

Proposed Biennial Budget

Fiscal Years 2026 - 2027

VTA Board of Directors
A&F Committee

Jayden Sangha, Controller
Danny Nguyen, Budget Manager

Agenda

1 | FY2026 and 2027 Biennial Budget

Details on the VTA's proposed biennial budget for the upcoming fiscal years

2 | Economic Outlook

An analysis of the current economic conditions

3 | VTA Reserves and 10 Year Projections

An overview of the VTA's reserve levels and long-term financial projections

4 | VTA Transit Fund Revenues

Details on the various revenue sources that fund the VTA's transit operations

5 | VTA Transit Fund Expenditures

A breakdown of the VTA's planned expenditures for transit operations

6 | VTA Transit Capital Program

Information on the VTA's planned capital investments and projects

7 | Other Funds/Programs

An overview of other VTA funds and programs

8 | Board Feedback and Conclusion

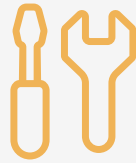
Soliciting feedback from the board and summarizing the presentation

FY 2026 & 2027 Budget Alignment with VTA's Business Plan Initiatives



Fast, Frequent and Reliable Transit

Provide high-quality, accessible public transportation services that prioritize speed, frequency, and reliability to meet the evolving mobility needs of the community.



Project and Program Delivery Excellence

Ensure effective management and successful execution of capital projects and programs to enhance the transportation infrastructure and deliver transformative solutions.



Mobility Solutions Through Partnerships

Collaborate with diverse partners to develop innovative, technology-driven mobility options that expand access and choice for all residents and visitors.



Workforce Development and Wellbeing

Invest in the organization's greatest asset - its employees - by fostering a culture of continuous learning, growth, and well-being.

By focusing on these four strategic business initiatives, the organization aims to deliver a comprehensive and transformative transportation ecosystem that serves the evolving needs of the community.

Development of FY2026 & FY2027 Biennial Budget: A Commitment to Fiscal Discipline and Long-Term Sustainability of VTA

- ✓ Emphasizing **fiscal discipline** in the face of economic uncertainty
- ✓ Strategically managing **limited resources** amid revenue volatility
- ✓ Implementing **targeted cost control measures** to manage expenditure growth
- ✓ **Preserving operating reserves** to maintain financial flexibility
- ✓ Upholding our **commitment to fiscal prudence** through careful planning and prioritization

Broader Economic Concerns for VTA



Slowdown in Consumer & Business Spending

General Retail & Business Spending accounts for nearly 60% of Sales tax base for VTA.

The US has seen a gradual slowdown in consumer spending, leading to a limited growth trajectory in sales tax revenues.



Tariffs & Federal Policy Landscape

These trade barriers have led to increased costs for imported goods, which has in turn resulted in higher prices for consumers & businesses, including reduced purchasing power.

