

SB 63 Financial Efficiency Review Independent Oversight Committee

March 6, 2026

Agenda Item 2a - 26-0307

Welcome and Introductions

Subject:

Overview of the Senate Bill (SB) 63 Financial Efficiency Review (FER) Independent Oversight Committee (IOC)'s responsibilities and proposed meeting schedule.

Background:

The newly chaptered Title 7.85 of the California Government Code, commencing with Government Code Section 67700 (Senate Bill 63, Wiener/Arreguín, 2025), otherwise known as the Connect Bay Area Act, creates the Public Transit Revenue Measure District (PTRMD, or “District”) with jurisdiction extending the territorial boundaries of the Counties of Alameda, Contra Costa, San Mateo, and Santa Clara, and the City and County of San Francisco. This new law provides that the District will be governed by the same board that governs the Metropolitan Transportation Commission (MTC).

As provided in Government Code Section 67730 and 67732, the District, or alternatively a qualified voter initiative, may impose a retail transactions and use tax ordinance applicable to the entire district for a duration of 14 years, in an amount of 0.5% in each of the counties located within the district and 1% in the City and County of San Francisco, subject to voter approval at the November 3, 2026, statewide general election.

Pursuant to Section 67760 *et seq.*, the Commission shall conduct a financial efficiency review (FER) of the subject operators, which are AC Transit, BART, Caltrain, and Muni. Legislation requires the FER to be conducted in two phases, one prior to the election and one following the election, if successful. Phase One of the FER shall exclusively identify the following:

- Cost-saving measures implemented since January 1, 2020, by the subject operators
- Early action strategies that would assist the subject operators in delivering increased or improved service and enhanced customer experiences with existing resources, including an analysis of each subject operator's real property assets

If the measure passes, MTC is directed to proceed with Phase Two of the FER, which shall identify a menu of cost-savings measures that, if implemented, would reduce one-time and ongoing fixed and variable costs for the subject operators. The Phase Two review would evaluate cost-saving measures using metrics such as cost per passenger mile and subsidy per passenger mile, reported in both nominal and real dollars, and any other relevant measures needed to ensure results are quantifiable and actionable. Phase Two would also include a comprehensive assessment of development and financing strategies to maximize the value of each subject operator's real property assets.

SB 63 also added Section 67764 to the PUC Code, which required the Commission to establish the IOC:

The third-party consultant shall conduct the review in consultation with the subject operators and an oversight committee established by the commission that consists of all the following members:

- (a) The chair of the commission, if the chair is from the geographic jurisdiction of the district, or another member of the commission designated by the chair that is from the geographic jurisdiction of the district.
- (b) The board chair or president, or another member of the board designated by the chair or president, of each subject operator.
- (c) Four independent experts appointed by the commission with expertise in public transit operations and finance.
- (d) One representative from the Transportation Agency and one representative of the Department of Finance as ex officio, nonvoting members.

The Commission solicited IOC designees from the subject operators, as well as appointees from the California Transportation Agency and the Department of Finance, prior to the January 28, 2026 Commission meeting. At this meeting, the Commission established the IOC through the appointment of its committee members, and approved a travel reimbursement policy for

members who reside more than 400 miles from the District to attend IOC meetings in person.

Responsibilities of the Committee

Section 67764 *et seq* outlines both the purpose and the duty of the IOC. The purpose is to review the Phase One analysis, direct the third-party consultant to make any revisions, and adopt a final Phase One analysis.

SB 63 also describes a Phase Two of the financial analysis, including duties for an independent oversight committee for that work. The IOC's statutory responsibilities apply to Phase One currently and would extend to Phase Two only if the measure is approved.

Responsibilities of the Commission

The Commission is tasked with contracting with and managing a third-party consultant to conduct the financial efficiency review and nominating four independent experts to this body. The Commission is also charged with transmitting the final Phase One analysis report to the subject transit operators, the legislature, the California State Transportation Agency, and each participating county transportation agency, following the IOC's adoption.

Proposed Schedule

MTC staff proposes that the IOC convene three times between now and mid-May to provide input into the development of the FER report and adopt the final report. Staff propose the following tentative meeting dates for the IOC:

- March 6, 2026: Introductory Meeting
- Mid-April: Input on Draft Report
- Mid-May: Adoption of Final Report

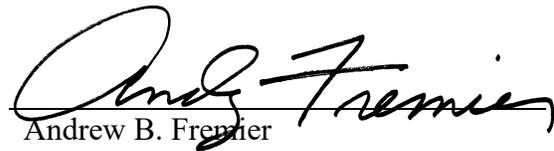
Issues:

None.

Recommendation:

Information only.

- Attachments:
Senate Bill 63 Legislative Text


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