



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of May 21, 2026

From: Grant Martinez, Director of Budget and Financial Analysis
Jennifer H. Mennucci, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: **INITIAL PRESENTATION OF THE PROPOSED FY 26/27 OPERATING
AND CAPITAL BUDGET**

Recommendation

The initial presentation of the Proposed Budget for Fiscal Year 2026/2027 (FY 26/27) is scheduled for the Finance-Auditing Committee meeting of May 21, 2026. Further discussion is scheduled for the Finance-Auditing Committee meeting on June 25, 2026, with subsequent Board action on June 26, 2026. At its June 25th meeting, the Finance-Auditing Committee may recommend that the Board of Directors approve the FY 26/27 Proposed Operating and Capital Budget that:

1. Authorize the following items as contained in the budget:
 - a. District Goals, Projects, and Accomplishments;
 - b. The Reserve Structure;
 - c. Proposed Changes to Positions
 - d. Proposed Revisions to the 10-Year Capital Plan
2. Includes salary increases for the Coalition, Non-Represented, Painter, and ATU-Administration employees. Does not include salary increases for ATU Bus Operators after September 1, 2026 when their contract ends, and any future negotiated changes will be considered at a later date.
3. Includes a Capital Contribution amount of \$21 million.
4. Authorizes budget increases for two (2) Capital Projects by a total of \$4,461,449 to be funded with 26% District Reserves and 74% with grant funds.
5. Authorizes the following items not currently included in the Proposed Budget but will be included in the Adopted Budget:
 - a. Any Board-approved actions through June 30, 2026, that have a fiscal impact to the FY 26/27 Capital and/or Operating Budget;
 - b. Carryover any incomplete projects in the FY 25/26 Capital Budget to FY 26/27 as authorized by the General Manager;

- c. Move any capital projects from the FY 26/27 project list to the FY 26/27 budget, authorized by the General Manager, as staff resources become available in FY 26/27; and,
- d. Including final FY 25/26 budget transfers needed to comply with the Board's budget policy will be implemented in the FY 26/27 Adopted Budget Book.

Summary of Expenses and Revenues

The FY 26/27 Proposed Budget is a policy document that identifies the strategic direction and priorities of the Board of Directors for the fiscal year. The Proposed Budget is the implementation tool for the Board's policy directions and initiatives. The budget is developed between December and mid-March based on the policy objectives of the Board and the current assumptions for the demand for District services at the time.

The FY 26/27 Proposed Budget utilizes the last few years of travel trends in the 101 Corridor to develop a budget that shows the post-pandemic Southbound bridge traffic and transit ridership. While both traffic and transit ridership have increased as compared to last year, overall travel continues to remain below pre-pandemic levels. As a result, the Proposed Budget will need to use funds that are projected to carry over in FY 25/26 from one-time state funding to assist in balancing the District's budget but is estimated to only cover about a quarter of the anticipated deficit. The remaining projected deficit will need to be funded with District reserves.

The long-term use of District reserve funds to cover operating expenses is not sustainable because those funds are essential for maintenance, improvements and replacement of the District's capital assets: the bridge, maintenance facilities, terminals, buses and ferries. Staff will work with the board in the coming fiscal year to implement new long-term measures to decrease expenses and/or increase revenue with the goal of balancing the District's long-term finances.

The FY 26/27 Proposed Budget also includes the additional revenue from a toll increase effective July 1, 2026, which is the third year of the five-year toll increase plan approved by the Board; and it includes the fourth-year increase to a five-year transit fare increase plan on July 1, 2026, approved by the Board in March 2023.

The FY 26/27 Proposed Budget revenues and expenses each total \$540.1 million and are comprised of:

- Revenues
 - Operating Budget
 - \$252.4 million total operating revenue
 - \$12.7 million in Senate Bill (SB) 125 Carryover
 - \$34.4 million in District Reserves
 - Capital Budget
 - \$167.8 million in government grants
 - \$72.8 million District reserves
- Expenses
 - Operating Budget
 - \$299.5 million in total operating expenses

- Capital Budget
 - \$240.6 million in total capital expenses

The following is an overview of the Proposed FY 26/27 Operating and Capital Budget.

Operating Budget Overview

The Proposed FY 26/27 Operating Budget projects an overall shortfall of \$47.1 million, primarily due to the lower toll and fare revenue from the customer change caused by the pandemic. The proposed budget includes a projected carryover in SB 125 funds from FY 25/26, but District Reserves will still be required to balance the budget. The proposed budget assumes a minor increase in Bridge traffic and transit ridership.

