SHORTFALLS AND FAIR-SHARE ANALYSIS FOR THE

Metropolitan Transportation Commission

May 30, 2025 UPDATE

mgo.

METROPOLITAN TRANSPORTATION COMMISSION

Table of Contents

Executive Summary

Background

Between February and May 2025, MGO conducted a third-party review of operator-provided projected budget deficits for the following Bay Area transit operators that are forecasting the highest deficits (in alphabetical order): Alameda-Contra Costa Transit District (hereafter, AC Transit), Bay Area Rapid Transit (hereafter, BART), Caltrain, Golden Gate, and San Francisco Municipal Transportation Agency (also referred to as SFMTA). Please note that in the case of Golden Gate and SFMTA, the financial information presented refers to the entire agency, though we note where information refers to the transit operations specifically of each agency, particularly if that information is disaggregated by the operators in the data they provided.

It should be noted that many of the operators are currently in the budget process for FY 26 and FY 27 in some cases, and are revising their projections. Many of these revisions are occurring amidst the reporting process of this engagement, and we have attempted to make note of any significant changes to the projections where operators provided the information and documentation in a timely manner. As part of this process, operators were given the opportunity to review this report to check for accuracy against the financial models and documentation they provided. Some operators provided updated information based on their current budget projections. Due to timing, we are unable to incorporate significant changes to their projections based on recent updates related to operators' upcoming budget preparation process, but we have noted any material changes where proper documentation was provided, and stated when no documentation was provided for these changes.

Shortfalls

The shortfalls analysis component is critical for understanding the above-mentioned operators' projected operating deficits for the purpose of facilitating conversations around fair-share contributions to Caltrain and BART, as well as for sizing of a regional tax measure to help address short- and medium-term deficits as the operators seek complementary and longer-term solutions.

Collectively, the operators report a $3.7 billion shortfall for the FY 26 to FY 30 period, with BART and SFMTA projecting the largest deficits. This translates to an average annual deficit of approximately $746 million across the five operators. The deficits are larger from FY 27 onward. During that four year period, the average annual deficit is $914.8 million.

Some common assumptions driving these deficits include:

- Expenses outpacing revenues, particularly expense growth in labor, wages, and related categories.
    - All operators assume between 3.7% and 4.5% growth in labor/wages from FY 26 to FY 30.
- Fare recovery substantially lower than pre-pandemic (FY 19) levels.
    - Fare revenue is projected to be from 8% to 35% less in FY 30 than in FY 19, on a nominal basis, across the operators.

Some operator-specific observations include:

- Golden Gate includes depreciation costs in their expense projections, while none of the other operators do. If excluded, this would translate to a $147 million reduction in their projected cumulative deficits over the FY 26 to FY 30 period.
- Caltrain experienced the largest decline in ridership on a percentage basis among the operators (see Table 11) and has the greatest disparity in farebox revenue recovery compared to FY19 pre-COVID. The operator also electrified their fleet in September 2024 and has a different operating and cost profile moving forward based on electrified service. Caltrain has experienced significant increases in ridership since the launch of electrified service. If ridership continues to grow at forecasted rates, Caltrain will consider potential service level increases from 104 trains per day to 116 by FY 29, depending on actual ridership growth and the terms of their federally-mandated Full Funding Grant Agreement (FFGA). The

new electrified service is driving an increase to operating costs and the anticipated service increases, if any, will result in increased costs.

- Similarly, from FY 26 to FY 30, Caltrain is projecting an average 10.1% growth in ridership based on the launch of electrified service while SFMTA staff have stated they are projecting a slight, though unspecified, growth. AC Transit is projecting 4.2% while BART is projecting 3.2% growth. Golden Gate provided us ridership data on May 15, 2025 that shows that for FY 26 to FY 28, bus ridership is projected to increase on average by 2.3% and ferry ridership by 3.1%.
    - Should Caltrain not realize 10% annual growth in ridership or growth rates more in line with the assumptions of the other operators, Caltrain believes the projected operating deficit would be materially higher.
- For Golden Gate, bridge toll revenues surpassed pre-pandemic (FY 19) levels as of FY 24 and are projected to grow between 4.6% and 5.8% from FY 26 to FY 30, despite operator staff stating that bridge usage has gone down since the pandemic. It should be noted that Golden Gate raised bridge tolls $0.50 annually starting on July 1, 2024 for a five-year period.
- SFMTA relies on City and County of San Francisco (CCSF) General Fund (GF) performance, which accounts for approximately 37.1% of total revenue (FY 26) for the agency.

To mitigate the shortfalls, each operator is undertaking cost-saving and revenue-generating actions, as summarized below. Please note that estimates are presented in nominal dollars for FY 26:

- Fare increases that have already taken effect or which are starting in FY 26, with estimated increases ranging from $0.6 million to $14.7 million.
- Reductions in staffing expenses, services, and non-service fees, ranging between $15.3 million and $168.7 million (with the exception of Golden Gate, which did not provide information related to cost-cutting measures).
- It should be noted that savings aggregated for BART are not new cost savings available to close the deficit.

Furthermore, operators have maintained reserves in varying amounts (see below) that can potentially be used to help offset some of the shortfalls, at least in the immediate term until longer-term solutions can be secured:

- AC Transit - $119.4 million, which will run out in FY 28 if not continuously funded.
- BART – approximately $79 million, which will run out by FY 27 if not continuously funded.
- Caltrain - $26.9 million, which will run out by FY 27 if not continuously funded.
- Golden Gate - $53.8 million, which will run out by FY 27 if not continuously funded.
- SFMTA - $140.6 million, which will run out by FY 27 if not continuously funded.

