



Photo: Karl Nielsen

# Saving Transit Service: Understanding the Bay Area's Transit Operating Fiscal Crisis

MTC Programming and Allocations Committee

February 8, 2023

# Overview



1. Reimagined Short Range Transit Plans (SRTP):  
A Scenario Planning Exercise



2. Transit's Story Over the Last Three Years



3. Outlook for Transit Agencies Over the Coming Years



4. A Regional Approach to a Looming Transit 'Fiscal Cliff'



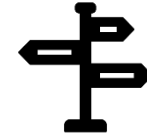
Photo: Jim Mauer



# Reimagined SRTTPs: A Scenario Planning Exercise

Photo: Karl Nielsen

# Reimagined SRTPs



1. In April 2022, the MTC Commission adopted **MTC Resolution No. 4512**, updating the guidelines for the Short-Range Transit Plan (SRTP) process
2. **Past SRTPs:** Service and capital plans constrained to a single ten-year revenue forecast. Large operators and small operators on staggered SRTP schedule
3. **Key changes** included:
  - Narrower 5-year focus - targeted
  - All operators on same cycle to provide regional picture
  - Scenario planning exercise
4. **Reimagined SRTP:** Revenue constraints were asserted based on scenario concepts, and service plans were required to fit within those constraints

**Reminder:** The scenarios and revenue envelopes were not developed to be predictive. The intention is to articulate what service *might* look like under different revenue constraints.



Photo: Jim Mauer

# Scenario Concepts



What might Bay Area transit service look like over the next five years under different revenue constraints?

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?



Photo: Noah Berger

# Scenario Concepts



## Scenario #1 Robust Recovery

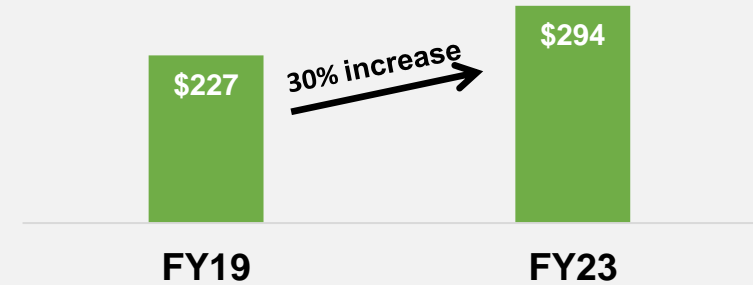
What if total revenues return to FY 2018-19 levels, adjusted for inflation?

**Scenario Insight in a Sentence:**  
*It costs more to do less.*

- Despite 100% of adjusted FY 2018-19 revenues, service hours would be 96% of FY 2018-19 levels
- It already costs more to provide less
  - Costs have increased substantially (30% regionally) due to new labor contracts and higher fuel costs
  - For some operators, FY2022-23 expenses exceed adjusted FY 2018-19 levels, even with reduced service hours
- If available revenues return to adjusted pre-pandemic levels, transit operator retention and recruitment would likely remain a significant challenge to provide full service

## Key Themes from the Scenario

Average Cost per Service Hour  
Region-wide



### **FY 2022-23 vs FY 2018-19 (% Change)**

	Budget	Service Hours
<b>SFMTA</b>	+27%	-18%
<b>LAVTA</b>	+27%	-16%
<b>NVTA</b>	+23%	-12%



# Scenario Concepts



## Scenario #2: Tax Revenue Recovery, with fewer riders

What if fare revenues remain depressed, but other revenues recover to FY 2018-19 levels?

**Scenario Insight in a Sentence:**  
***Key regional transit services are hollowed out***

- Most likely of the three scenarios based on employer survey trends and actual fund source performance to date
- The fiscal and service impacts of this scenario would vary tremendously across operators.
- While region-wide ridership has recovered roughly 55% of pre-pandemic ridership, across operators, recovery ranges from 30% to 80%.
- Pre-pandemic fare dependent operators would be most impacted
- Under these revenue constraints, BART would only be able to provide **22% of pre-pandemic service hours**.