Expenses

The Proposed FY 26/27 Operating Budget of \$299.5 million in expenses is \$31 million more than the FY 25/26 Estimated Actual expenses of \$268.5 million. This 11.5% increase includes the following: increased salary costs for Coalition and Non-Represented employees, fully funding vacant positions, re-funding commercial paper debt service due to the indenture requirement, as well as covering the increased cost of fringe benefits. The budget does not include a salary increase for ATU-Bus Operator employees as their contract ends September 1, 2026, and the terms of a new contract are unknown pending upcoming negotiations.

Revenues

The Proposed FY 26/27 Revenues are projected to be \$252.4 million in FY 26/27, which represents a decrease of approximately \$36.6 million compared with FY 25/26 Estimated Actual revenue of \$289.1 million. The net decrease is primarily due to a reduction in projected interest earned and the last allocation of SB125 funding received in the prior fiscal year, which is partially offset by an increase in toll and fare revenues. An estimated \$12.7 million of the \$34.5 million of SB125 will be carried over to cover transit operating cost and will be exhausted by the end of calendar year 2026. After remaining SB 125 funds are carried over, an estimated \$34.4 million in District Reserves will be required to balance the FY 26/27 Proposed Budget.

Capital Budget Overview

The FY 26/27 Proposed Capital Budget includes total anticipated expenditures of \$240.6 million, funded with \$72.8 million District funds and \$167.8 million in federal, state, and local grant funds. This budget supports the implementation of 69 projects (11 new, 54 continuing, and 4 capital equipment projects) necessary to maintain existing services and facilities and to implement high-priority safety and security projects. The \$240.6 million Proposed Capital Budget is allocated to the following projects: Bridge Division Projects (64%); Bus Division (3%); Ferry Division (31%); and District Division projects (2%). The Proposed Capital Budget contains annualized Estimated Actual FY 25/26 project expenditures. Eleven projects were completed in FY 25/26.

To ensure limited staff resources are applied to the highest priority projects, each division prioritized its capital projects by several factors, including safety, customer service, operating budget impact, revenue generation, and more. Higher priority projects, comprised mostly of Capital projects being worked on currently and some newly identified ones, were included in the

FY 26/27 budget. Projects that are a high priority but are pending availability of staff resources to initiate the project were included in the FY26/27 Capital Project List. The passage of the budget will authorize the General Manager to move capital projects from the FY 26/27 List to the FY 26/27 Budget as resources become available.

Appendix D: 10-Year Capital Plan

The Proposed FY 26/27 Budget includes an Updated 10-Year Capital Plan (Plan) in Appendix D. Staff is requesting approval of the Updated 10-Year Capital Plan as part of the recommendations.

Total Project Budget Increase to Two (2) Capital Projects

The FY 26/27 Proposed Budget includes the requests for total budget increase to two (2) capital projects. Project justifications for the increases are summarized below. The fiscal impact due to the requested increases total \$4,461,449, to be funded with 26% District Reserves and 74% with grant funds. These project budgets are requested to be increased now rather than at the time of award to allow the District to plan for the increased cost of these projects and the total cost of the District's capital plan.

1. Project 1441 – Gangways & Piers – Sausalito Construction - \$22,560,000 to \$26,660,000

This project is a part of a larger system-wide ferry project to design and construct replacement ramps and gangways to improve access on the San Francisco, Larkspur and Sausalito ferry terminals. The existing facilities will be upgraded, including the replacement of ramps and floats, to improve accessibility and boarding/offloading efficiency. The requested budget increase arises from an updated estimate for the cost of construction.

2. Project 2413 – Kronos Electronic Timekeeping System Upgrade– \$406,840 to \$768,289

The District uses an electronic timekeeping system known as Kronos to track time worked and pay employees in compliance with our numerous collective bargaining agreements. Kronos' current timekeeping version had an end-of-life date of December 31, 2025. To avoid any lapse in support and software availability, the District is transitioning to the newest version of Kronos, titled Dimensions. Dimensions is a cloud-native solution that offers improved scalability and flexibility, as well as advancements in user experience, extensibility, accessibility, and data extraction & manipulation in comparison to the Kronos legacy version. The requested budget increase is to expand the scope of the project to replace the existing Kronos time clocks that will be out of support at the end of 2026.

