

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/10/2026

Staff Report No. 26-079c

TO: AC Transit Board of Directors
FROM: Salvador Llamas, General Manager/Chief Executive Officer
SUBJECT: Recommended FY 2026-27 Operating and Capital Budgets

ACTION ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Consider adoption of Resolution 26-003 approving the Recommended FY 2026-27 Operating and Capital Budgets.

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency
Initiative - Financial Efficiency and Revenue Maximization

The District must adopt a balanced budget per Board Policy and provide financial stability for operations during the fiscal year.

BUDGETARY/FISCAL IMPACT:

Compared to the Proposed budget, presented at the May 13 Board meeting, the Recommended budget includes an overall increase of \$538,000 (0.1%). This increase is made up of \$1.2 million interest expense for the State loan offset by \$626,000 in Board requested reductions. The loan interest expense was entered later in the budget process when loan details became finalized. The State loan saves the District from needing to use reserves or reduce service at the start of the fiscal year.

The Board must adopt a (single) balanced budget, so the Recommended Funded budget is presented along with a Contingency Plan (which was also previously called the “unfunded budget”). The Contingency Plan will be triggered if the regional measure fails in November 2026. Attachment 1 is the board resolution for budget adoption specific to the Recommended Funded budget. Staff will bring the Contingency Plan to the Board for approval and implementation if the regional measure fails.

The Recommended Funded budget reflects concerted efforts by Board members and staff to abide by the Board’s adopted budget guidelines and District priorities.

At the May 13 Board meeting, the Board requested the following:

- 1) Reduce the cost-of-living salary increase for unrepresented employees by 1% (from 3% to 2%).
- 2) Ensure no net increase in positions; use the conversion of existing vacant positions to support the EasyPass and Student Transit Pass Program if necessary
- 3) Eliminate the Board Member stipend increase for FY 26-27
- 4) Decrease travel/training for District staff by 20%
- 5) Estimate impact of implementing a voluntary furlough program

Changes from Proposed to Recommended Funded budgets are reviewed in greater detail in the next section.

The total revenue budgets for the Recommended Funded and Contingency Plan are \$634.9 million and \$622.6 million, respectively. The primary difference is the amount of State loan funds used to meet the budgeted expense level. Thanks to the State loan, there is no plan to use reserves for FY 26-27. If the potential regional funding measure does not pass, implementing the cost reductions included in the Contingency Plan will reduce the needed State loan fund amount from \$54.0 million to \$42.5 million.

The Contingency Plan would reduce non-service expenses as much as possible, prior to making service cuts in June 2027. In addition to the direct changes that will happen to District service, there will be regional effects of changes in ridership and commuting patterns starting in early calendar 2027 that are difficult to predict. Planning staff have been coordinating with other agencies as much as possible given the unknowns in that situation.

Attachment 2 shows the Recommended Funded budget with changes from the current FY 25-26 budget as well as changes from the Proposed budget (last seen by the board on May 13, 2026). Attachment 3 shows the Recommended Funded budget and Contingency Plan. Attachment 4 shows Contingency Plan changes from the Proposed budget (last seen by the board on May 13, 2026).

The Recommended FY 26-27 Capital Budget is provided as Attachment 5. It includes projected maximum investment of \$343.8 million, composed of \$330.9 million in grant funds and \$12.8 million in District Capital funds. The Contingency Plan budget reduces the budget and spending expectation of the Capital Budget by \$1.2 million to reduce the need for District Capital funds.

BACKGROUND/RATIONALE:

The Board-requested changes result in savings of \$626,000. Unfortunately, these savings are offset by the inclusion of the full interest expense for the State loan bringing the changes from Proposed to Recommended Funded to an overall increase of \$538,000.

Below is a summary of changes from the Proposed to Recommended Funded budgets.

Changes from Proposed to Recommended Funded Budget

Revenues

- \$538,000 increase in State Loan to accommodate overall increases in expenses (detailed below)

Labor Expenses

- \$535,000 decrease from Proposed due to:
 - \$271,000 decrease by reducing wages for unrepresented employees from 3% to 2%
 - \$234,000 decrease by removing the added positions from the Proposed budget. Staff will look to convert existing vacant positions for use by the EasyPass and Student Transit Pass Programs (STPP).
 - \$4,243 decrease by eliminating planned Board stipend increase
 - \$25,000 decrease due to potential savings from voluntary furloughs

Non-Labor Expenses

- \$1.1 million increase from Proposed budget due to:
 - \$92,000 decrease by reducing travel/training for District staff by 20%
 - \$1.2 million increase from adding the State loan interest expense

Changes from the FY 2025-26 Budget to the Recommended Funded Budget

Changes from the FY 25-26 budget to the FY 26-27 Recommended Funded budget were presented at the May 13 board meeting for the Proposed budget and are summarized again below, with special attention to adjustments as per Board requests. The largest notable change from this to next FY is in revenue source: where FY 25-26 used \$41.5 million in reserves to balance the budget, in FY 26-27 the State loan is used to balance the budget.