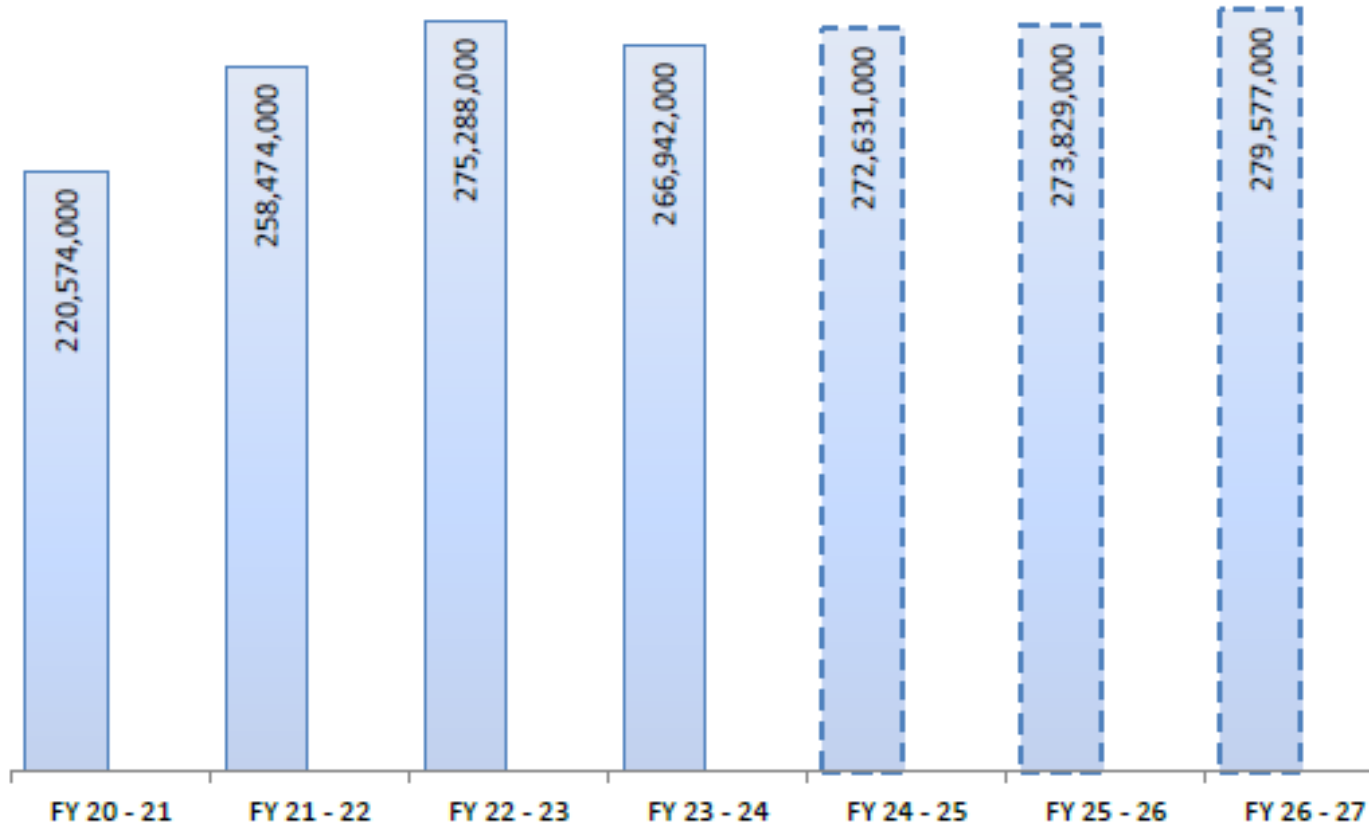


Recessionary Pressures

Over ½ leading economists are predicting a slowdown of the US economy in the first two quarters of FY2026. This will lead to weaker consumer demand, impacting sales tax revenues.

The limited growth in sales tax revenues reflects the complex and challenging economic landscape facing the US.

Economic Outlook – 1976 ½ cent Sales Tax



Long Range Financial Plan

10-Year Projection

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>	<u>FY 2032</u>	<u>FY 2033</u>	<u>FY 2034</u>	<u>FY 2035</u>
Revenues	602.1	597.2	566.2	566.3	591.8	618.9	647.6	663.3	681.4	700.5
Expenses	603.0	612.2	658.7	683.8	711.4	736.8	765.4	789.0	815.0	841.3
Surplus/Deficit	(0.9)	(15.0)	(92.5)	(117.6)	(119.6)	(118.0)	(117.8)	(125.7)	(133.6)	(140.9)
Operating Reserve Beginning Balance	226.0	225.1	210.1	117.6	0.1	0.0	0.0	0.0	0.0	0.0
Operating Reserve Ending Balance	225.1	210.1	117.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net Operating Balance					(119.5)	(118.0)	(117.8)	(125.7)	(133.6)	(140.9)

FY2026, 2027: 20% Salary savings

FY2028 onwards: 8% Salary savings

Operating Reserves: Accumulative Op + Sales tax Stabilization + Debt Reduction

Financial projection outlining revenues and expenditures over the next 10-years and anticipated deficits

Optimizing Resource Allocation

Targeted Measures for FY2026 & FY2027



Limiting Budget Increases

FY2026 Non-labor increase limited to 5% from Adopted FY2025 budget and FY 2027, 5% from FY2026 proposed



Zero Capital Funding Allocation from Transit Fund FY2026, FY2027

For FY2026, 2027, VTA Transit Capital ecosystem is using Transit Capital Reserve in funding 32 capital projects with a local share of \$61.3 million.



