



# Adoption of Phase One Financial Efficiency Review

Independent Oversight Committee

May 22, 2026



METROPOLITAN  
TRANSPORTATION  
COMMISSION



# Purpose and Objectives

- ▶ Present Final Phase One Financial Efficiency Review
- ▶ Independent Oversight Committee (IOC) considers adoption of Final Phase One analysis

# Role of the Independent Oversight Committee

## Timeline: Phase One Financial Efficiency Review



# Summary of Relevant Feedback

**We received feedback from the Independent Oversight Committee (IOC) and members of the public**

## Feedback from the IOC

Further clarify and explain the methodologies used to gather and validate cost-savings data

Add detail about workforce size, labor costs, and reserve fund balances

Increase the specificity of early action cost-saving strategies

Share more context about real estate opportunities and constraints

## Feedback from the General Public

Add specific strategies to reduce costs, increase revenue, or boost ridership that were identified by the public

# How We Incorporated Feedback

Feedback	Revisions Made
<p><b>Cost Savings Data</b> Demonstrate trustworthiness of figures and calculations</p>	<ul style="list-style-type: none"> <li>• Explained methods using plain-language</li> <li>• Noted data sources and practices for validating figures</li> </ul>
<p><b>Workforce, Labor Costs, Reserves</b> Show how staffing, overtime, and use of reserve funds varied by time and agency</p>	<ul style="list-style-type: none"> <li>• Added charts and interpretation showing trends in staffing levels, overtime wages paid, and reserve balances</li> <li>• Added a call-out box to explain how agencies can use planned overtime to reduce staffing costs</li> </ul>
<p><b>Early Action Strategies</b> Confirm the list of early action strategies and explain why they were selected for each agency</p>	<ul style="list-style-type: none"> <li>• Added descriptions of early action strategy categories</li> <li>• Validated additional strategies with agencies</li> <li>• Categorized core and future strategies as cost constraining, revenue enhancing, or ridership-increasing</li> </ul>
<p><b>Real Estate</b> Describe shared barriers to real estate development across the four agencies</p>	<ul style="list-style-type: none"> <li>• Added information about barriers to redevelopment (e.g., funding constraints or regulatory issues)</li> <li>• Added real estate possibilities to consider in Phase 2</li> </ul>
<p><b>Additional Potential Budget Management Strategies</b> Add specific budget management strategies</p>	<ul style="list-style-type: none"> <li>• Reviewed and added budget management strategies to the Early Action Strategies and Next Steps sections as applicable</li> </ul>

# What We Did Not Change

## **The Phase 1 scope remains focused on near-term implementation within existing resources**

- ▶ Documentation of cost saving measures implemented since FY19-20
- ▶ Identification of early action strategies that can be implemented within one to three years using existing resources
- ▶ Inventory of real property assets and redevelopment opportunities among existing property holdings

## **No discussion of structural or policy changes to agencies**

- ▶ Outside of the Phase 1 scope

## **Phase 2 reserved for broader cost restructuring & regional strategies**

- ▶ Analyzing cost restructuring
- ▶ Developing a regional approach to developing real estate assets
- ▶ Finalizing an expanded list of cost savings, especially those requiring longer time savings than Phase 1 early action strategies