Fair-share

Following an assessment of the operator-reported shortfalls, we also conducted fair-share analysis for the two regional rail operators, namely BART and Caltrain. Caltrain is actively in the process of negotiating with their member agencies on fair-share contributions and has provided several options under consideration, which we outline in the fair-share section of this report. For BART, we conducted high-level research into industry best practices to compare methodologies employed by different transit systems or agencies for allocating costs fairly across contributors like counties, stakeholders, or other jurisdictions. We reviewed allocation methodologies submitted by BART staff to allocate total system cost using BART revenues, BART costs, and contributions by county residents. We then developed example scenarios that allocate shortfall costs across four counties – Alameda, Contra Costa, San Francisco, and San Mateo. The examples use five primary factors or inputs, namely A.M. or all day boardings, population, property tax assessed value, and sales tax. Also, we provide a listing of additional factors identified in our research that could be used when discussing a solution.

We offer three overarching scenarios, along with illustrative contribution ranges by county, based on the following frameworks:

A. Benefit-based: uses A.M. and/or all-day boardings as primary inputs
B. Ability-to-pay: uses population, property tax assessed value, and/or sales tax as primary inputs
C. Hybrid: combines the above five inputs to varying degrees (based on weights).

Ultimately, our proposed methodologies for fairly allocating costs across the contributing counties for BART are meant to serve as starting points for the discussions between the operator and counties.

In summary, operators provided financial models supported by documentation and explanations for underlying assumptions to varying degrees. In the report, we detail what information was received and the limits of what we were able to validate based on operator-provided information as well as the scope of this engagement. The following are examples of the impacts of certain assumptions made by the operators:

- Caltrain's updated projected shortfalls are based on its FY 25 fully electrified service levels on the main line with service level increase planned in FY 29 to be in compliance with the service level requirement of the Full Funding Grant Agreement (FFGA) for the Peninsula Corridor Electrification Project.
- Golden Gate factors depreciation, which makes up an average annual 9.5% of total expenses over the FY 26 to FY 30 period, into their projected deficit, while no other operator includes this in their models. It should also be noted that Golden Gate's analysis includes the full cost of the Golden Gate Bridge, Highway and Transportation District.
- There appear to be some differences between State Transit Assistance (STA) amounts in SFMTA's financial model compared with information that MTC possesses. SFMTA's FY 25 estimates are $7.4 million less than the MTC February 28, 2024 fund estimate. SFMTA staff explained that they estimated less STA revenue than projected by MTC to plan for economic uncertainty. According to SFMTA, the magnitude of this difference from FY 26 to FY 30 is $38.9 million[1]
- It should also be noted that SFMTA's financial model projects an agency-wide budget and does not delineate between transit operations, street and safety and functionality, taxi and micro-transit, administration, and revenue generation.
- AC Transit's financial model shows a net operating surplus of $221.3 million for the FY 19 through FY 25 period which was partially allocated toward District Capital payments, operating and capital reserves, and OPEB pre-funding, with remaining funds held in working cash accounts. According to the operator, this approach has resulted in a larger-than-usual working cash balance, which for AC Transit is essential for managing cash flow fluctuations due to the timing of grant reimbursements and property tax receipts.

This reported deficit establishes a baseline for understanding the financial outlook for these operators at this point in time, understanding that projections may change as assumptions are modified. It also gives a sense of magnitude and context for actions taken – and planned – by the operators to mitigate the shortfalls using the unique levers available to each one. Finally, the projected shortfall serves as a starting point for allocating costs to contributing counties around fair-share, as well as sizing a potential regional sales tax measure to address the coming deficits.

[1] Information from SFMTA was received in late-May, outlining population and revenue-based changes from FY 25 to FY 30 totaling $38.9 million. Due to timing of providing this information, MGO was unable to confirm or validate this information to supporting documents.

Objective

MGO was engaged by the Metropolitan Transportation Commission (MTC) to perform a third-party review of projected budget deficits for specific Bay Area transit operators – namely Alameda-Contra Costa Transit District (hereafter, AC Transit); Bay Area Rapid Transit (hereafter, BART); Caltrain; Golden Gate Bridge, Highway & Transportation District (hereafter, Golden Gate); and San Francisco Municipality Transportation Agency (also referred to as SFMTA); and conduct fair-share analysis for select regional operators, BART and Caltrain. This report focuses on our review of the projected shortfalls provided by each of the transit operators, and our analysis of the fair-share methodologies we recommend for attributing operating costs to the relevant counties.

The review is meant to provide transparency, document financial information, and reporting of operating deficits across the operators, and information on potential fair-share allocation methodologies.

Our review of operator shortfalls focuses on operating deficits; as such, we consider operating budgets and forecasts only.

Scope and Methodology

To complete our shortfall analysis, we:

- Conducted operator-reported shortfall analysis based on data provided by each operator[2] and compared against publicly available documents as applicable. For instance:
    - We compared operator-provided data against financial projections presented to the various operators' governing bodies within the last several months (February to March 2025).
    - We compared FY 24 (FY 23 for AC Transit) data reported in the operator projections provided to us against audited financial statements like Annual Comprehensive Financial Reports (ACFRs).
- Reviewed cost-saving or revenue-generating actions taken as well as potential future opportunities.
- Reviewed operator reserves and assessed against operator reserve policies, where available.
- Assessed comparability of transfers between operating and capital budgets amongst the operators and determined whether capital project funding can support operations.
- Summarized how operators match service with demand.
- Researched the best practices around revenue-generation and cost-reductions in the transit industry, where available.
- Conducted industry research to compare operator assumptions against trends, where available.