Hiring Pause & no new FTEs

Manage labor costs by implementing hiring pause, no new FTE requests, and assume a budgeted vacancy savings goal of 20%.

By carefully managing non-labor and labor constraints, the organization can optimize resource allocation and align spending with strategic priorities.

FY 2026 & FY 2027 Biennial Budget Salary Savings Scenario

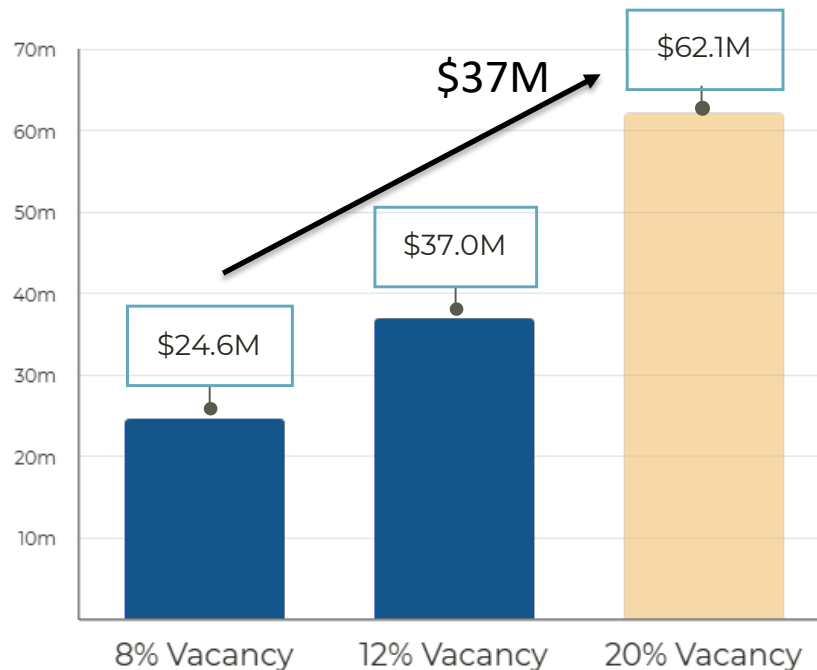
Category	FY24 Actuals	FY25 Budget	FY25 Projected	FY26 Proposed	FY27 Proposed
Revenues	600,591	624,485	611,775	602,118	597,221
Expenses – Labor w/ 8% Salary Savings	400,015	426,392	426,878	463,210	481,896
Expenses – Non- Labor w/ 5% limit	187,017	198,093	190,520	176,649	168,925
Operating Surplus / (Deficit)	13,559	--	(5,623)	(37,741)	(53,601)

Budgeted vacancy of 8% would provide \$24.6M in salary savings in FY 2026, with a deficit of \$37.7M

Salary Saving Scenarios

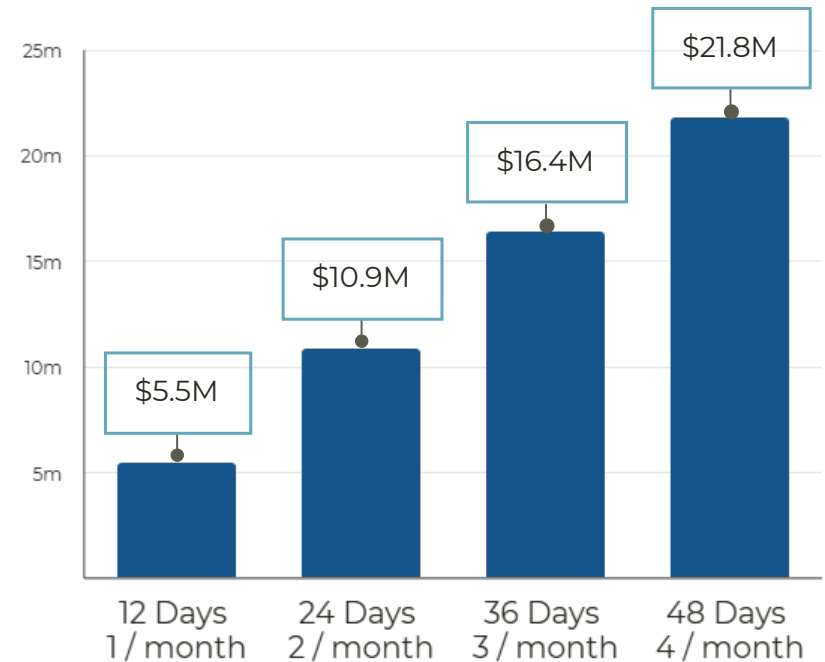
Vacancy Rate Savings

(Salaries & Benefits)