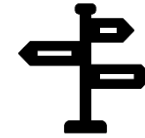
## Key Themes from the Scenario



### Spotlight

	Scenario 2 FY24 vs FY19 Reduction	Scenario 2 FY24 vs FY19 Reduction (%)
Operating Budget	-\$151M	-22%
Revenue Vehicle Hours	-1.8M	-78%
Revenue Vehicle Miles	-67M	-84%
Employees (Full Time Equivalent)	-1,400	-38%
Number of Lines Operated	-3	-43%

# Scenario Concepts



## **Scenario #3: Some Progress – Revenue at 85%**

What if total revenues don't recover beyond 85% of FY 2018-19 levels?

**Scenario Insight in a Sentence:**  
***Across the board reductions in all transit service***

- This scenario illustrates the service impacts if all operators were equally fiscally constrained.
- While the least likely given the current state of non-farebox revenues, the impacts would be the most severe.

## Key Themes from the Scenario

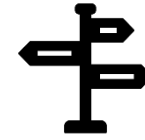
### Regional impacts of a 15% revenue reduction

Category	# Reduction	%
Service Hours	-3.9M Hours	-30%
Service Miles	-71.4M Miles	-37%
Employees	-1,200 Employees	-8%

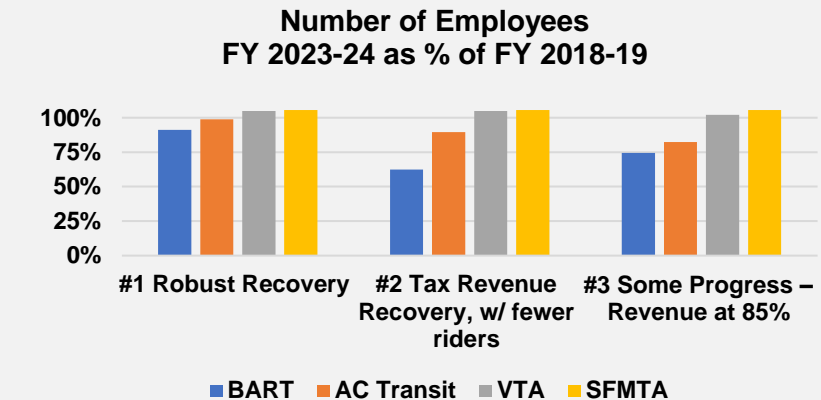
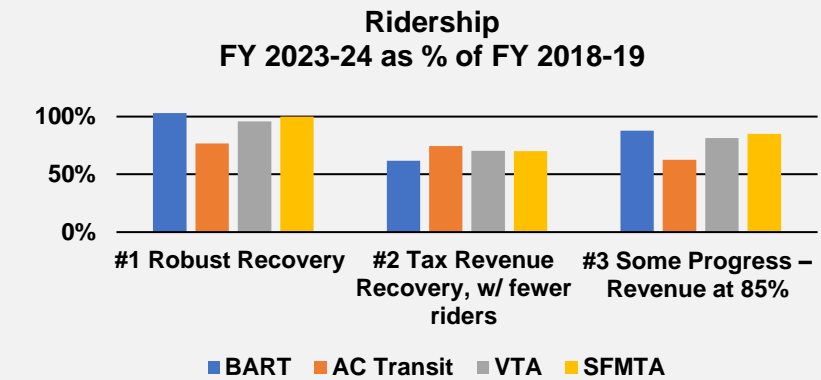
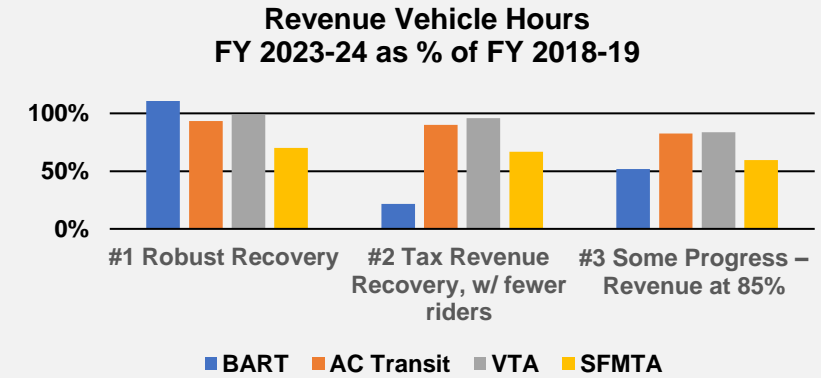
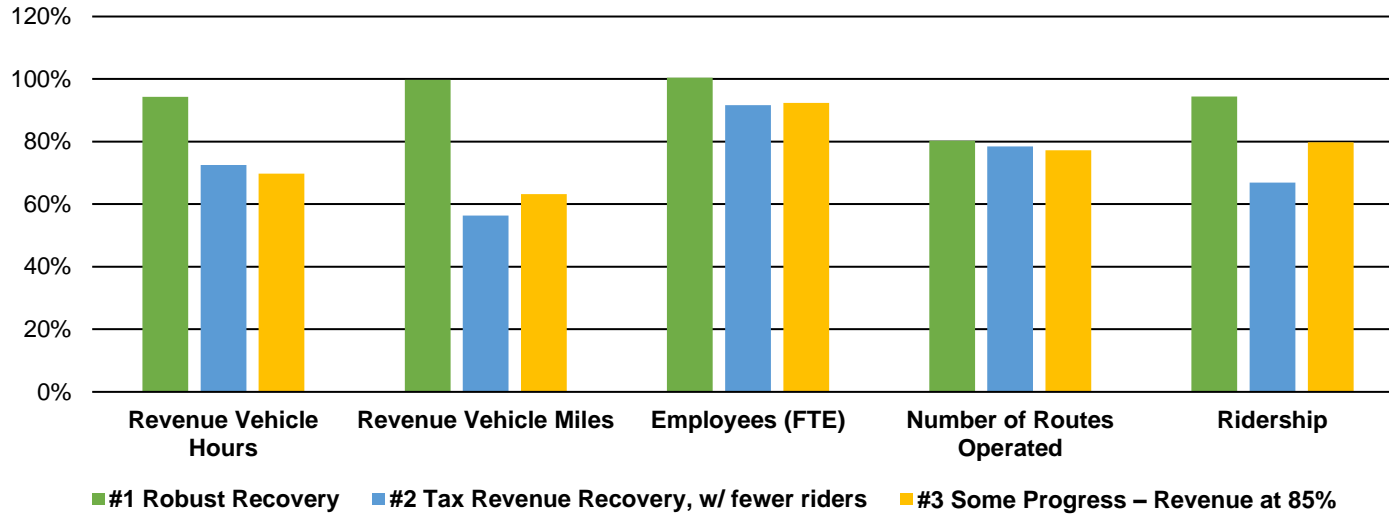