# Strengthening Cost Savings Section

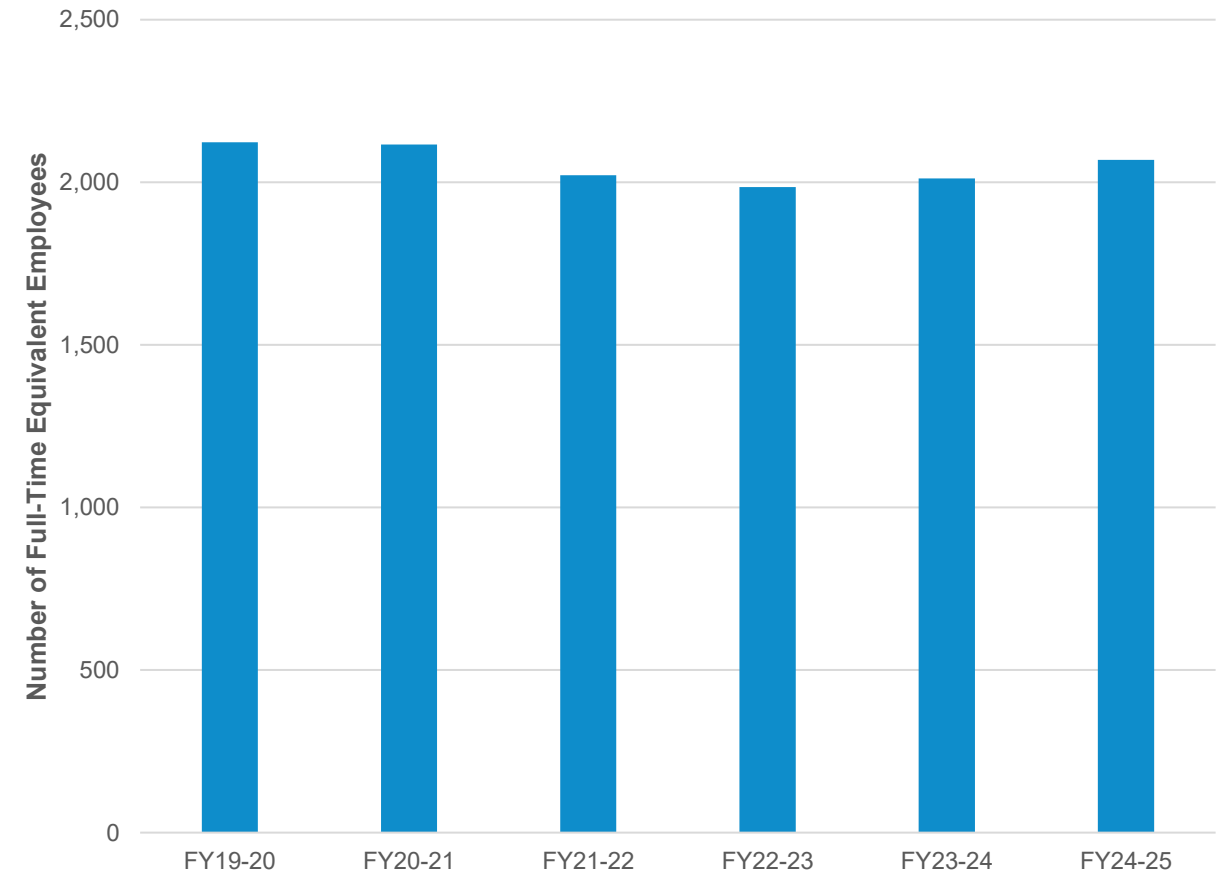
## ▶ Added:

- ▶ Workforce trends, e.g. number of full-time equivalents, overtime wages, and so on
- ▶ Information to contextualize scale of recent cost-savings
- ▶ Use of reserves to address deficits during pandemic and amount of reserves remaining

## ▶ Expanded:

- ▶ Role of emergency funding in avoiding service cuts

Actual Staffing Levels for AC Transit During the Reporting Period



# Revised Early Action Strategies Section

## Added:

- ▶ Early Action Strategy categories, including definition and significance

## Expanded:

- ▶ Personnel and management strategies
- ▶ Revenue strategies, such as pass programs, advertising, and sponsorships

*Example of a table of early action strategy categories and how they might apply to each agency*

Category	AC Transit	SFMTA	BART	Caltrain
<b>Core early action strategy recommendations</b>				
Improve fare compliance & enforcement	X	X	X	X
Enhance parking revenue	n/a	X	X	X
Lease fiber and communications assets	n/a	n/a	X	X
<b>Strategies for Future Consideration</b>				
Expand advertising partnerships	X	X	X	X
Explore retail and amenity partnerships	X	X	X	X

# Real Estate

- ▶ **Added:**

- ▶ Near-term revenue opportunities to improve customer experience

- ▶ **Expanded:**

- ▶ Information about constraints on development based on funding sources, policies, and regulatory barriers

# Long-Term Opportunities Identified

Some suggestions require policy direction, interagency coordination, or exceed Phase 1 timeline.