Furlough Day(s) Savings

(Salaries)



By implementing a hiring pause and budgeting for 20% vacancy savings in FY 2026 and FY 2027, the organization can manage labor costs and allocate resources towards its strategic priorities.

Non-labor Budget Scenario

5% Reduction from FY 25 Adopted Budget

Divisions	FY25 Adopted Budget	5% Reduction
Government Affairs	496	-25
Auditor General	598	-30
General Counsel	729	-36
Engineering	1,480	-74
Communications	1,993	-100
General Manager	2,204	-110
Human Resources	2,232	-112
Planning	4,629	-231
System Safety & Security	26,322	-1,316
CFO	30,212	-1,511
Operations	68,610	-3,430

**Dollars in thousands*

Impacts of 5% Reductions

- Contractual Agreements
 - CPI escalation
 - Safety / Sheriff Agreements
 - License Agreements
 - Reduce scopes / services
 - Polling
 - Auditing Services
 - Reduce technical support
 - Compliance
- Impact to Operations Division
 - Deferred maintenance on vehicles, tracks and facilities
- Service Quality
 - Technology Upgrades
 - Ridership engagement

Savings in this scenario are estimated at \$7M. This scenario highlights a 5% reduction of the FY 2025 non-labor budgets by Division (less contingencies, transfers, debt services).

FY 2026 & FY 2027 Biennial Budget Overview

Category	FY24 Actuals	FY25 Budget	FY25 Projected	FY26 Proposed	FY27 Proposed
Revenues	600,591	624,485	611,775	602,118	597,221
Expenses	587,032	624,485	617,398	602,986	612,214
Operating Surplus / (Deficit)	13,558	--	(5,623)	(868)	(14,993)

Proposed budgets reflect declining revenues, constrained non-labor spending and on-going labor cost management efforts. Without the targeted measures, FY2026 deficit (\$79.6M) & FY2027 deficit (\$77.4M)

Proposed Budget Summary

Dollars in Thousands

Fund	FY 2026	FY 2027
VTA Transit – Operating	602,986	612,214
VTA Transit – Capital	240,833	— **
Congestion Management Program – Operating	7,446	7,507
Silicon Valley Express Lanes Program – Operating	38,781	37,327
Transit-Oriented Communities Program – Operating	4,914	5,200
Transit-Oriented Communities Program – Capital	11,640	— **
VTP Transportation Program – Capital	830,136	— **
2000 Measure A Transit Improvement Program – Operating	142,068	126,067
2000 Measure A Transit Improvement Program – Capital	1,208,818	— **
2008 Measure B – BART Operating Sales Tax Program – Operating	134,808	184,321
2016 Measure B Program	624,770	88,610

* Includes transfers between funds.

**Total appropriation for FY 2026 and FY 2027 reflected in FY 2026.

Transit Fund Revenues

Category	FY24 Actuals	FY25 Budget	FY25 Projected	FY26 Proposed	FY27 Proposed
Fares	29,802	27,458	28,428	30,310	30,947
1976 Half Cent Sales Tax	266,942	290,223	272,631	273,829	279,577
Transportation Development Act (TDA)	126,413	129,707	128,759	125,597	127,895
State Transit Assistance (STA)	45,273	46,982	44,625	36,104	36,573
2000 Measure A Sales Tax-Operating Assistance	55,382	60,221	56,571	56,820	58,012
2016 Measure B - Transit OPS	15,290	20,270	21,538	21,632	22,087
Other	61,489	49,624	59,223	57,826	42,130
Total	600,591	624,485	611,775	602,118	597,221

