

South County Transit Committee

April 30, 2026

AGENDA ITEM: A-1

**TOPIC: Fiscal Year 2026-27
Operating and Capital
Budget**

PRESENTED BY: Tania Arnold

**RECOMMENDATION: Adopt the FY26-27 Budget
as Presented**



Background

The budget packet contains the following items:

- Fiscally constrained FY26-27 operating and capital budgets
- Fiscally unconstrained FY27-28 operating budget, and
- Fiscally unconstrained FY27-28 capital budgets

Revenue hours and miles not changing from FY25-26 when these adjustments were made:

- Route 27/28
- Tripper service for Arroyo Grande High School

Key Issue #1

1. Address the uncertainties the agency currently faces, including state funding uncertainty.
 - Pending construction on US-101
 - Liability costs
 - Address staffing and retention

Key Issues #2

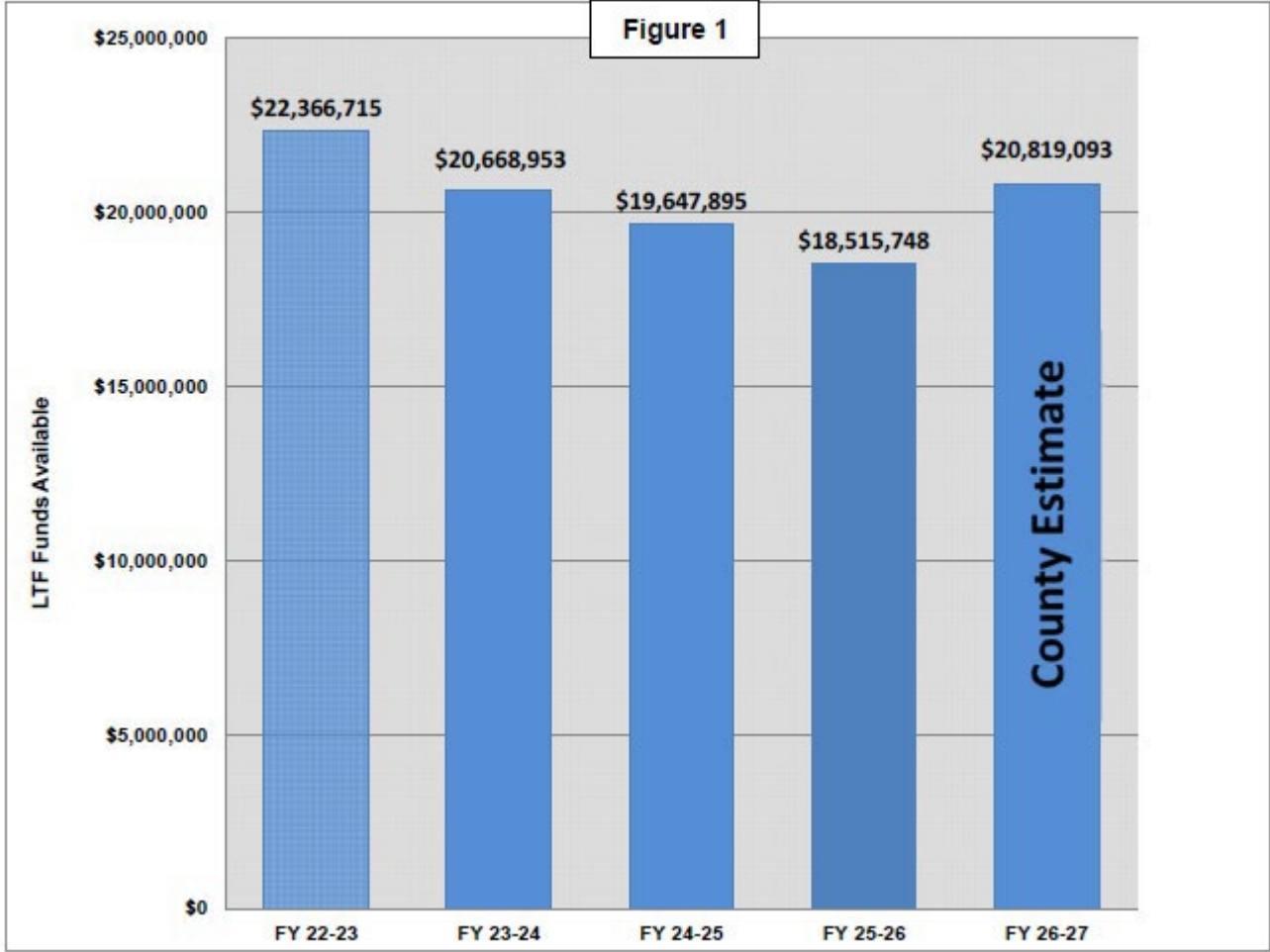
2. Continue efforts to implement Zero-Emission Bus technologies, and expansion of recharging infrastructure for planned additional BEBs in the coming years.

Key Issues #3 and #4

3. State Transit Assistance (STA) funds are projected to be down compared to the original FY24-25 allocation.
4. Local Transportation Funds (LTF) used for operating purposes are projected to be lower to the region, but staff will continue to maximize all other funding sources before determining the need for LTF
 - Agenda item B-2 at the April 1, 2026 SLOCOG meeting:
“2026/27 Local Transportation Fund (LTF) - \$20,819,093
(12.4% increase in LTF available for distribution)

Key Issue #4 (continued)

Historical LTF Allocations
(Allocations based on estimated receipts + opening cash balance)



Key Issue #4 *(continued)*

Proposed budget includes LTF of \$1,494,450 for operations.

- Increase from the amount included as an advisory in May 2025 for FY26-27 of \$1,441,900.
- Largely due to the decline in STA funding.
- Increase from prior years due to using up fund balance available in FY25-26.

Key Issue #5

FTA Section 5307 Formula Funds projected to be in line with the amount projected for FY26-27 when the FY25-26 budget was adopted in April 2025

- Recent actions at the federal level suggest that changes in both the scale of project funding and scope of the projects that remain eligible will occur during the fiscal year and beyond.

Revised Expense Assumptions

Administration Expense is up by approximately 1%

Service Delivery cost is up by roughly 9%

- Increase in Bus Operator, Mechanic and other Teamster-negotiated wages

Capital and Planning Program

Focus will be to secure replacements for vehicles that have reached their economically useful life

- Some of the FY25-26 capital funds for fully funded projects, are not carried over to the proposed FY26-27 budget but will be included in a budget amendment after the start of the fiscal year.
- The carryover will have no new financial impact to local jurisdictions because the funding has been previously secured

Staff Recommendation

Adopt the fiscal year 2026-2027 budget as presented.