Note that we supplemented operator-provided and publicly available financial information with interviews with each operator to better understand underlying assumptions and other supporting information for deficit forecasting. Additionally, the information presented in the report is based primarily on operator projections and financial models provided by the operators, but we point out assumptions and deviations from industry trends where available.

Our main period of review for the operators' financial information is for the five-year period from FY 26 through FY 30. Please note that we also reviewed actual revenue and expense data from FY 19 through FY 24, with FY 25 reported on a budget basis in order to assess the reasonableness of operator projections. The resulting analysis is based on the data that we have received to date from the operators, and we have identified areas where requested information was not provided to us. It should also be noted that this analysis is based on the transit operators' financial projections which are a point-in-time estimate of future financial performance that is

[2] Some operators provided partial data in response to MGO's requests. As a result, our analysis is based on what was made available to the MGO team.

dependent on many variables like regional economic conditions, ridership trends, federal policies and direction, and other inputs.

To complete our fair-share assessment, we:

- Reviewed existing agreements between the operators – Caltrain and BART – and their respective member agencies or contributing counties to ensure a full understanding of the background and state of historical contributions in order to inform our analysis for a future state
    - Specifically, we reviewed the following:
        - 1990 BART and SamTrans Comprehensive Agreement
        - 1999 Memorandum of Understanding between MTC, BART and SamTrans
        - 2006 BART Federal Funds Approval
        - 2006 BART Loan Extension and Repayment Agreement
        - 2007 Agreement between BART, SamTrans, and MTC
        - Caltrain's 1991 Real Property Ownership Agreement
        - Caltrain's 2008 Amendment to Real Property Ownership Agreement
        - Caltrain's 2022 Memorandum of Understanding
        - BART's 2020 Operating and Maintenance Agreement with Santa Clara Valley Transportation Agency.
- Reviewed and validated current (FY 24) county contributions to BART
- Interviewed staff from the following:
    - BART
    - Caltrain
    - Metropolitan Transportation Commission (MTC)
- Researched industry best practices in the following areas:
    - Fare surcharges, land donations, and land value capture, etc.