Transit Fund Expenses

Category	FY24 Actuals	FY25 Budget	FY25 Projected	FY26 Proposed	FY27 Proposed
Service Delivery	535,397	568,946	563,205	580,498	597,803
Regional Transit Services	33,873	39,373	38,663	47,048	52,638
Reimbursements	(43,027)	(44,566)	(45,201)	(45,239)	(48,054)
Debt Service	20,789	20,732	20,732	20,679	9,827
Trnsf. to Capital Reserve	40,000	40,000	40,000	--	--
Total	587,032	624,485	617,398	602,986	612,214

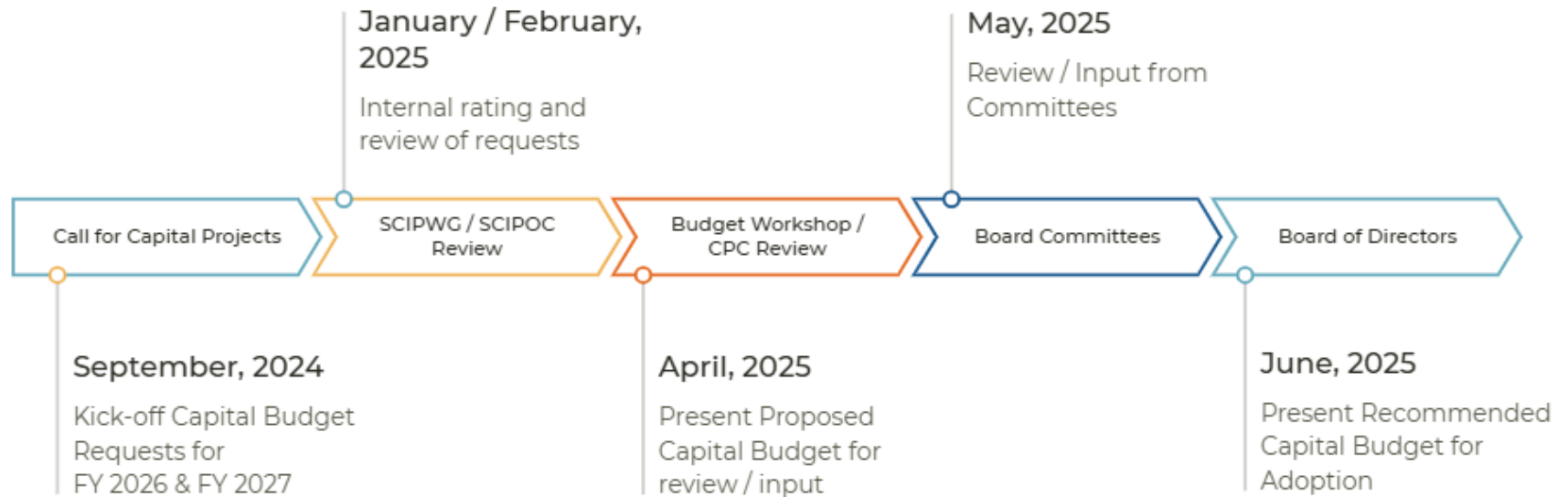
Service Delivery = Labor + Non-Labor + Contribution to other Agencies + Contingencies

Regional Transit Services = Paratransit + Caltrain + Altamont Corridor Express + Highway 17 Express + Monterey SJ Express