# Scenario Concepts



FY 2023-24 as % of FY 2018-19  
Bay Area-wide



Although overall impacts of scenarios #2 and #3 look similar at the regional level, the impacts vary greatly across operators

# Key Themes



*Fiscal and operating challenges vary dramatically across operators*

1. Farebox dependent operators remain acutely vulnerable to sluggish ridership recovery
2. 100% of pre-pandemic revenues would not be sufficient to restore 100% of pre-pandemic service
3. Fiscal cliff is not the only challenge. 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)



Photo: Karl Nielsen



# Transit's Story Over the Last Three Years

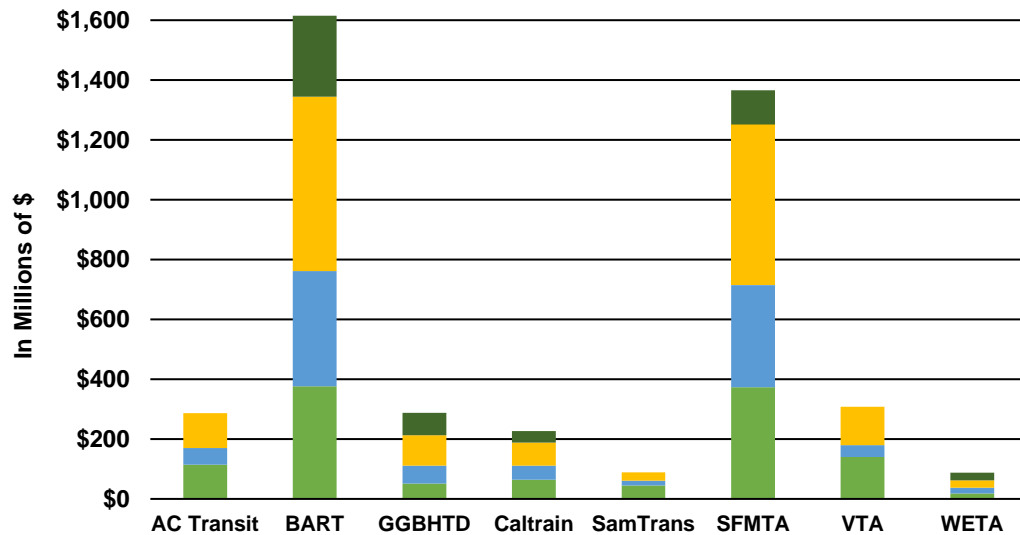
Photo: Karl Nielsen



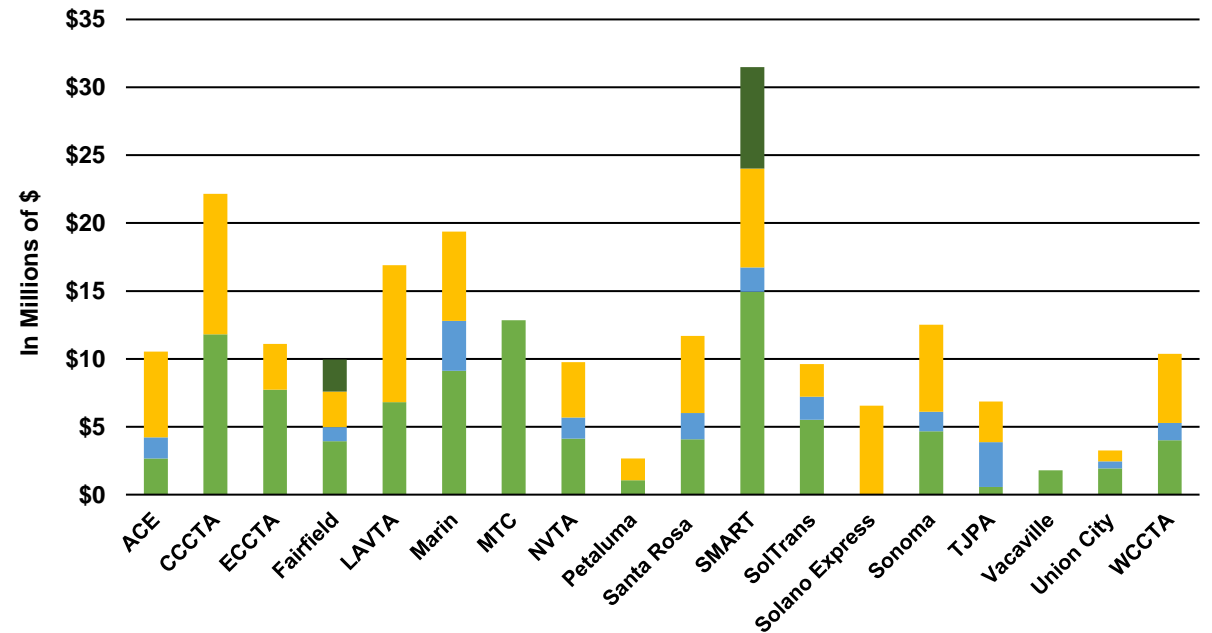
# \$4.4 Billion in Federal COVID-19 Relief

These funds have been critical for agencies dependent on passenger fares, bridge tolls, and parking revenues. Without federal relief the Bay Area would not have a functioning regional transit system.