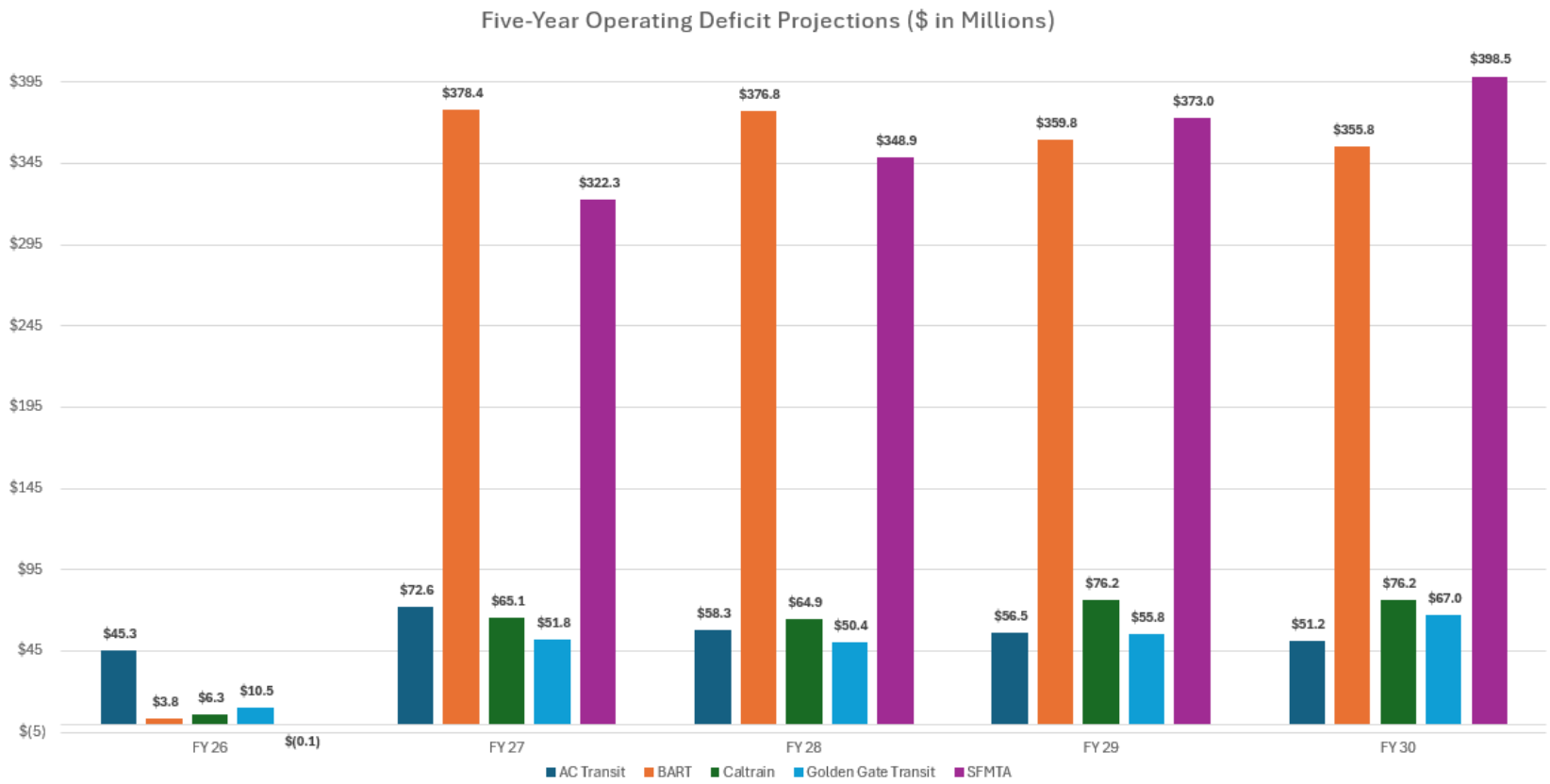
Shortfalls Analysis

Projected Deficits Across Operators

Chart 1 outlines the five-year revenue deficit projections for each operator based on information provided to MGO in February through April 2025. Based on the projected deficits provided by each operator, it is estimated that the total shortfall will be approximately $3.7 billion across the five operators, with BART and SFMTA projecting the largest deficits. Golden Gate was the only operator to include depreciation within expenses. When depreciation is removed from expenses, the deficit decreases from a projected $236.5 million to $86.6 million between FY 26 through FY 30. It should be noted that Golden Gate also provided adjusted, but unvalidated, numbers based on updates to their FY25/26 Proposed Budget in mid-May 2025.[3]

[3] Due to timing and lack of documentation, we are unable to adjust the deficit projections per recent updates. However, Golden Gate staff shared that their FY25/26 Proposed Budget deficit is $16.7 million, up from the $10.5 million shown in Chart 1. Golden Gate also included adjustments to their deficit for the following: FY 27: $58.0 million, FY 28: $53.4 million.

Chart 1: Five-Year Deficit Projections for Each Operator (FY 26 through FY 30)



Source: MGO-generated based on the information provided by each operator. Please note that all graphics throughout report are created by MGO unless otherwise stated.

In the following section, we delve into the revenues, expenses, and projected deficits of each operator in alphabetical order.

AC Transit

Reviewing AC Transit we can see that from FY 26 to FY 30, revenues are anticipated to grow at a lower average annual rate (1.3%) than expenses (3.2%), largely driven by increased labor costs, employee pension, and other operating services increasing faster than assumptions on parcel and sales tax and farebox revenue recovering from pre-pandemic levels.

Revenues

Chart 2 outlines AC Transit's projected revenues including a slight increase from FY 25 to FY 30. This is primarily attributed to a relative rise in ridership, which is projected to approach FY 19 levels by FY 30. Increases to revenue projections are also related the two-phase fare adjustment effective July 1, 2025, with phase two beginning July 1, 2026.[4] AC Transit's financial model projects a large share of future revenues to come from non-fare sources, in particular property, parcel, and sales tax (including State Transit Assistance - STA). The Federal Transit Administration (FTA) notes the permanent changes in travel patterns due to the increase in remote and hybrid work that has led to a higher reliance on state and local funding, for instance.[5] It should be noted that funding from Regional Measure 3 (RM 3) and California's Senate Bill (SB 125) shows a significant decline, primarily due to SB 125 being a temporary two-year funding measure and MTC's decision to swap SB 125 funds with RM 3 funds in FY 25 for regional funding optimization. As a result, RM 3 funding peaked in FY 25 and then drops, declining 86% from $21.0 million in FY26 to a projected $3.0 million annually from FY 27 through FY 30. However, we received information from MTC staff that AC Transit's projection of $3.0 million per year in RM3 funding for FY 27 to FY 30 may be an underestimate; it was shared by MTC that RM 3 funding for express bus service is estimated to be around $18 million per year, with AC Transit potentially receiving a significant portion annually. However, AC Transit staff shared that with anticipated reductions in Transbay service, which directly affects eligibility for RM 2 and RM 3 funds, it would be premature for the operator to assume continued or increased funding at the levels estimated by MTC.[6]

We observed two trends in recurring subsidies. The first trend is property and parcel taxes, which averaged a 6.1% annual increase from FY 19 through FY 24, grow at 3.4% annually in FY26 and 4.3% after. Additionally, sales tax peaked at $294.4 million in FY 24 before a projected decline beginning FY 25 through FY 26. Sales Taxes are projected to increase to $301.6 million by FY 30. This lines up with the Transportation Development Act's expected based on the Governor's proposed budget released in January, 2025.[7]

AC Transit does not formally include capital transfers in its operating budget totals, with capital spending reflected as net surpluses in the operating budget, though we requested that AC Transit include capital transfers for the FY 19 to FY 25 period, which they included in an updated model. While future capital spending is not typically projected in the forecast, capital budgets are planned, according to the operator. Given the anticipated deficits for the next fiscal year, AC Transit reports that it is working to more formally address this aspect of its overall financial picture going forward.

It should be noted that AC Transit's model still showed $221.3 million in operating surpluses from FY 19 through FY 25 which were partially allocated toward District Capital payments, operating and capital reserves, and OPEB pre-funding, with remaining funds held in working cash accounts. According to the operator, this approach has

[4] Alameda Post: AC Transit Board of Directors approved a two-phase fare adjustment, raising the local adult cash fare by 25 cents, from $2.50 to $2.75, and increasing the Transbay cash fare from $6 to $6.50, effective July 1, 2025. A second 25-cent increase will bring the local cash fare to $3 effective July 1, 2026.