VTA Capital Program

Capital Budgets Timeline

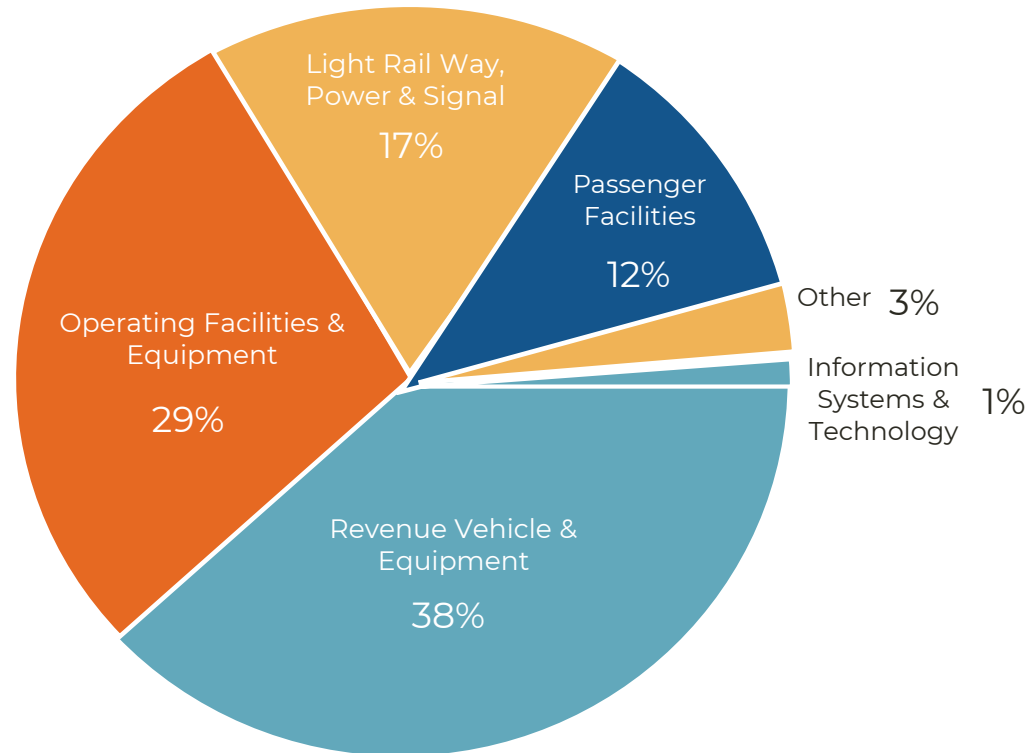


VTA Transit Fund Capital Projects

	Requests	Recommended
No. of Projects	127	32
VTA Local	342,128	61,946
Other Sources	343,081	178,887
Total Appropriation	685,209	240,833

Funding for the Transit Enterprise Capital Projects are allocated from the Transit Operations Capital Fund, which has an estimated balance of 192,761 at the end of FY 2025. Including the proposed appropriations, the Capital Fund will have an estimated balance of 130,815 at the end of FY 2026.

FY 2026 and FY 2027 Proposed Appropriations



Other Programs and Funds



Congestion Management Prgm.

FY26 Exp 7.4M
Rev 7.2M

FY27 Exp 7.5M
Rev 7.6M



VTP Highway Improvement

Highway	614M Appropriation
Bicycle & Ped.	32.6M Appropriation
Express Lanes	183.4M Appropriation



Silicon Valley Express Lanes

FY26 Exp 39M
Rev 28M

FY27 Exp 37M
Rev 31M



2000 Measure A Transit Improvement

FY26 Exp 142M
Rev 287M

FY27 Exp 126M
Rev 305M



Transit-Oriented Communities

FY26 Exp 8.6M
Rev 2.2M

FY27 Exp 8.7M
Rev 39M



2008 Measure B – BART Operating Sales Tax

FY26 Exp 135M
Rev 94M

FY27 Exp 184M
Rev 87M



2016 Measure B

FY26 & FY27 Exp 713M

FY26 & FY27 Rev 597M

Conclusion & Next Steps



Reiterate commitment to fiscal prudence

Emphasize VTA's unwavering dedication to maintaining financial discipline and responsible growth



Recalibrate the proposed measures based on market trends

Underscore the importance of evolving our financial policies and expenditure cuts based on market trends e.g., Sales tax, salary savings etc.



Call for continued collaboration

Encourage ongoing partnerships and coordination with stakeholders to achieve shared goals including all unions



Emphasize disciplined planning

Reiterate the commitment to strategic, long-term planning as the foundation for financial stability through our Long-Range Financial Plan

Key Milestones

- | | | | |
|--|-----------------------|----------------------|---------------------|
| • <i>Budget Workshop</i> | <i>April 25, 2025</i> | • A&F Committee | <i>May 15, 2025</i> |
| • <i>Capital Program Committee</i> | <i>April 28, 2025</i> | • Community Meeting | <i>May 30, 2025</i> |
| • <i>Joint Advisory Committee Workshop</i> | <i>May 7, 2025</i> | • Board of Directors | <i>June 5, 2025</i> |

Feedback & Questions

