

SB 63 Financial Efficiency Review Independent Oversight Committee

April 17, 2026

Agenda Item 4a - 26-0468

Presentation of Draft Phase One Financial Efficiency Review

Subject:

Presentation of Draft Phase One Financial Efficiency Review. This analysis is required by Senate Bill (SB) 63 as a deliverable of the Financial Efficiency Review (FER). The Financial Efficiency Review Independent Oversight Committee (IOC) will review the analysis, receive the presentation, ask questions, and provide feedback and/or direction to the consultant team.

Background:

The Legislature passed Senate Bill 63 (Wiener/Arreguín) in 2025. Also known as the Connect Bay Area Act, the bill established the Public Transit Revenue Measure District (the “District”), with a jurisdiction covering Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties and authorized placement of a regional sales tax measure on the November 2026 ballot in these counties that would raise new revenue for public transit. The District 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. An independent signature-gathering effort is underway to place the measure on the November 2026 ballot via a petition.

If the proposed measure qualifies for the ballot and is approved by voters, proceeds from the sales tax would be transferred to transit agencies within the District for specified public transit expenses. The measure is intended to prevent major service cuts on AC Transit, BART, Caltrain, and SF Muni, which are facing combined budget deficits of more than \$800 million per year starting in fiscal year 2026–27. It would also fund improvements to the transit rider experience.

SB 63 includes provisions aimed at ensuring accountability to taxpayers, transit riders, and local government partners through various mechanisms including the establishment of a Financial Efficiency Review Independent Oversight Committee appointed by MTC and comprised of independent experts, transit agency board members and an MTC Commissioner (either the chair or their designee). The Independent Oversight Committee is charged with overseeing a Financial

Efficiency Review of subject transit operators, including AC Transit, BART, Caltrain, and SF Muni, who will receive funds from the District.

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Responsibilities of the Metropolitan Transportation Commission (“Commission”) The Commission is tasked with contracting with and managing a third-party consultant to conduct the financial efficiency review of subject operators 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.

Financial Efficiency Review (FER) Scope of Work Subject operators must undergo a two-phase, third-party financial efficiency review overseen by the IOC. Phase One must be completed by summer 2026, and includes the requirement that the subject operators named above must identify the specific strategies in the adopted Final Phase One analysis that they commit to implementing. The operators shall adopt those strategies as formal policy or budget actions, as applicable, by July 1, 2026. Phase Two of the analysis would only be completed in the event of a voter-approved measure.

Phase One requires identification of cost savings measures implemented by the operators since January 2020, early action strategies to assist operators in delivering enhanced service and customer experience with existing resources, and an inventory of real property assets and analysis of potential redevelopment opportunities. The IOC’s statutory responsibilities apply to Phase One currently, and would extend to Phase Two only if the measure is approved.

Phase Two is more comprehensive and is expected to be completed in spring 2028, contingent upon voter approval of the revenue measure. It requires identification of a menu of cost-saving measures that, if implemented, would reduce one-time and ongoing fixed and variable costs, as well as a comprehensive regional assessment of development and financing strategies to maximize the value of each operator’s real property assets.

Project Timeline Phase One of the FER is continuing to progress on an expedited timeline in accordance with the schedule established in SB 63. The consultant [transmitted the Draft Phase](#)

[One analysis](#) by the deadline of April 1. The [Draft Phase One analysis was made available to the public and the IOC](#) in advance of today's meeting. The IOC is meeting on April 17 to discuss feedback on the draft report. The consultant will then revise the report, and it will be brought back to the IOC for consideration and potential adoption in mid-May 2026. MTC will then transmit the adopted analysis to the subject operators, the Legislature, the California State Transportation Agency and the counties included in SB 63. Governing boards of each subject operator will have until July 1, 2026 to adopt measures identified in the Final Phase One report for implementation.

Findings from Phase One Analysis The Draft Phase One Financial Efficiency Review report details a total of more than \$1 billion in operating cost savings achieved by SFMTA, BART, AC Transit and Caltrain since FY2019-2020, largely through workforce adjustments, service reductions, and revamped investment policies. The draft report also recommends several near-term strategies for delivering increased or improved service and enhanced customer experiences with existing resources. These include reconsidering the timeline for a transition to zero-emission bus fleets; reducing barriers to fare payment for new customers by beefing up employer- and institution-sponsored transit pass programs; assessing scheduling efficiencies; implementing more transit-priority projects on local streets to provide faster and more reliable speeds for buses and streetcars; and boosting non-farebox revenues via parking fees, leasing fiber and other communications assets, and capturing regenerative braking credits.

Looking farther ahead, the Draft Phase One analysis highlights the transit agencies' opportunities to capitalize on their real estate assets — including through joint ventures with development firms — to deliver more long-term value through lease revenue and ridership growth.

Next Steps

A final meeting of the Oversight Committee to consider adoption of the Final Phase One analysis will take place in mid-May 2026. Subject operators have until July 1, 2026 to adopt early action strategies from the Final Phase One analysis.

The Commission will undertake the Phase Two analysis if voters approve an SB 63-enabled regional transit sales tax measure in November. This multi-year Phase Two analysis requires a

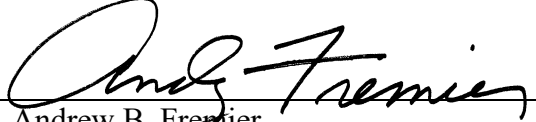
deeper evaluation of cost structures and strategies to support financial sustainability. A second phase also will be subject to review and final approval of the Financial Efficiency Review Independent Oversight Committee.

Recommendations:

Receive presentation, ask questions, and provide feedback and/or direction to the Consultant on the Draft Phase One Financial Efficiency Review.

Attachments:

- Attachment A: Draft Phase One Financial Efficiency Review March 2026
- Attachment B: Presentation
- Attachment C: Comments Received Before 5:00pm on April 10, 2026
(Comments received after this date through 5:00 pm on April 16 will be provided at the April 17, 2026 meeting.)


Andrew B. Frazier