[5] Federal Transit Administration: Effects of the COVID-19 Pandemic on Transit Ridership and Accessibility

[6] It should be noted that AC Transit is the region's largest provider of express bus service and their cautious RM 3 funding estimates likely translate to the overstating of their projected shortfalls.

[7] MTC Programming and Allocations Committee: MTC Resolution No. 4688. FY 2025-26 MTC Fund Estimate

resulted in a larger-than-usual working cash balance, which for AC Transit, is essential for managing cash flow fluctuations due to the timing of grant reimbursements and property tax receipts.

Staff stated that as the District faces ongoing deficits, it is taking steps to more formally project and incorporate capital spending into its financial planning to ensure long-term sustainability.

Chart 2: AC Transit Total Revenue Projections Compared to FY 19 to FY 24 Actuals

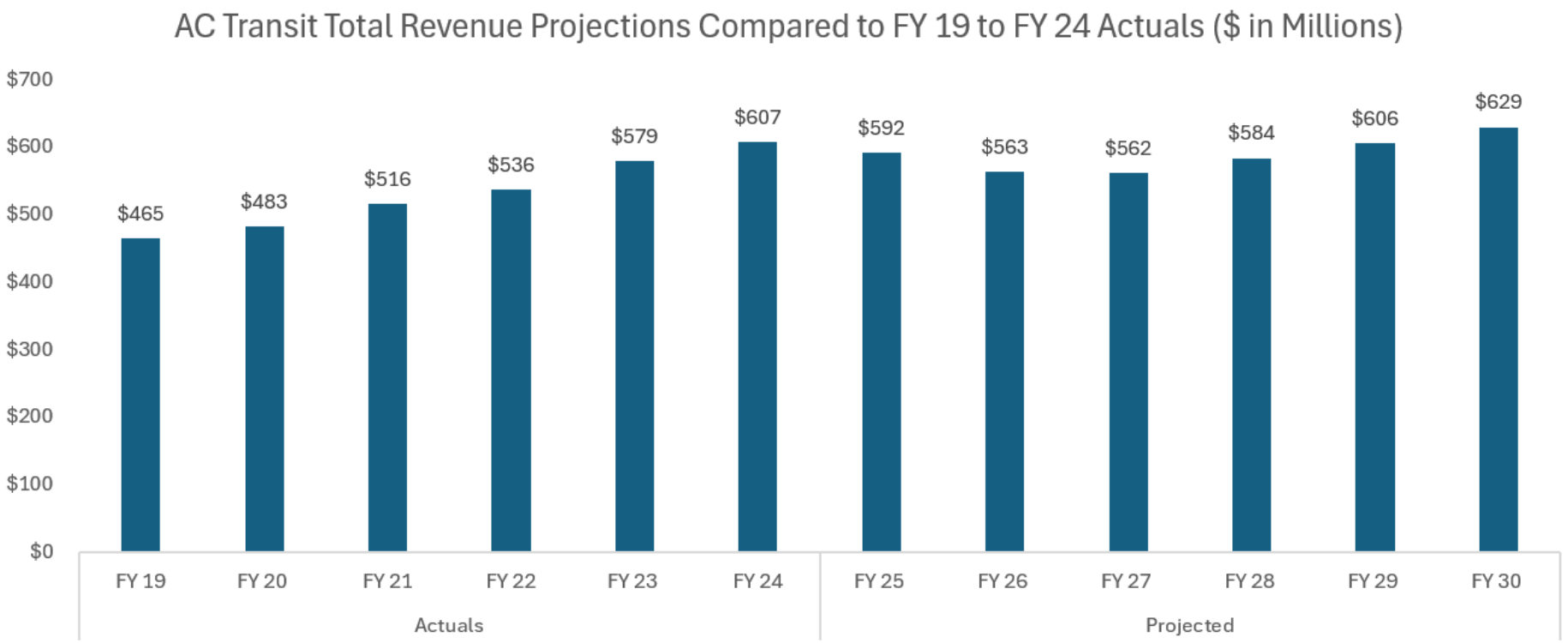


Table 1 below presents the top five projected revenue sources for FY 26, along with their respective percentages of the total revenue.

Table 1: AC Transit's Top Five Projected Revenues in FY 26

Revenue Source	Total Revenue	Percentage of Total Revenue
Sales Taxes	$261 million	46%
Property and Parcel Tax	$200 million	35%
Farebox	$37 million	7%
Emergency Assistance (State)[8]	$21 million	4%
Other Operating Revenues	$18 million	3%

AC Transit is predicting lower fare recovery likely due to service changes, namely reducing commuter routes and increasing local routes which charge lower

[8] AC Transit's financial model does not disaggregate RM 3 from SB 125 funding.

fares. We requested additional information related to these service changes and their impacts on fare recovery, but the information was not available prior to issuance of this report. Additionally, AC Transit reported in late April 2025 that they are projecting a $3 million to $4 million reduction in FY 26 expenses based on current performance. This downward adjustment has not been reflected in any of the tables or charts in this report.