Big 7 Transit Operators + WETA



Small & Medium Sized Operators



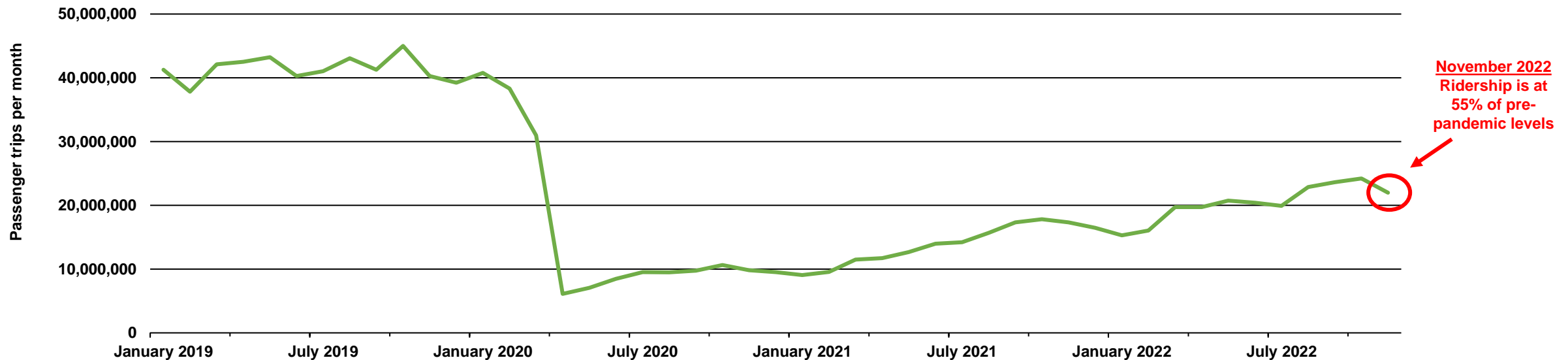
■ CARES Act ■ CRRSAA ■ ARP ■ ARP Additional Assistance

Sources: MTC programming actions, FTA awards



# Transit Ridership – All Bay Area Operators

Transit ridership across the Bay Area remains at only 55% of pre-pandemic levels. But **over 22 million passenger trips were still taken on transit during the month of November 2022.**

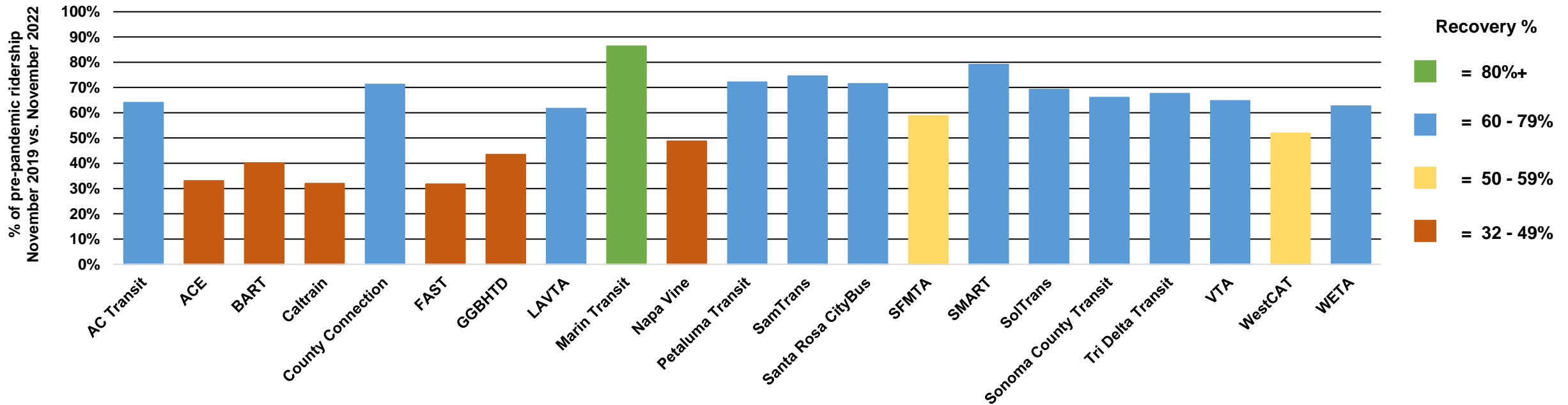


Source: National Transit Database

# Ridership Recovery Varies Greatly by Operator



Ridership recovery by operator generally reflects the type of destinations served and the demographics of riders of each agency. Operators primarily serving riders without access to other modes of transportation have seen the most robust recovery.



Note: Data for Vacaville CityCoach and Union City Transit is not available.

Source: National Transit Database, November 2022.



