

Metropolitan Transportation Commission (MTC) Resolution No. 4703, Revised

Proposed Fiscal Year 2025-26 Operating and Capital Budget, Amendment No. 1

Subject:

Staff requests adoption of Metropolitan Transportation Commission (MTC) Resolution No. 4703 Revised, approving the MTC Proposed Fiscal Year (FY) 2025-26 Operating and Capital Budget Amendment No. 1.

Background:

On June 25, 2025, the Metropolitan Transportation Commission (MTC) adopted Resolution No. 4703, authorizing the Fiscal Year (FY) 2025-26 Operating and Capital Budget. The approved budget included total revenue of \$351.0 million, total expense of \$350.2 million, and a \$0.3 million transfer to the Capital Budget.

The proposed amendment incorporates carryover balances from federal and state planning grants included in MTC's Overall Work Program and as described in item 10b. 26-0032 of this December 17, 2025 Commission agenda. Significant changes include adjustments to operating expenses, Bay Area Forward (BAF) to advance regional projects, and to Clipper to address project delivery needs and timeline adjustments of the Clipper account-based system. The amendment also provides supplemental funding for the Enterprise Resource Planning (ERP) capital project and seeks authorization to add one new position to support expanded operational needs for the Association of Bay Area Governments (ABAG). Total operating net income after transfers and before contributions to capital decreased from \$0.8 million to \$0.5 million compared to the approved budget adopted in June. Further details contributing to this change are outlined in the sections below: FY 2025–26 Revenue and Expense, MTC Transfers Out, and MTC Capital Budget.

New Positions:

MTC is responsible for authorizing staffing for MTC, ABAG, and all operating entities. The proposed FY 2025-26 Budget Amendment No. 1 includes a total of 430 positions, an increase of one new term-limited Technical Assistance Planner position to support regional climate adaptation initiatives within

ABAG's San Francisco Estuary Partnership (SFEP) program. This position was also considered by the ABAG Executive Board at its November 20, 2025 meeting as part of the adoption of Resolution No. 7-2025, Revised ABAG Proposed Fiscal Year (FY) 2025-26 Operating Budget Amendment No. 1, item 9b. 25-1424.

FY 2025-26 Revenue and Expense:

Total operating revenue estimated for FY 2025-26 is \$356.5 million, an increase of \$5.4 million, or 2% higher than the approved budget. Summaries of revenue and expenses are shown below. The decrease in federal funding of \$0.3 million is largely driven by reductions in Surface Transportation Block Grant (STBG) programming. The \$3.5 million decrease in state funding stems primarily from the spend down of Regional Early Action Planning (REAP) 2.0 grant funds. The \$9.2 million increase in Local Funding is mainly due to a pass-through donation from the Chan Zuckerberg Initiative to Bay Area Housing Finance Authority (BAHFA) and increased programming from the MTC Exchange Fund.

As with other programmed but unallocated grants and contract awards, expenditures only proceed when funds become available.

FY 2025-26 Proposed Operating Revenue (millions denoted as M):

	Total	% Change	\$ Change
Federal Grants (primarily formula funds)	\$182.1M	(0%)	(\$0.3M)
State Grants	66.5M	(5%)	(3.5M)
Local Funding	45.0M	26%	9.2M
General Fund	16.8M	0%	0.0M
Transfer from Other Entities/Funds	7.9M	0%	0.0M
Administrative Overhead Reimbursement	35.5M	0%	0.0M
Other	2.7M	0%	0.0M
Total	\$356.5M	2%	\$5.4M

Total expenses for FY 2025-26 are proposed at \$350.0 million, a decrease of \$0.2 million compared to the approved budget. The decrease is primarily attributable to consultant costs being \$1.0 million lower as a result of reductions to Regional Growth Framework Planning and Implementation programs. General operations decreased by \$0.4 million due to the reallocation of costs for travel, training and computer services. Offsetting these reductions are increases in salaries and benefit of \$0.5 million,

driven by reallocations of state planning grants and department realignment as well as an increase of \$0.6 million in computer services for ERP managed services.

A summary of expense changes is shown below (millions denoted as M):

	Total	% Change	\$ Change
Salaries, Benefits, and Overhead	\$61.9M	1%	\$0.5M
Computer Services	9.6M	7%	0.6M
General Operations	6.0M	(6%)	(0.4M)
Consultants	270.3M	0%	(1.0M)
Other	2.2M	3%	0.1M
Total	\$350.0M	(0%)	(\$0.2M)

MTC Transfer out:

The proposed amendment includes a one-time \$6.0 million transfer from MTC to BAHFA. This transfer reflects a donation received by MTC from the Chan Zuckerberg Initiative, which will be passed through to BAHFA to establish a \$5.0 million Mixed-Income Loan Fund and support administration costs of \$1.0 million.