Proposed Changes to Positions

As part of the annual review of assessing how to ensure staff resources are efficient and effective, it is recommended that in FY 26/27 Proposed Budget a total of 105 positions that are currently vacant be removed from the budget, and that four positions (three filled and one vacant) be reclassified. The eliminations and reclassifications are in the Bus and District Divisions and are detailed below:

Bus Division

Reclassification:

Director of Safety and Training to Manager of Transit Training (1 position) – Reclassify one filled Director of Safety and Training to a Manager of Transit Training to better align with the work that is being required of this position.

Supervising Administrative Assistant to Office Coordinator (1 position) – Reclassify one filled Supervising Administrative Assistant to an Office Coordinator to better align with the work that is being required of this position.

Elimination:

	FY 25/26 Approved Budgeted Position Count	Elimination	FY 26/27 Proposed Budget Position Count
Bus Maintenance - Mech/Stores 322			
Mechanic	26	(3)	23
Storekeeper	3	(1)	2
Bus Maintenance -Servicers 323			
Servicer	20	(2)	18
Bus Operations - 312			
Bus Operators Full-Time	275	(90)	185
Total	324	(96)	228

District Division

Reclassification:

Principal Capital & Grant Programs Analyst to Grants Manager (1 position) – Reclassify one filled Principal Capital & Grant Programs Analyst to a Grants Manager to better align with the work that is being required of this positions in leading the Grants Office, which includes acquisition and maintenance of large grant awards, such as the Bridge Investment Program (BIP) funds to be utilized for the seismic retrofitting of the towers and side span of the Bridge, development of successful grant applications, and leading development of project funding strategies.

Facilities Engineer to Facilities Program Manager (1 position) – Reclassify one vacant Facilities Engineer to a Facilities Program Manager to better align with the work that is required of the position. This position will perform and coordinate inspections of District facilities and ensure building and facilities maintenance, including electrical, plumbing, HVAC, and mechanical systems operate safely and efficiently.

Elimination:

	FY 25/26 Approved Budgeted Position Count	Elimination	FY 26/27 Proposed Budget Position Count
Administration & Development 101			
Public Affairs Specialist	1	(1)	0
District Secretary 111			
Office Coordinator	1	(1)	0
Engineering 120			
Engineering Documents Control Manager	1	(1)	0
Senior Mechanical Engineer	1	(1)	0
Budget & Financial Analysis 133			
Budget & Programs Analyst	1	(1)	0
Capital & Grant Programs 134			
TAM Project Manager	1	(1)	0
Procurement & Retail Operations 137			
Assistant Procurement Specialist	2	(1)	1
General Manager 140			
Administrative Assistant	1	(1)	0
Civil Rights Compliance 141			
Senior Compliance Analyst	1	(1)	0
Total	10	(9)	1

Use of Reserves

The Proposed FY 26/27 Budget was developed to support and implement the Board’s efforts toward achieving long-term financial sustainability. It has taken years of determined fiscal stewardship by the Board to build up the District reserves necessary to maintain the billions of dollars’ worth of District capital assets. Failure to maintain and replace the District’s capital assets will significantly reduce the District’s ability to maintain and provide essential transportation services into the future.

The FY 26/27 Proposed Budget is projected to utilize funds carried over from one-time state operating assistance to balance the operating budget, along with the use of \$34.4 million in District Reserves. The Capital Budget is estimated to use \$72.7 million in District reserve funds for a total District reserves usage of \$107.1 million. The FY 26/27 Proposed Budget also includes a \$40 million contribution to reserves, resulting in a net decrease of \$67.1 million to District Reserves.

Fiscal Impact

The Proposed FY 26/27 Budget projects Operating Revenues of \$252.5 million and provides a spending plan for \$299.5 million in Operating Expenses (including capital contribution and depreciation), resulting in a net operating loss of \$34.4 million after using a projected \$12.7 million of carried-over SB125 to fund transit operations. As a result, \$34.4 million of District Reserves will be used to balance the budget. The Proposed Capital Budget of \$240.6 million will be funded through \$167.8 million in federal, state, and local grant funds and \$72.8 million in District reserves.

As a result, the Proposed Budget includes a \$40 million contribution to the reserves but reduces the overall reserves by \$67.1 million.

Attachment: FY 26/27 Proposed Budget will be made available on our website:
www.goldengate.org

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