# Outlook for Transit Agencies Over the Coming Years

Photo: Karl Nielsen

# The (Pre-Pandemic) Revenue Models of Bay Area Transit Operators



## User Fee Focused

Fares, Tolls, Parking Revenues

*Example Operators*  
BART, GGBHTD

## Sales Tax Dominates

Sales Taxes = 70% of Operations Rev.

*Example Operators*  
VTA, SamTrans

## Mix of Tax-Based Sources

Property/Parcel Taxes, Sales tax

*Example Operators*  
AC Transit, Marin Transit

## Unique Funding Mix

City General Fund, Special Agreements, MOUs

*Example Operators*  
SFMTA, WestCAT, ACE

The financial position that Bay Area transit operators find themselves in today is closely tied to the type of **pre-pandemic revenue model** used by the agency to support operators

Transit operators' **business model** (*the type of service they provide and the demographics of riders they target*) is also key to understanding their current financial position





# A Challenged Business Model



## Population Loss

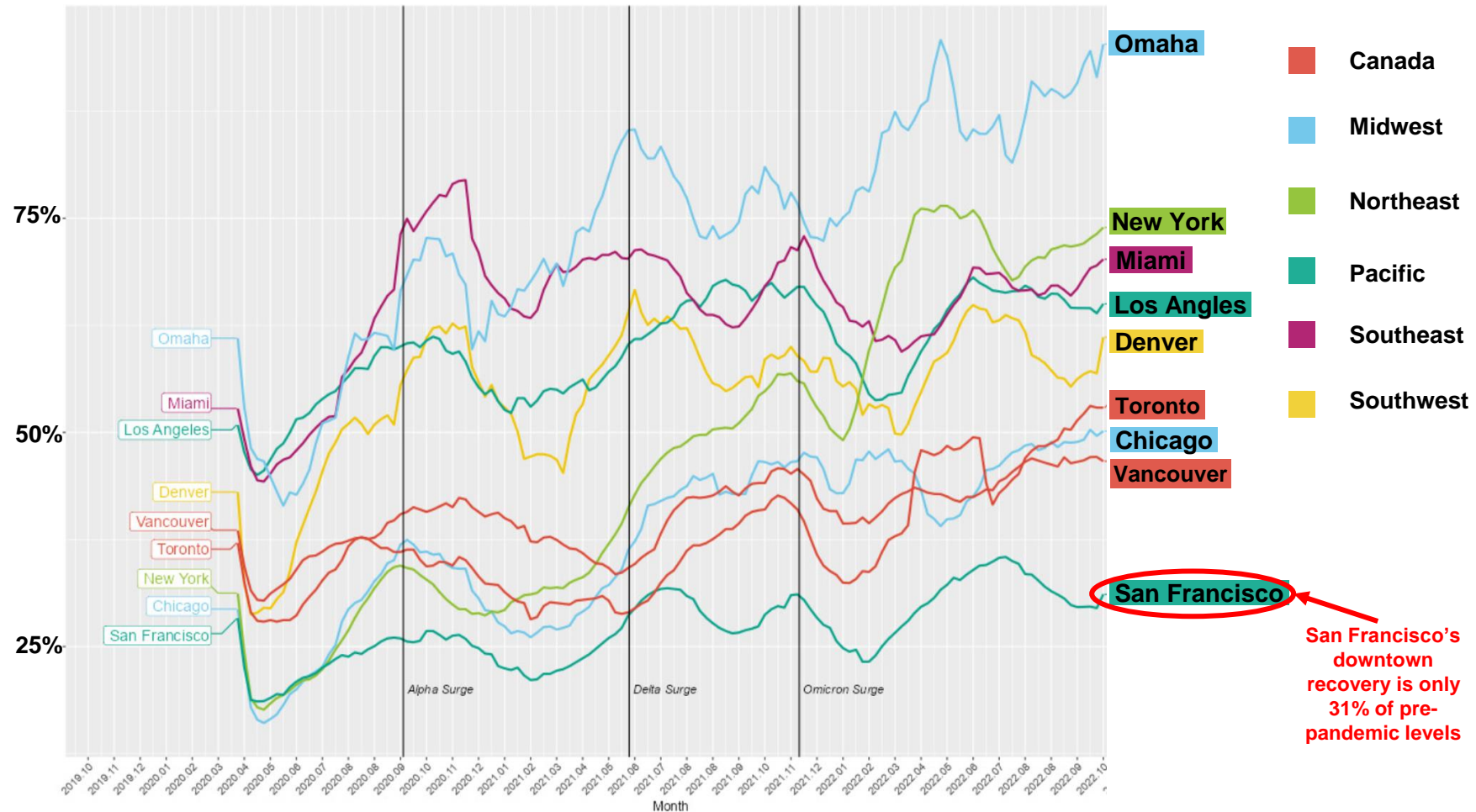
150,000 fewer people lived in the Bay Area 2022 than in 2015\*