Expenses

The following is an overview of AC Transit's expense projections. Chart 3 outlines an upward trend in expenses for AC Transit. From FY 26 to FY 30 labor expenses will average 58% of all expenses,[9] while the next highest expenses of that period of time is purchased transportation at 10.3%. Two expense categories with notable growth from FY 26 to FY 27: liability and insurance increase by 10%, and the purchased transportation cost rises by 12%, the latter due to the signing of a new, five-year contract to provide transportation services. Additionally, AC Transit projects an 18% decrease in pension contributions starting in FY 28, dropping from $67.2 million in FY 27 to $55 million FY 28. With these adjustments, expenses are projected to grow at a rate of 3% from FY 26 to FY 30.

[9] AC Transit noted that they typically report nearly 70% of expenses are attributable to labor, which includes pension expense. MGO's analysis did not account for pension cost within the labor line item, hence the difference. However, had we included pension cost to labor, the total would have amounted to 69% of all expenses.

Chart 3: AC Transit Total Expense Projections Compared to FY 19 to FY 24 Actuals

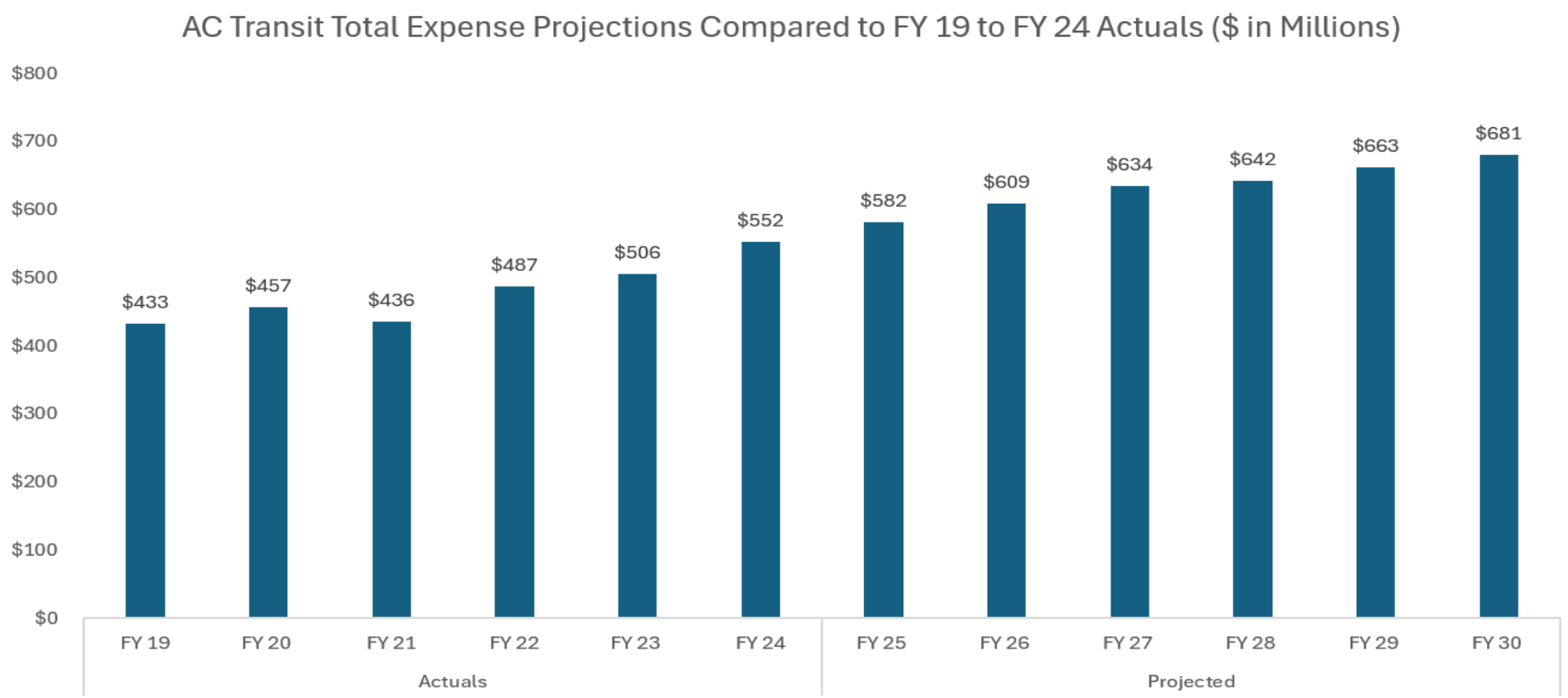


Table 2 below presents the top five projected expense sources for FY 26, along with their respective percentages of the total expenses.

Table 2: AC Transit's Top Five Projected Expenses in FY 26

Expense Source	Total Expenses	Percentage of Total Expenses
Labor	$351 million	58%
Employee Pension	$65 million	11%
Purchased Transportation	$58 million	10%
Operating Services	$50 million	8%
Liability and Insurance	$29 million	5%

BART

Based on BART's financial model, we can see that from FY 26 to FY 30, revenues are projected to decrease by 2.9%, which can be attributed to a 26.5% decrease from FY 26 to FY 27. Over that period, expenses are projected to increase (2.7%). If you capture revenues from FY 28 to FY 30, revenues increase by 3.5%. The drop in revenue between FY 26 and FY 27 is due to the expending of SB 125 state and regional assistance in FY 26, meanwhile expenses continue to be driven by annual wage and total benefit increases.

