



METROPOLITAN
TRANSPORTATION
COMMISSION

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December 24, 2025

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Executive Director

Alix Bockelman
Chief Deputy Executive Director

Ms. Teresa Calvert
Transportation, Housing & Labor Program Budget Manager
California Department of Finance
1020 O Street, Suite 3110
Sacramento, CA 95814

RE: **Proposed Structure for State Loan to Bay Area Transit Agencies**

Dear Ms. Calvert,

MTC appreciates your team's time and diligence in working towards a solution to provide a state loan to prevent major service cuts for Bay Area's transit agencies.

At our December 23 meeting, your team reiterated a preference for a **"regional model"** in which MTC would juggle state-awarded capital funds and other state funding streams to assist operators in covering their anticipated FY 2026-27 operating shortfalls, with operators repaying these amounts over time. The mechanics of this approach remain unclear. Based on our understanding of it, we have the following key concerns:

- The State—not MTC—allocates transit capital funding and makes determinations as to project readiness; the state's proposal seems to transfer this key state oversight function from the California Transportation Commission to MTC without providing any additional resources for MTC to properly perform the function.
- Because the four transit agencies face significant operating deficits of approximately \$800 million annually starting in FY 2026-27, they cannot repay the loan within one to two years. If passed by voters, the measure authorized by SB 63 will begin to largely offset this deficit, but tax proceeds are not expected to flow until the beginning of FY 2027-28 and will not provide sufficient "surplus" for operators to quickly repay the loan. To avoid major service cuts, operators require a medium-term repayment schedule and are requesting 12 years.
- Capital projects whose awards would be repurposed as a loan could face delays, cost increases, and potential loss of significant leveraged funds without guaranteed availability of their state awards at the time needed.

- There are no state transit funding sources eligible for operations that aren't already being used for that purpose by the four agencies.

Attached is an alternative proposal that we believe satisfies our mutual goals by providing:

1. No General Fund impact – continues to rely on state transit capital funding
2. A guaranteed, reliable repayment mechanism
3. A two-year interest only deferment period
4. A defined repayment schedule at a fixed interest rate
5. No negative impact on Bay Area transit capital projects that have received state awards.

We look forward to continuing this work with you. My team is available as early as Friday, December 26, to resume our discussion. Given the holidays, please call or text me at 415-278-1151 with any questions and to set a time for the next meeting.

Sincerely,



Andrew B. Fremier
Executive Director

AF:rl
Attachments

MTC Proposal for State Loan for AC Transit, BART, Caltrain, and SFMTA to Address Operating Needs in FY2026-2027

December 24, 2025

We appreciate the creative thinking put forward by DOF in their proposal and recognize that given the state's fiscal pressure, there is interest in making use of state transit capital funding from projects with long lead times to address acute near-term operating challenges. That said, we are very concerned that without some type of pledge from the state to honor the original state grant awards, this will be viewed by project sponsors, local elected officials, voters and other potential funders as the state walking away from its commitment to the projects. This could have detrimental impacts to project schedules and matching funds and may impact voter sentiment towards any transit measures put forward on the 2026 ballot.

As such, we request that the state consider **an alternative that still avoids use of the General Fund** but does not single out specific grants for cash advancement and provides assurances to project sponsors from any programs/accounts proposed to be drawn upon that the state remains committed to their projects. This alternative aims to avoid negative impacts on Bay Area transit capital projects and mitigates against the risk of losing billions of dollars in federal matching funds.

MTC prefers a scenario where individual loans are made by the state to operators and MTC provides technical assistance related to the region's operating needs and transit capital cash flow needs. However, if the state were to award the region a lump amount in the form of a loan – not tied to any specific projects and with a commitment by the state to ensure that cash-flow needs by projects that were awarded state funds will be met up to the amount of the original award - MTC could potentially handle the loan administration. We but would like to discuss with DOF the mechanisms by which the operators would repay any advanced funds to the state such that those funds can be used for funding the essential transit capital projects for which they are intended.

Below is an outline of MTC's alternative approach that was developed in coordination with Bay Area operators.

State Administration of Transit Loan Using High Cash-Balance Transit Accounts (TIRCP, ZETCP & PTA).

MTC requests consideration of a modification of the DOF proposal that is based on the same concept of front-loading grants from long-lead time capital projects in the form of loans for operating assistance, but that includes a state commitment towards meeting the cash flow needs of the awarded capital projects. This commitment can be made given the continuous appropriation of special funds from ongoing dedicated funding sources, including the Greenhouse Gas Reduction fund for TIRCP, the sales tax on diesel fuel, which funds the Public Transportation Account (PTA), and/or the Transportation Improvement Fee.

Under this scenario, the state would provide a loan to operators based on multiple accounts, thereby distributing the risk more broadly across more projects.

MTC could provide technical assistance on timelines and cashflow needs for any Bay Area projects whose awards comprise some or all of the cash balance being relied upon.

Proposed Consolidated Loan Terms Agreed to by Bay Area Operators: Agency	Principal (\$ in Millions)	Loan Security
AC Transit	\$55	Revenue-based State Transit Assistance**
BART	\$285	AB1107 Sales Tax*
Caltrain	\$50	Revenue-based State Transit Assistance
SFMTA	\$200	Revenue-based State Transit Assistance
Total	\$590	

**BART prefers their dedicated AB1107 sales tax but is willing to use State Transit Assistance as back-up repayment security. BART indicates a statutory change would be required for any pledge of revenue to repay the loan because PUC code 29081 restricts them from pledging a grant or lien on a given revenue stream to repay an obligation for operating purposes.*

*** PUC Code Section 99314 portion that is apportioned to individual operators and allocated by MTC*

Interest Rate: 2.5%

Term: 14 Years

Interest-only period: 24 months