## Workplace Changes

Downtown SF and Oakland have the *lowest* rate of office in-person occupancy in North America\*.

UC Berkeley Downtown Recovery Quotient Trajectories in 9 Select North American Cities\*



San Francisco's downtown recovery is only 31% of pre-pandemic levels

\*Sources: UC Berkeley/U of Toronto - [Downtown Recovery Study](#); [CA Dept. of Finance](#)



# A Challenged Business Model



Photo: MTC

AM rush hour at Embarcadero BART Station – January 2023



Photo: WETA

Weekends on a WETA ferry – fall 2022



Photo: MTC

Golden Gate Transit bus full of intra-SF Commuters – spring 2022



Photo: Noah Berger

Salesforce Transit Center– 2022



Photo: Jim Heuer

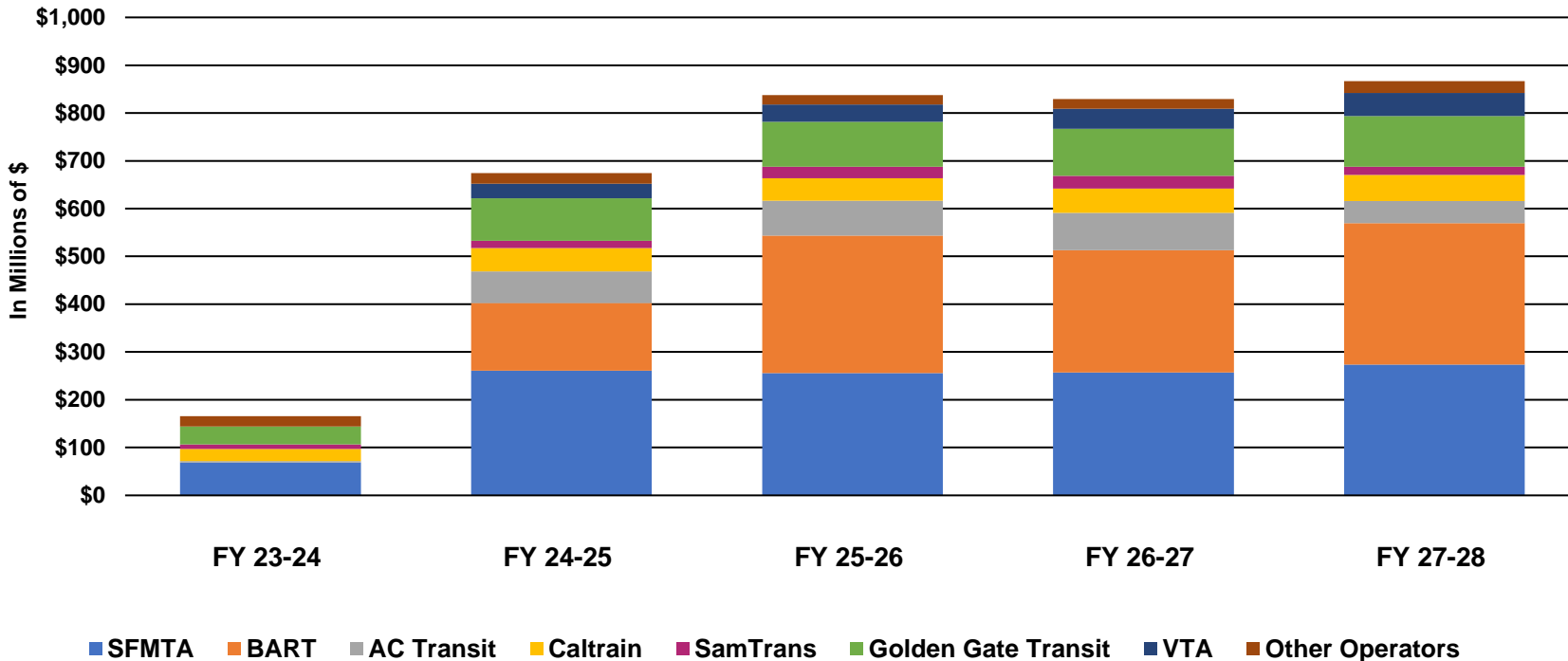
Caltrain Diridon Station – 2022

## Themes

- Stronger weekend demand
- Shifting travel patterns due to still suspended transit services
- Less demand for peak hour express bus + rail



# Forecast of Annual Operating Shortfalls by Operator



Bay Area transit operators anticipate a cumulative operating shortfall of between \$2.5 - \$3.3 billion over next five years

This range of potential shortfalls reflects the uncertainty of the coming years. The lower end of the range would require making hard decisions like delaying the zero-emission bus transition, canceling key Vision Zero safety projects on streets, and delaying customer facing repairs for assets like escalators.

Note: Amounts shown in table represent high end of possible shortfall forecast.

Source: Operator forecasts provided the California Transit Association



# A Regional Approach to a Looming Transit ‘Fiscal Cliff’

Photo: Karl Nielsen

# A Coordinated Response



**MTC, Transit Operators, Advocates:** *Working together to advocate in Sacramento and tell the story of transit riders and why protecting service is critical to California*

**“Backbone” committee of MTC, transit agencies, and community organizations collaborating to an unprecedented degree around “fiscal cliff”**

**MTC staff will continue to gather data from operators to inform advocacy and the Commission**

**Building partnerships with other regions of California and CA Transit Association**



Photo: Karl Nielsen



# Making the Case

## Addressing the Five Year \$2 Billion+ Shortfall

### Delivering the Transit Transformation Action Plan

1. Fares/Payment
2. Customer Information
3. Transit Network Priority/Planning
4. Accessibility
5. Secure New Funding

**Presentations to Bay Area Legislative Caucus**

**Exploring local/regional revenue options**

**Joint letter signed by over 50+ agencies, organizations, business groups, and unions**



January 18, 2023  
