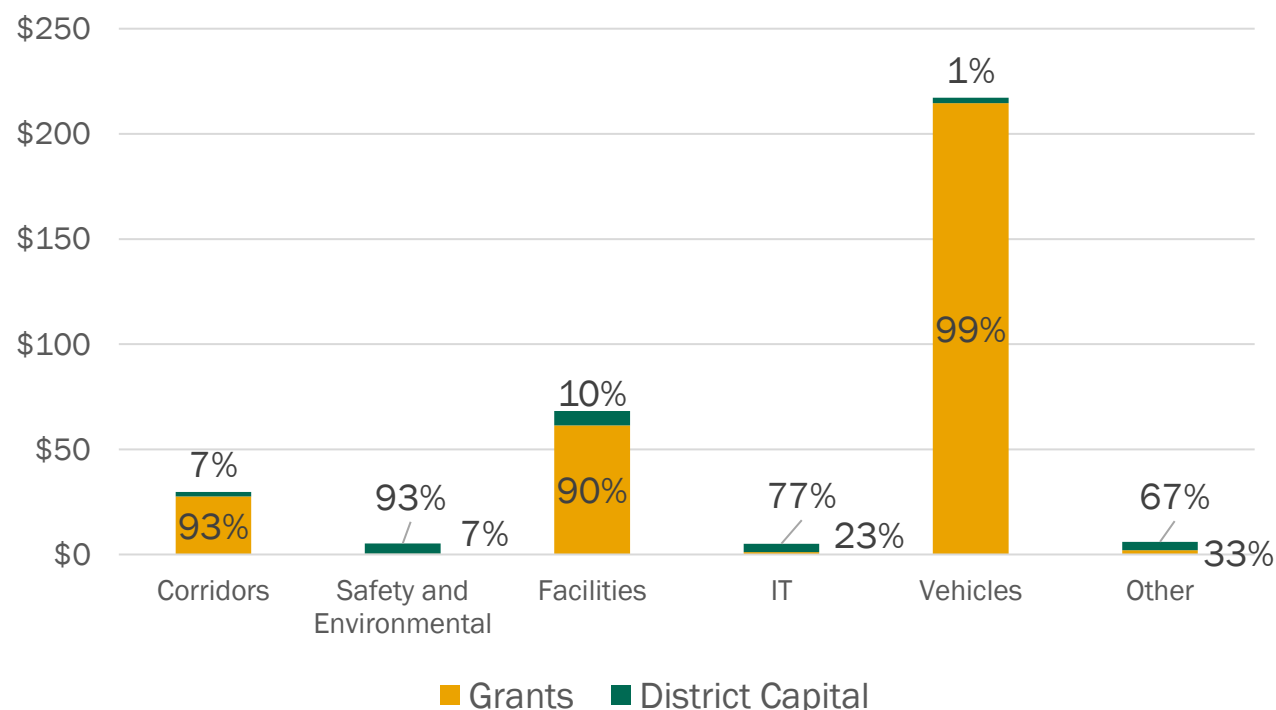


Capital Budget

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.

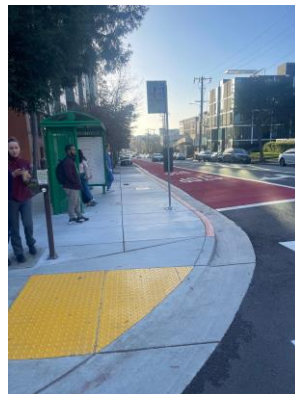
Draft FY 25-26 Capital Budget	
Grants	\$307.2
District Capital	\$24.3
Total	\$331.5



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**



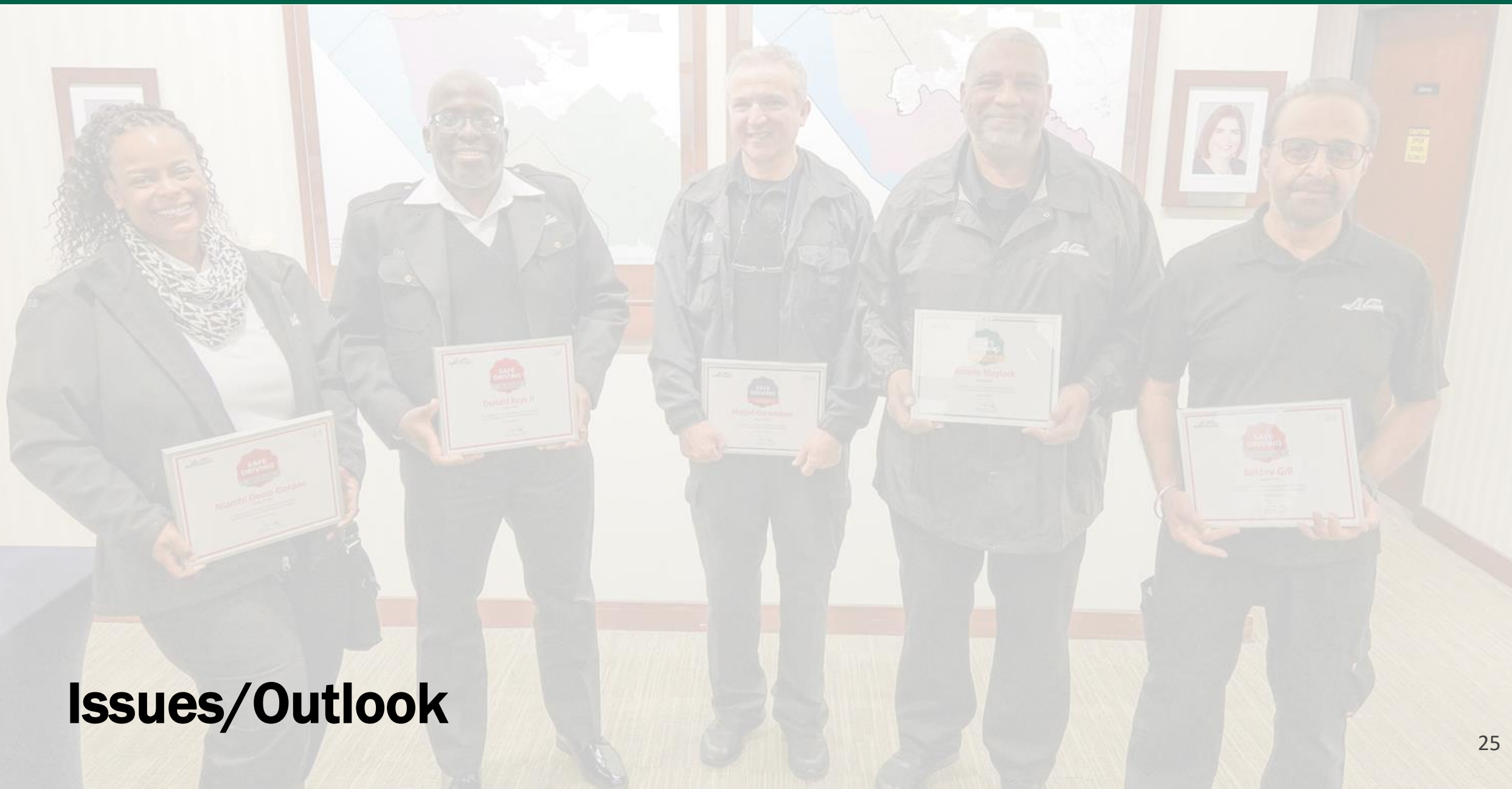
Completed Projects – YTD FY25

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