

Metropolitan Transportation Commission

May 28, 2025

Agenda Item 4a - 25-0825

Transportation Revenue Measure Update

Subject: Third Party Independent Review of Transit Operator Shortfalls and Review of Local Contributions to BART and Caltrain; Senate Bill 63 (Wiener/Arreguin) Bay Area Transportation Revenue Measure Update.

Background:

In response to a request by several regional leaders and stakeholders in the context of discussions about a future regional transportation measure to avert major service cuts the Metropolitan Transportation Commission (MTC) engaged an independent third-party consultant, *Macias Gini & O'Connell LLP (MGO)*, to conduct a review of transit agency revenues, expenses, and cost-saving measures as well as current local contributions to BART and Caltrain. The review is meant to provide transparency, document financial information and the reporting of operating deficits across the operators and provide information on potential “fair share” allocation methodologies. This Third-Party Independent Review work was developed to serve as a resource to help inform the development of an expenditure plan for Senate Bill 63.

Discussion:

Overview of Scope of MGO Report

Between February and May 2025, MGO conducted a detailed analysis of projected budget deficits for five Bay Area transit operators with the highest forecasted shortfalls: Alameda-Contra Costa Transit District (AC Transit), Bay Area Rapid Transit (BART), Caltrain, Golden Gate Bridge, Highway & Transportation District (Golden Gate) and the San Francisco Municipal Transportation Agency (SFMTA). For Golden Gate and SFMTA, whose budgets encompass more than their transit operations activities, the analysis encompassed agency-wide financial information, with specific focus on disaggregated data related to transit operations, where available.

MGO reviewed agency-reported financial projections for FY 2026–2030 and compared them against historical revenue and expenditure trends from FY 2019–2024 (with FY 2025 reviewed on a budget basis). Operator-provided data were cross-referenced with audited financial statements (e.g., Annual Comprehensive Financial Reports) to the extent possible and recent

board presentations to validate assumptions. The review also examined actions already taken—or under consideration—to reduce costs or increase revenues, assessed agency reserves in the context of reserve policies and assessed comparability of transfers between operating and capital budgets amongst the operators. The analysis also considered how each agency aligns service levels with projected ridership demand and benchmarked their financial assumptions and practices against transit industry trends and best practices at a high level. To deepen the analysis, MGO conducted interviews with staff at each agency to better understand financial assumptions and operating contexts.

As part of the fair share assessment, MGO reviewed historical agreements and funding arrangements, including the BART–SamTrans Comprehensive Agreement (1990); various MOUs between MTC, BART, and SamTrans (1999–2007); Caltrain’s JPB real property ownership agreements (1991) and Joint Powers Governance MOU (2022); and BART’s Operating and Maintenance Agreement with Santa Clara Valley Transportation Authority. Recent (FY 2024) county contributions to BART were reviewed and validated, and best practices in revenue generation were researched.

Throughout the process, operators were given multiple opportunities to review draft materials and provide feedback, which was incorporated into the final analysis. Key findings have been presented to County Transportation Agency (CTA) leadership and are intended to support regional discussions around long-term transit funding strategies under SB 63.

A representative from MGO will present their findings at the Commission meeting.

SB 63 Legislative Update

The bill was amended on April 29 to remove the Transit Operations Financial Responsibility and Implementation Plan (T-FRIP) provisions that had contributed to the Commission’s “support if amended” position. As such, the Commission is now in support of the bill and Chair Noack was invited to testify as a lead witness in support at the Senate Transportation Committee.

Importantly, the bill authors are still looking to the five counties, transit operators and other stakeholders to convene and develop a consensus expenditure plan proposal that can be incorporated into the legislation by July 31, 2025. At the request of the authors, the county transportation agencies are leading this effort while MTC is providing technical assistance, upon request.

Transit Transformation Funding Details

As a reminder, SB 63 currently provides that up to 10 percent of the funds may be used to fund rider-focused improvements to make transit faster, more connected and affordable, in accordance with the 2021 Bay Area Transit Transformation Action Plan or any successor plan. This “up to 10 percent” is a placeholder that is expected to be solidified into an exact percentage as part of the broader expenditure plan discussions. At the May Partnership Board meeting, staff shared for feedback with the region’s county transportation agencies, transit operators and others a draft expenditure plan illustrating use of 10 percent of funds (\$55 million annually) based on a uniform ½-cent sales tax in the counties of Alameda, Contra Costa, San Francisco and San Mateo, similar to the framework polled by EMC on behalf of MTC in January. (See Attachment B for details).

Next Steps

At the time this memo was finalized, SB 63 was awaiting passage in the Senate Appropriations Committee by May 23. This committee evaluates legislation based on fiscal impact on the state. Given the bill provides that any net costs associated with collecting the new tax would be offset by the new tax revenues, there should be no net state fiscal impact. Subsequent legislative deadlines are listed below:

- June 6 – deadline for bill to pass the Senate floor
- July 18 – deadline for any Assembly policy committee to hear the bill
- September 2-12 – floor session only
- September 5 – last day to amend bill on the floor
- September 12 – last day for each house to pass bills
- October 12 - last day for Governor Newsom to sign bills

Bill Positions:

Support

As of April 23, SB 63 is supported by the following organizations:

- Caltrain
- Climate Action California
- Livermore Amador Valley Transit Authority (support if amended)

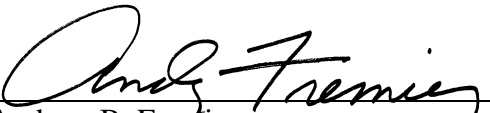
- Metropolitan Transportation Commission
- San Francisco Bay Area Planning & Urban Research Association (SPUR)
- San Francisco Bay Area Rapid Transit District (BART)
- San Francisco County Transportation Authority
- SEIU California (support in concept)

Oppose

- California Taxpayer's Association
- Livable California (oppose unless amended)

Attachments:

- Attachment A: MGO Presentation
- Attachment B: SB 63 Presentation



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