 The Honorable Nancy Skinner  
 Chair, Senate Budget and Fiscal Review Committee  
 California State Senate

The Honorable Phil Ting  
 Chair, Assembly Committee on Budget  
 California State Assembly

Dear Chair Skinner & Chair Ting,

As you begin budget negotiations this year, the undersigned organizations request your support to help the state's public transit systems avoid looming cuts to critical transit service that millions of Californians rely upon and that is foundational to our state's climate strategy. These potential cuts reflect the lingering impact of the COVID-19 pandemic, which has devastated transit operating budgets as a result of diminished ridership as well as higher costs arising from inflation. While the Governor's proposed budget for FY 2023-24 does not specifically address this need and in fact proposes \$2 billion in reductions to public transit capital that the Legislature approved last year, we look forward to engaging with your budget subcommittees to ensure that this year's final budget bill provides additional transit operating assistance to sustain critical transit service riders depend upon and find proven strategies to attract new riders and help lessen financial challenges in the future.

**A Strong Public Transit System is Vital to Creating an Equitable, Economically Vibrant and Climate Friendly Future**

Based on 2021 U.S. Census data, almost 60 percent of California residents who commute via public transit have a household income below \$35,000. Over half a million California households own no vehicle and count on public transit for their daily needs, including access to K-12 education and college. Public transit is an economic lifeline for these residents, especially seniors and persons with disabilities. Yet residents of all income levels also depend on transit to access their jobs and maintaining the viability of the transit systems is essential for the future of the state's economy and quality of life. Public transit also supports good-paying jobs, employing over 31,000 California workers statewide in FY 2021.

When it comes to climate change, California prides itself on being a global leader. The state has taken a two-pronged strategy to reduce transportation-related emissions – the largest of any

An aerial photograph of San Francisco, California, showing the Golden Gate Bridge in the distance, a residential neighborhood on a hillside, and the bay. The text "Thank you" is overlaid in the center.

**Thank you**