Revenues

The overall Operating Revenue for next fiscal year, at \$634.9 million, is an increase of \$28.6 million (4.7%) from the FY 25-26 budget. The revenue increases come primarily from Sales Taxes and the State loan.

Below is a summary of the changes from the FY 25-26 budget to the Recommended Funded FY 26-27 major revenue categories.

- (No change from Proposed): Farebox revenue is budgeted at \$39.0 million, a \$1.0 million (-2.5%) decrease from FY 25-26 budget. This is an increase of \$3.8 million (11.0%) over the full year forecast for FY 25-26. Staff elected to budget conservatively and not incorporate any increased ridership effect on fares. The planned increase in local fares set for July 1, 2026, provides the only expected increase in fare revenue.
- (No change from Proposed): Revenue from Contract Services is budgeted at \$11.8 million, which represents a \$3.0 million (34.2%) increase over FY 25-26 budget. The increase is primarily due to revenue received during FY 25-26 exceeding the budgeted amount. This category primarily includes revenue from EasyPass sales which have increased by an average of 10% per year in the past couple years. Staff expects to convert a vacant position to provide more resources to the EasyPass Program. The Recommended Funded budget includes an additional \$500,000 in estimated revenue for EasyPass.
- (No change from Proposed): Property and parcel taxes (Measure VV/C1) are budgeted at \$203.7 million, a \$3.9 million (1.9%) increase, which is in line with recent trends. The increase is nearly all from property taxes, as the parcel tax growth only averages 1/8% increase each year. The estimated increase from property tax revenues alone is 2.3%.

- (No change from Proposed): Sales Taxes (Measures BB/J, Transportation Development Act (TDA), and AB1107) are budgeted at \$244.7 million, a \$19.3 million (8.6%) increase from last year's budget. Most of the increase is in TDA, due to an adjustment in sales taxes by the State between fiscal years. It also reflects greater sales tax revenue generation in the first months of the current fiscal year. The Alameda County Transportation Commission (ACTC) has not yet released projections for Measure BB for next fiscal year, so staff is using an internal projection of a 0.5% increase for BB and Measure J.
- (No change from Proposed): Other Federal, State, & Local revenues (State Transit Assistance (STA) funding from State diesel taxes, Federal and State operating assistance, Regional Measure 2 and 3 operating support) of \$68.1 million, a \$13.3 million (16.3%) reduction from the FY 25-26 budget due primarily to reductions in RM3. RM3 funding was much higher than normal this fiscal year due to Senate Bill 125 funds programming by the Metropolitan Transportation Commission (MTC).
- State loan \$54.0 million loan amount
 - (Change from Proposed) \$538,000 (1.0%) increase from Proposed to match the overall increase in Operating Expenses. The District still has access to the full \$55.0 million loan amount.

Expenses

The overall Operating Expense for next fiscal year, at \$627.9, is an increase of \$22.1 million (3.7%) from the FY 25-26 budget.

Labor expenses

Labor expenses, at \$430.3 million, represent an increase of \$14.4 million (3.5%) over the FY 25-26 budget.

- Salaries and Wages of \$174.0 million,
 - (Change from Proposed) \$9.2 million (5.6%) increase based on contractual/planned wage increases (IBEW 3.40%, ATU 3.25%, Unrepresented 2.00%). Decrease of \$313,000 due to reducing wage increase for unrepresented employees, removing added positions for EasyPass and STPP, eliminating Board stipend increases, and accounting for some savings from voluntary furloughs.
- (No change from Proposed) Overtime of \$28.1 million, a \$1.5 million (5.8%) increase to be able to maintain the current level of operations with a reduced active operator headcount from the current year.
- Fringe Benefits of \$165.7 million,
 - (Change from Proposed) \$6.2 million (3.9%) increase over FY 25-26 budget, which mirrors the corresponding changes in Wages & Salaries.
- (No change from Proposed) Pension contribution of \$62.6 million, a \$2.6 million (4.1%) decrease from the FY 25-26 budget, is a planned reduction based on the pension "smoothing" plan.

Non-Labor expenses

Non-Labor expenses, at \$197.5 million, represent an increase of \$7.8 million (4.1%) over the FY 25-26 budget. Expense increases are primarily in Fuel and Casualty & Liability. Decreases are primarily in the category for "Other" expenses (Transbay Joint Powers Authority lease, Election of Directors, Advertising for Hiring, Travel & Training, etc.), Materials and Supplies, and Utilities & Taxes.

