

AGENDA ITEM SUMMARY

City Council



STAFF

Monica Martinez, PDT Finance Manager
Kaley Zeisel, Director Transfort

SUBJECT

First Reading of Ordinance No. 164, 2025, Making a Supplemental Appropriation for 2025 Transfort Operational Expenses.

EXECUTIVE SUMMARY

The post-pandemic Transit industry has experienced unprecedented levels of cost increases resulting in estimated operating cost increases of 50%-70% across the industry for 2025. Transfort is experiencing similar expense impacts with significant cost increases across the three largest segments of its budget: personnel, vehicle repair services, and contracted transportation services. Compounding the impact of Transfort specific expense overruns are citywide fiscal pressures that require a reduction in the previously allocated General Fund support of the Transit Fund. As a result, Transfort is requesting a supplemental appropriation of \$2.8M from the 2050 Tax Parks Rec Transit OCF Fund ("2050 Transit Tax") to support Transfort's 2025 operational expenses.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

The post-pandemic transit industry has experienced ongoing and significant cost pressures that have resulted in an estimated increase of 50% - 70% in 2025 operating expenses across the industry. In some cases, transit agencies have chosen to decrease service areas while simultaneously experiencing continued increases to both operational costs and per/passenger costs. The table below, which uses 2023 data, is illustrative of these trends that have continued through 2025. The peer cities selected for this comparison represent a select group that demonstrated strong ridership and post-pandemic recovery.

Table 3. Key Characteristics of Peer Agencies

Characteristic	Transfort	METRO Akron, OH	CityBus Lafayette, IN	Unitrans Davis, CA	FAST Fayetteville, NC	GP Metro Portland, ME	WRTA Worcester, MA	Summary
2023 vs. 2019								
Service Area	No Change	7% Decreased	8% Increased	14% Decreased*	1% Decreased*	9% Decreased*	14% Decreased*	On average, most peer agencies have reduced their service area by approximately 6% .
Service Population	3% Increased	5% Decreased	6% Increased	6% Increased	5% Increased	1% Increased	1% Decreased*	
Total Operating Funds	10% Decreased	8% Increased	27% Increased	45% Increased	19% Increased	28% Increased	24% Increased	Operating funds have increased across all peers, ranging from 8% to 45%.
Operating Expenses/ Passenger	76% Increased	37% Increased	46% Increased	84% Increased	20% Decreased	57% Increased	4% Decreased	Operating expenses per passenger have increased across most agencies, except for two peer agencies.
Number of Fleet Operated in Max. Service	17% Decreased	17% Decreased	15% Decreased	14% Decreased	3% Decreased	14% Decreased	4% Increased	The number of fleets in operation is generally lower in 2023 compared to 2019.
#Passengers/ Revenue Hour	9% Decreased	9% Decreased	9% Decreased	9% Decreased	90% Increased	14% Decreased	22% Increased	Productivity declined by 9% to 22% for most agencies except for two agencies.

Transfort is facing similar cost pressures and has identified the need for additional funding at current service levels. Currently, Transfort is not running at full-service levels as defined by pre-pandemic expectations. While the original intent was to return to 2019 service levels, Transfort has proactively paused returns to service in reaction to both internal and external financial pressures. Transfort anticipates maintaining current service levels for the short-term with the only planned addition being a return to Sunday & Holiday service. This is planned for 2026 and is in response to strong community support for this specific service return. Due to the City's current fiscal position, the 2050 Transit Tax has been identified as the available funding source to meet Transfort's financial needs.

2050 Transit Tax

Staff recognizes the importance of ensuring that all 2050 Transit Tax is expended per ballot language for infrastructure improvements, equipment purchases & upgraded and expanded services. An additional concern is the use of 2050 Transit Tax to supplement and not supplant prior General Fund support. To that end, the General Fund level of support in 2023 of \$11.5M to the Transit Fund has been established as the base level at which General Fund must continue to be in compliance with 2050 Transit Tax. This criterion has been satisfied for 2025, as \$11.9M has been allocated to Transfort from the 2025 General Fund. Staff recommends use of the 2050 Transit Tax for those items outlined in ballot language with the outcome of short-term maintenance of current service levels. This is a short-term fix awaiting further discussion and decision guided by Transfort's Optimization Study. The table in the "City Financial Impacts" section below outlines the recommendation of staff for the 2025 and 2026 years and highlights the anticipated remaining amount balance of the 2050 Transit Tax at the end of 2026. The additional funding for 2026 is being requested via the concurrently occurring 2026 revision process.