Chart 4 outlines BART's revenue data for FY 19 through FY 30 broken out by total financial assistance, total net rail passenger revenue, and remaining revenue sources, which includes non-fare revenue such as investments, advertising, parking and other operating revenue. The largest revenue for BART from FY 26 to FY 30 is sales tax which is projected to account for 36.7% of revenue, while the second largest is farebox at 31.1%. While all operators project a decrease in revenue from FY 26 to FY 27, BART's decline is the largest at 26%. As noted above, this is mostly attributed to a $308.0 million decrease from emergency assistance (SB 125) funds. Following this dip, revenue is expected to steadily increase by an average of 3.0% annually from FY 27 through FY 30 due to forecasted ridership growth and the continuation of biennial inflation-based fare increases.[10]

While most line-items project increases in revenue, parking revenue is expected to significantly decrease. Based on projections, BART anticipates a decrease in FY 25 due to uncertain parking agreements with private entities and reduction in monthly parking passes, followed by a steady 3% increase starting in FY 27. Still, the FY 30 projection is $19.0 million less than the revenue reported in FY 19. It appears this revenue decline may be linked to farebox declines, as the purchases of daily and monthly parking permits have decreased alongside ridership declines.

[10] BART FY 25 & FY 26 Adopted Budget: Other revenue includes concessions, special fees and permits, parking citations, the Capitol Corridor Joint Powers Authority's (CCJPA) overhead recovery, and other miscellaneous sources.

Chart 4: BART Total Revenue Projections Compared to FY 19 to FY 24 Actuals

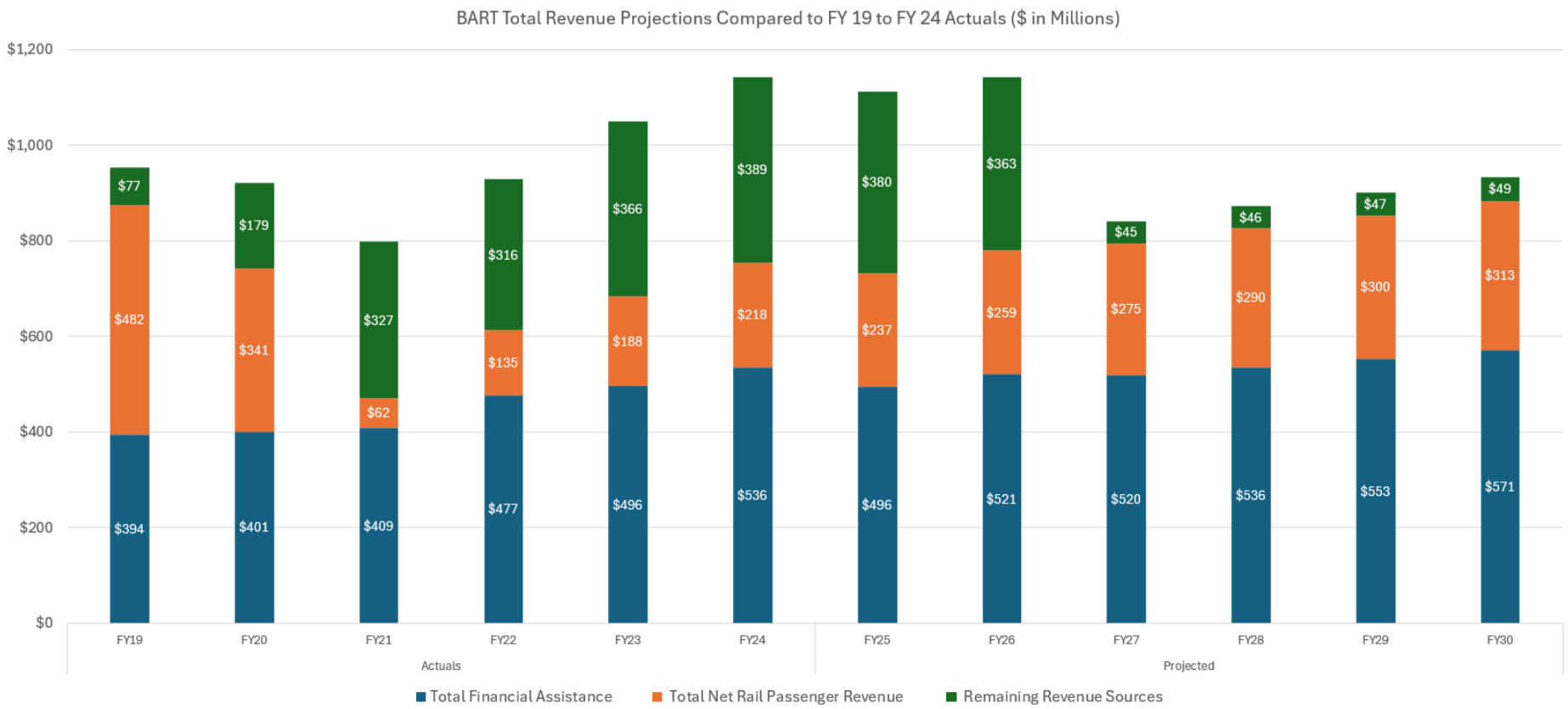


Table 3 below presents the top five projected revenue sources for FY 26, along with their respective percentages of the total revenue. As a note, the total emergency assistance includes SB 125 and state and regional assistance.