- (No change from Proposed) Services Expense of \$53.7 million, a \$1.9 million (3.7%) increase from FY 25-26. The top three areas that are increasing over FY 25-26 budget include Clipper, outside legal, and

Professional Services. The increased Clipper expense is partly due to MTC covering half of the current year Clipper operating budget and partly due to planned and unplanned cost increases from the ongoing Next Generation Clipper transition.

- (No change from Proposed) Fuel and Lubricants of \$20.9 million, a \$4.6 million (27.9%) increase from FY 25-26 budget. Staff are monitoring the continued financial impacts of conflict in the Middle East to gauge how it affects diesel prices.
- (No change from Proposed) Materials & Supplies of \$20.7 million, a \$1.0 million decrease from FY 25-26. Inflationary increases are offset by reduced expected bus part usage. Recent bus purchases have brought the average age of the fleet down which reduces need for replacement parts. Staff is also looking at reducing the active fleet size to match current service levels.
- (No change from Proposed) Casualty & Liability of \$34.3 million, a \$3.6 million (11.8%) increase over FY 25-26 budget due to anticipated insurance premium increases. While still significant, the increase is less than what staff originally expected. The District has seen some significant claim settlements along with the generally strained insurance market in California. District staff continues to work on safety awareness and training programs in an effort to reduce accidents and claims.
- (No change from Proposed) Purchased Transportation (East Bay Paratransit and Dumbarton Express) of \$53.4 million, a \$426,000 (0.8%) reduction from the FY 25-26 budget.
- Other (includes Transbay Joint Powers Authority lease, Election of Directors, Advertising, Travel & Training, Dues & Subscriptions, etc.) of \$4.3 million, a \$0.6 million (12.9%) reduction from the FY 25-26 budget due to reduced expenses. The lease cost for the Salesforce Transit Center reduced by \$1.0 million (25%) compared to this fiscal year.
 - (Change from Proposed) \$1.2 million increase from adding the State loan interest expense.
 - (Change from Proposed) \$92,000 decrease due to 20% reduction in Travel & training budgets. From FY 25-26 budget, budgets were reduced by 59% for most departments and reduced by 39% for the Board.

Contingency Plan

The Contingency Plan reduces non-service expenses until service reductions could begin in mid-June 2027. Potential service reductions will be detailed in an Alternate Service Plan which will come before the Board before the end of June.

As shown in Attachment 2, total Labor expenses in the Contingency Plan are reduced from the Recommended Funded budget by \$8.8 million (2.0%). Labor expenses are impacted more than Non-Labor due to exhaustive efforts made in recent years during the budgeting processes to reduce Non-Labor to essential functions in support of maintaining service levels. District priorities, as they relate to maintaining service levels, will be harder to meet in the Contingency Plan.

The largest reductions in the Contingency Plan are found by restricting hiring, allowing natural attrition to reduce staffing levels, and implementing mandatory furloughs of two days a month for eligible Unrepresented and non-Operations AFSCME staff.

Service quality will start to be affected before any service cuts are implemented due to an estimated reduction of 25 operators (through attrition) before June service cuts take place.

The Contingency Plan also makes cuts in the following areas:

- The \$1.5 million included for Operator Overtime in the Funded budget
- Routine employee incentive programs (Wellness Program, Bus Rodeo, Safe Driving Awards, and other events)
- Most dues & subscriptions except for key organizations: Alameda County Transportation Commission (ACTC), West Contra Costa Transportation Advisory Committee (WCCTAC), American Public Transportation Association (APTA), CalACT, and City Chambers
- Other initiatives such as replacement of the bus stop at-stop schedule information system and reductions in marketing materials.

Changes to Contingency Plan since the Proposed Budget on May 13, 2026

Revenues

- \$854,000 increase State Loan to accommodate overall increases in expenses

Labor Expenses

- \$154,000 decrease due to removal of added STPP position that was included for the Proposed Contingency Plan.

Non-Labor Expenses

- \$1.0 million increase from adding the State loan interest expense

Capital Budget

The Recommended FY 2026-27 Capital Budget includes \$12.8 million in District Capital funds that would equate to a 4% match toward securing \$330.9 million in external grant funding, for a total capital investment of \$343.8 million. The Capital Budget is shown in Attachment 5. The Recommended FY 2026-27 Capital Budget includes four (4) new, 35 continuing, and seven (7) annual projects for a total of 46 projects.

For capital projects staff budget the total amount necessary to complete the entire project or some phase of the project. The budget is not limited to a single fiscal year. The project budget is approved so that the District can make the commitments necessary to hire contractors and procure materials over the life of the project. Each year actual capital spending will be less than the full project budget. While the Capital Budget shows the full budget for each project, the Operating Budget table shows the expected spending amount for the fiscal year from District Capital.