MTC Capital Budget:

The proposed amendment for the MTC Capital Budget for FY 2025-26 includes \$4.1 million for the additional costs to implement the ERP capital project; it will be funded with \$2.6 million from the MTC Operating Reserve, a transfer from the Bay Area Toll Authority (BATA) of \$1.3 million, and a transfer from the Bay Area Infrastructure Financing Authority (BAIFA) of \$0.2 million. This proposed increase in expenses will bring the MTC Capital Budget to a life-to-date total of \$33.8 million.

Clipper Operating:

The proposed amendment for the Clipper operating budget for FY 2025-26 is \$69.8 million, up from the adopted FY 2025-26 budget of \$54.3 million. Clipper operating expenses increased by \$15.5 million as the result of the following key factors:

- The delay of transition from Clipper 1 (C1) card-based system and the Clipper 2 (C2) account-based system from July to December 2025 has increased the budget for C1 operating costs to cover the period from July to December 2025. The budget assumes two phases of ramp-down costs starting January 2026 and April 2026, respectively, per the terms and conditions of the C1 Operations and Maintenance (O&M) Extension agreement.

The FY 2025-26 budget amendment expects support for parallel operations of the Clipper 1 card-based system and the Clipper 2 account-based system during the entire fiscal year with a cessation of Clipper 1 operations in June 2026. Once Clipper 1 system operations terminate in early FY 2026-27, the region will once again return to supporting the operation of one transit fare payment system, the C2 account-based system.

- A correction to the assumed baseline number of calls to the C2 Customer Service Center based on a Start of Transition in December 2025; and
- An increase in Fiserv and American Express costs due to observed increases in estimated purchase transactions and at a lower average rate than estimated, as well as expected increases in open payment transactions.

Given the increase in C1 O&M this fiscal year and the overall funding challenges faced by Bay Area transit agencies, MTC and Clipper staff are proposing to offset up to \$5.8 million in transit operator Clipper expenses, an amount equivalent to the C1 O&M increase.

Clipper is working with transit operator staff on how to procedurally apply a portion of State of Good Repair funds to offset \$5.8 million of transit operator expenses this fiscal year and will continue to work to identify potential fund sources to help bridge the gap. Primary operating funding sources being amended during this amendment cycle are:

- State of Good Repair (SGR) \$8.3 million, which is eligible to be used for startup costs
- Transit Operators \$4.8 million
- Low Carbon Transit Operations Program (LCTOP) \$1 million

Clipper Capital:

The proposed life-to-date Clipper amended capital budget for FY 2025-26 will be \$574.1 million with a projected decrease to its life-to-date budget by approximately \$2.8 million due to a reduction for the Next Generation Clipper System Implementation. Funding will be reduced primarily to SGR by \$2.8 million which will be allocated to C1 O&M costs. Other adjustments are due to administrative reclassifications between consultants and equipment.

Bay Area Forward:

The proposed FY 2025-26 Bay Area Forward amended budget reflects a reconciliation and alignment of funding sources across active and planned projects, resulting in a \$24.0 million increase to the life-to-date budget from \$228.5 million to \$252.5 million. This updated budget incorporates a reallocation of federal funding sources to support the delivery of projects across the region.

This amendment includes \$7.5 million for the West Oakland Link project, from Alameda County Transportation Commission. This project alone represents nearly 60% of the total FY 2025-26 budget increase, and highlights one of MTC's larger capital projects in recent years.

The Napa Forward project will reflect a net budget reduction of \$3.5 million. This adjustment results from the removal of \$4.3 million in STBG funds that were not programmed for this project, partially offset by the addition of \$0.8 million to the existing obligated STBG allocation for Napa Forward.

Additionally, the Resilient SR 37 Program will benefit from a new federal funding award. The Federal Highway Administration (FHWA) has granted \$20 million in PROTECT discretionary funds—Promoting Resilient Operations for Transformative, Efficient and Cost-Saving Transportation—to advance ongoing program objectives focused on sustainability and corridor resilience.

A detailed funding breakdown by project and source is included in the attached schedule.

Exchange Fund:

Consistent with Resolution 3989, the MTC Exchange program includes proposed budget changes totaling \$7.2M:

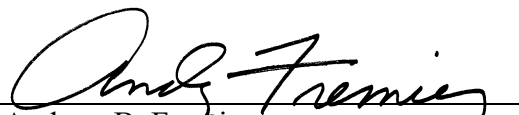
- Priority Conservation Area Grant Program – (\$1.2M)
- Housing Investments - \$5.0M
- Bike Share Investments - \$0.5M
- Active Transportation Technical Assistance Program - \$0.3M
- Other Multimodal Investments - \$3.1M
- Priority Production Area (PPA) Grant Program – (\$0.5M)

Recommendation:

Staff recommend adoption of MTC Resolution No. 4703 Revised, approving the Metropolitan Transportation Commission (MTC) FY 2025-26 Operating and Capital Budget, Amendment No. 1.

Attachments:

- Metropolitan Transportation Commission (MTC) Resolution No. 4703 Revised, FY 2025-26 Operating and Capital Budget, Amendment No. 1
 - Attachments A-H
- Presentation


Andrew B. Fremier