

**Metropolitan Transportation Commission  
Programming and Allocations Committee**

February 8, 2023

Agenda Item 4a - 23-0164

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**Update on the Transit Operations “Fiscal Cliff”**

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**Subject:**

Staff will provide an overview of the anticipated financial challenges facing the operations budgets of Bay Area transit agencies over the next five fiscal years, including information from the Reimagined Short Range Transit Plans (SRTP) developed by operators in the fall of 2022.

**Background:**

**Reimagined SRTPs**

Bay Area public transit operators are required to produce an SRTP every four years to satisfy Federal Transit Administration regional coordination and planning requirements. In recognition of the impacts that the COVID-19 pandemic has had on transit operations, in the spring of 2022, the MTC Commission adopted Resolution 4512, which established a Reimagined SRTP scenario planning process to guide the development of each operator’s SRTP. Every Bay Area transit operator was allocated Federal Transit Administration (FTA) Section 5303 planning funds in order to develop a Reimagined SRTP for their agency. The Reimagined SRTPs focused on a five-year planning horizon (Fiscal Year (FY) 2023-24 to FY 2027-28) and included three different revenue scenarios, designed by MTC to illustrate what Bay Area transit service might look like over the next five years under different revenue constraints. The three scenarios were:

1. Robust Recovery – What if total revenues return to FY 2018-19 levels, adjusted for inflation?
2. Tax Revenue Recovery, with fewer riders – What if fare revenues remain depressed, but other revenues recover to FY 2018-19 levels?
3. Some Progress – Revenue at 85% – What if total revenues don’t recover beyond 85% of FY 2018-19 levels?

The Reimagined SRTPs highlighted a number of key themes reflecting the challenges facing transit operations in the Bay Area over the coming years:

1. Farebox dependent operators remain acutely vulnerable to sluggish ridership recovery. For example, in a worst-case scenario (#2 - Tax Revenue Recovery, with fewer riders) for BART, the regional rail operator could be forced to reduce service hours by 78% and reduce its staff by 38%.
2. 100% of pre-pandemic revenues would not necessarily be sufficient to restore 100% of pre-pandemic service. According to the Reimagined SRTPs, due largely to contract and fuel cost increases, the cost of operating transit service has increased by 30% on average since FY 2018-19 which significantly outpaces overall Bay Area inflation and further constrains the ability of transit operators to increase the level of transit service deployed for customers.
3. The fiscal cliff is not the only challenge facing operators. For some agencies, operator recruitment and retention are as significant a challenge, if not more so, than fiscal ones when it comes to restoring transit service to levels operated pre-pandemic.

All operator submitted Reimagined SRTP data is posted at [www.mtc.ca.gov/srtp](http://www.mtc.ca.gov/srtp) and is available for download and review.

### **Transit “Fiscal Cliff”**

In addition to the data and scenario planning generated by the Reimagined SRTPs, MTC staff have been working closely with transit operators to understand their most recent anticipated operating shortfalls. Bay Area transit operators have been the beneficiaries of \$4.4 billion in federal pandemic relief funds, which have allowed agencies to continue to deliver robust transit services over the past three years of the COVID-19 pandemic. However, over the coming years transit operators are expected to exhaust those federal relief funds and barring a rapid recovery in local revenues and transit fares, many will go over a proverbial “fiscal cliff” over the next five years.

### **\$2.5 - \$3.3 Billion Transit Operations Need**

Collectively, MTC expects Bay Area transit operators to face a cumulative shortfall of between \$2.5 - \$3.3 billion over the next five years (to FY 2027-28). At the high end of this range, on an annual basis these shortfalls are expected to grow from approximately \$192 million in FY 2023-

24 to over \$880 million in FY 2027-28. The significant range expressed in this possible shortfall forecast reflects the deep uncertainty facing transit operating budgets over the coming years. At the low end, the range assumes that difficult tradeoffs are made, such as delaying the transition to zero-emission buses, diverting funds from Vision Zero street safety projects to transit operations, and delaying repairs to customer facing assets like escalators and elevators. Transit operators like BART, SFMTA, Caltrain, and Golden Gate Transit/Ferry are expected to face the most acute financial challenges over the coming years due to the nature of their pre-pandemic revenue sources, which were heavily focused on fares, parking revenues, and tolls. Each of these fund sources has been slower to recover from the impacts of the pandemic than many local tax revenues, especially the sales tax.

### **Finding Solutions**

Building on the robust inter-agency partnerships strengthened over the last three years, MTC has worked closely with transit operators, the business community, advocacy organizations, and transit riders to form a coalition to advocate in Sacramento for funding to support transit operations. The Joint MTC-ABAG Legislation Committee has served as the primary forum for MTC staff to provide updates on the advocacy strategy as a part of MTC's 2023 Legislative Program. MTC staff have been invited to present to the Bay Area Legislative Caucus twice in 2023 as of this writing and will continue to ensure that legislative leaders understand the significance of the financial crisis facing transit operators in the Bay Area and the service that is at risk.

### **Next Steps:**

Staff will continue to keep the Programming and Allocations Committee as well as the full Commission updated on the evolving financial situation of Bay Area transit operators and of the collective funding needed to maintain adequate transit service levels.

### **Issues:**

None identified.

### **Recommendations:**

None. Information only.

**Attachments:**

- Presentation

A handwritten signature in blue ink that reads "Alix A. Bockelman". The signature is written in a cursive style and is followed by a long horizontal line that extends to the right.

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Alix A. Bockelman