There are no changes between the Proposed and Recommended Funded budgets.

The Contingency Plan would implement \$1.2 million worth of reductions:

- Reducing Annual Projects by 50%: these projects provide funding for important day-to-day repair and replacement of assets across facilities, safety, and IT so they are not recommended for cuts in a funded scenario but can provide immediate cost savings in an Contingency Plan scenario as they make up a significant portion of annual District Capital expense.
- Eliminating STC Capital Contribution: this project funds the District's yearly contribution to Transbay Terminal capital improvements.

Ridership Report

This ridership update (Attachment 6) provides a condensed analysis for the period from July 2025 to April 2026 and follows the format of the mid-year ridership report presented in February 2026. The full annual ridership and route performance report will be presented to the Board in Fall 2026, following the close of the current fiscal year FY 25-26 period. This summary focuses on recent Spring 2026 data.

- Monthly Trend (Exhibit 1A):
 - The 10-month period from July 2025-April 2026 saw a cumulative total of 33.9 million riders, reflecting a 1.2% system-wide ridership increase compared to the same period in the prior year. Peak monthly ridership occurred in October 2025, with total monthly ridership of 3.7 million riders. The second highest monthly ridership was in March 2026, also with 3.7 million riders, reflecting a 7.9% Y-Y increase over March 2025.
 - Realign Service changes went into effect in August 2025, providing a new bus network with simplified routes and the goal to deliver more reliable service. After the first 8 full months of service, post-Realign, the District saw its first consecutive 3-month period of monthly Y-Y ridership gains. For the months of February, March, and April 2026, total monthly ridership increased by 6.2%, 7.9%, and 3.1% respectively.
 - Fiscal year-to-date cumulative ridership of 33.9 million riders represents 76.3% pre-pandemic (FY18-19) ridership levels. Using the current growth rate, fiscal year-end ridership is projected at an estimated 40.7 million riders by June 30, 2026.
- Recovery Levels (Exhibit 1B and 1C): Monthly ridership is broken out by service mode. Local (MB-Motorbus) service increased 1.1% Y-Y, in line with total monthly ridership trends. Transbay (CB-Commuter Bus) service gained 9.5% Y-Y, however it remains at 23.0% of pre-pandemic level (note: Lines F, NL, O are reported under MB service mode). Tempo [1T] (RB- Rapid Bus) service averaged approximately 400,000 monthly riders during this period.

Exhibit 1C shows the current recovery percentage trend by day type, comparing weekday versus weekend trend lines relative to pre-pandemic levels in 2019. Comparing peak ridership in April 2026 with October 2019, average weekday ridership was down 23.8%. Weekend ridership performed at close to pre-pandemic levels, with Saturdays down 6.9%, while Sunday ridership was down 3.7%. Average weekend ridership in March 2026 was 88,000 (Saturdays), and 78,000 (Sundays).

Route-level Performance [Exhibit 1D]: This table provides average weekday ridership performance across all service routes, comparing March ridership for each of the last 5 years since FY 20-21. Average weekday ridership was 141,000 riders in March 2026. Among the top performing routes, Tempo (Line 1T) is the District's top performer, carrying 17,000 average daily weekday riders in Spring 2026. Lines 51B, 40, 51A, 18, 57, 6, 9, 52 and 72, round out the top 10 local routes, carrying between 3,700 -7,300 daily passengers. The top 10 routes account for 46.1% of system-wide weekday ridership. Expanding out to the top 20 routes account for 65.9% of system-wide ridership.

Attachment 9 was included to address request for information and questions from the Board.

ADVANTAGES/DISADVANTAGES:

Staff cannot identify any disadvantages to approving the recommended budgets.

ALTERNATIVES ANALYSIS:

Staff analyzed many possible expense item reductions and requests from all departments. The Recommended budget builds on the feedback from the Board and all departments received after the Draft and Proposed budgets. Not adopting a balanced full-year budget would mean the District has to operate on monthly appropriations and would be very disruptive to agency functions.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 25-533 - FY 2026-27 Budget Development Process and Calendar

SR 26-079 - FY 2026-27 Budget Guidelines

SR 26-079a - FY 2026-27 Draft Operating and Capital Budget

SR 26-079b - FY 2026-27 Proposed Operating and Capital Budget

ATTACHMENTS:

1. FY 2026-27 Resolution
2. FY 2026-27 Recommended Funded Operating Budget
3. FY 2026-27 Recommended Funded Operating Budget vs Contingency Plan
4. FY 2026-27 Contingency Plan Changes
5. FY2026-27 Recommended Capital Budget
6. Ridership Update
7. Presentation
8. Recommended Budget Book
9. Additional Information for FY27 Recommended Budget

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