As such, the following opportunities may be considered in **Phase Two**. This list is neither prescriptive nor exhaustive.

- ▶ Shared procurement processes to reduce overhead or contract costs
- ▶ Identify specific functions that can be consolidated or co-located across multiple agencies
- ▶ Evaluate alternative service models and service contracts, particularly for areas with lower ridership
- ▶ Explore additional opportunities to leverage real estate holdings for TOD

# What the Final Phase One Analysis Delivers



**Identifies cost savings** achieved by operators to date



**Examines real estate assets** and analyzes potential redevelopment opportunities



**Proposes early action strategies** to deliver enhanced customer experience with existing resources



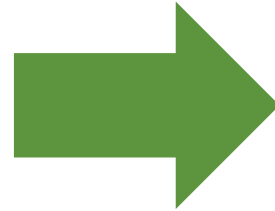
**Lays a foundation** for potential Phase Two analysis



# Next Steps Required by SB 63

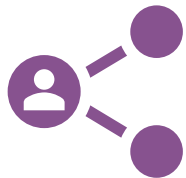
## Following committee adoption MTC transmits the Final Phase One Financial Efficiency Review

- Transit operators
- California Legislature
- CalSTA
- County transportation authorities

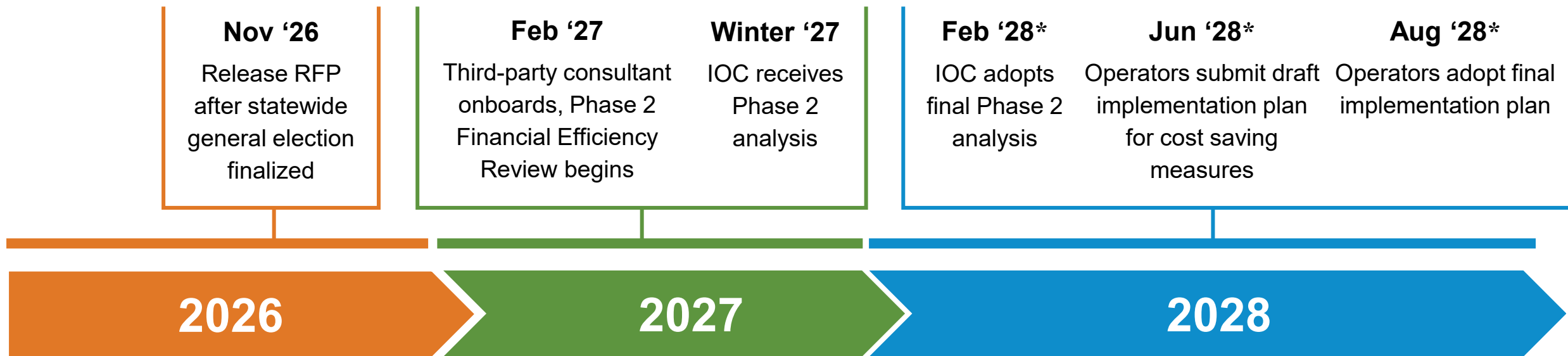


## By the July 1, 2026 deadline, Operator Boards must:

- Select Early Action Strategies identified in Phase One
- Adopt them as policy or budget actions



# Phase Two Timeline if Measure is Approved



\*Statutorily prescribed deadlines under SB 63



# Recommendation

MTC staff recommend that the Independent Oversight Committee adopt the

**Final Phase One Financial Efficiency Review**