Transfort Revenue & Expense Context

At current 2025 service levels, Transfort's revenue budget is projected to \$22.8M while its expense budget is projected to \$25M. This represents a \$2.2M dollar shortfall in terms of revenue vs expense. This shortfall is compounded by the unavailability of \$0.6M in General Fund dollars. The expense overruns will be individually discussed in the subsequent section.

Since 2019, Transfort has seen a 31% increase in its revenue sources. Most of this increase comes from the General Fund which has grown its support by 30%. Notably, during the same period, federal operational grant amounts increased by only 19%. Contractual funding sources have seen increases; however, they are overall a smaller percentage of the budget. Thus, support of the transit system has shifted away from federal funds and onto local sources.

On the expense side, the budget is projected to end 2025 with a growth of approximately 44% while maintaining reduced service levels. At full service, it is estimated that total expenses would demonstrate a growth rate of around 46%. While there have been increased costs in all areas, the key areas of

unprecedented increases for Transfort are personnel, vehicle repair services, & contracted services with growth ranging from 33% - 94% over the period.

2025 Transfort Projected Overspend

The anticipated overspend for Transfort is driven by four main factors: personnel, vehicle repair services, contracted transportation services, & a reduction in General Fund support. The reduction in General Fund support is Transfort's contribution to 2025 citywide reductions of 5% as a result of unavailable General Fund allocations.

As compared to the original budget of \$13.5M and at current service levels, Transfort personnel project to an overspend of approximately \$700k. This overspend is largely due to an unrealized assumed vacancy factor. The 2025 assumed vacancy factor for Transfort has proven to be both overly aggressive in current conditions and potentially misaligned with the operational demands of a transit service. Overall growth in personnel costs is due to industry dictated increases in wages and is also a product of the City's merit increases. A personnel budget of roughly \$13.5M that is assigned a merit increase of 4% will result in over \$500k in increases per year.

Overspend in vehicle repair services is projected to an overspend of just over \$400k. Analysis of Transfort's actual vs projected spend identified that the service levels being used for cost calculations were being partially driven by a post pandemic low in 2022. This has been addressed for future cost estimates. Overall growth in vehicle repair services is due to a 33% increase in the hourly cost of a technician and an average cost increase of 34% from the most commonly used parts.

Contracted Transportation Services includes Dial-A-Ride, bus-stop-to-bus-stop, and some fixed route services. At current service levels, an overspend of \$1.1M is projected. Approximately, \$300k of the overspend is driven by the ongoing use of bus-stop-to-bus-stop services employed to mitigate continued pandemic era route stoppages. As of 2025 budget reduction conversations, these services are being reduced by 50%. Additional cost pressures include a substantial increase in ridership for Dial-A-Ride and a one-time contractual increase of 15%. Yearly contracted increases of 3% are anticipated going forward. Notably, Transfort is unable to dictate Dial-A-Ride ridership as it is a federally mandated service contingent on a ¾ mile radius of the current service area. A small portion of 2025's large overspend is due to recently identified year end accounting timing.

As previously noted, Transfort is also requesting \$.6M in 2050 Transit Tax to replace unavailable General Fund support. The total request for 2025 is \$2.8M.

2026 Transfort Projected Overspend

For 2026, Transfort is requesting an additional amount of \$3.2M from the 2050 Transit Tax via the budget revision process. This request is driven by an anticipated overspend of \$0.9M in personnel, \$0.64M in vehicle repair services, \$0.97M in contracted transportation services, and a backfill of \$0.77M due to the unavailability of previously allocated General Fund amounts. This is being requested via the revision process and is noted here for informational purposes only.

CITY FINANCIAL IMPACTS

Staff recommends approval of a supplemental appropriation of \$2.8M in 2050 Transit Tax for 2025 operational expenses. This request is bolded in the table below.

The table below includes the 2026 request that is currently being pursued through the 2026 revision process for informational purposes only.

2050 Transit Tax	Amounts
Revenue	
2024 Reserve Balance	\$1.4M
2025 Estimated Revenue	\$5.5M
2026 Estimated Revenue	\$5.6M
Total Revenue Available	\$12.5M
Expense	
2025 BFO	\$2.8M
2026 BFO	\$2.5M
2025 Prior Supplemental Appropriations (grant local matches)	\$.875M
2025 Supplemental Appropriation Request	\$2.8M
2026 Revision Request	\$3.2M
Total Expense Requested	\$12.2M
Estimated Balance End of Year 2026	~\$.3M

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

This was presented and received support at the September 2025 Council Finance Committee meeting.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Council Finance Committee Minutes, September 4, 2025
2. Ordinance No. 164, 2025