Table 3: BART's Top Five Projected Revenues in FY 26

Revenue Source	Total Revenue	Percentage of Total Revenue
Sales Tax	$318 million	28%
Emergency Assistance (State)	$308 million	27%
Farebox	$259 million	23%
Property Tax	$66 million	6%
State Transit Assistance	$42 million	4%

Expenses

BART's expenses in Chart 6 outline an average annual increase of 3.0% from FY 26 to FY 30. From FY 26 to FY 30, BART's largest expenses are wages and total benefits, which account for over 50% of their total expenditures. The most significant increase (4.2%) occurs between FY 26 and FY 27. During this period, other non-labor expenses increased by $9.9 million, from $143.5 million to $154.0 million, before stabilizing at an average of $152.0 million from FY 27 through FY 30. Additionally, investment in budget initiatives shows an increase from $20.5 million to $27.2 million between FY 26 and FY 27. The forecasted amounts are placeholders for current budget initiatives to be implemented based on reporting from the operator. Examples include an initial hiring freeze from FY 26 through FY 30, debt service refunding in FY 27, and revised CalPERS projections FY 27 through FY 29.

We observed a decline in three specific areas from FY 20 to FY 21, likely due to the pandemic: overtime, purchased transportation, and Clipper fees. The largest was overtime, which saw a 34% reduction from $75.5 million to $49.9 million over this period.

Note that for the purposes of our analysis, we considered all uses of funds within BART's financial model as expenses, which includes capital allocations.

Chart 5 BART Total Expense Projections Compared to FY 19 to FY 24 Actuals

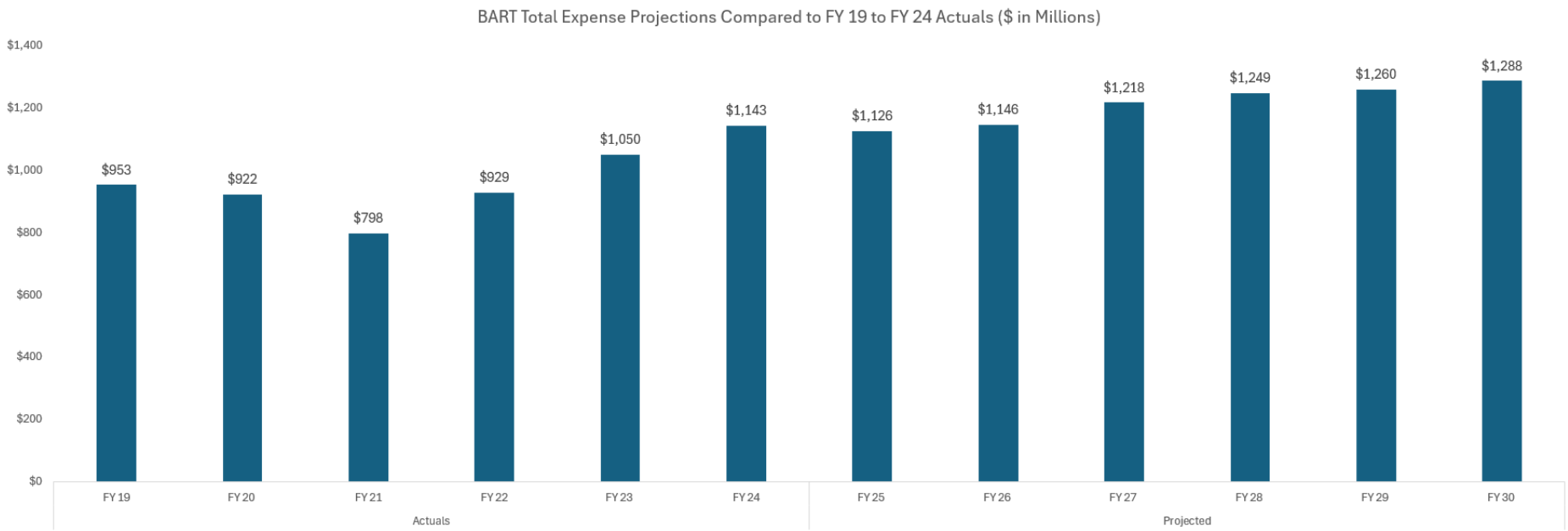


Table 4 below presents the top five projected expense sources for FY 26, along with their respective percentages of the total expenses.

Table 4: BART's Top Five Projected Expenses in FY 26

Expense Source	Total Expenses	Percentage of Total Expenses
Labor	$712 million	62%
Other Non-Labor	$144 million	13%
Power	$65 million	6%
Bond Debt Service	$60 million	5%
Capital Allocations	$46 million	4%

Caltrain

Revenues

Reviewing Caltrain's financial model, we can see that from FY 26 to FY 30, revenues are anticipated to grow at a slower rate (4.8%) than expenses (7.3%), largely driven by a reduction of operating grants from FY 26 to FY 27 (of 68.0%) and increases to rail operator and wages and salary expenses. To help combat its deficit, Caltrain anticipates using $30.6 million in remaining fund balance along with $25.4 million in emergency assistance (SB125) toward its projected deficit in FY 26, bringing it down to $6.3 million. It is not anticipated that fund balance or SB 125 funds will be available in FY 27 or beyond, and if these funds were not available in FY 26, the operating deficit would be approximately $61 million in FY 26.

Chart 6 outlines a significant decline in Caltrain's revenue for FY 27. From FY 26 to FY 27, a 6.4% reduction in revenue occurs, resulting primarily from a decrease in operating grants from $37.3 million to $11.9 million. Caltrain's largest source of revenue, accounting for an average of 54.3% of all revenue from FY 26 to FY 30 is Measure RR. This is followed by farebox revenue which accounts for 31.9% over the same period. Caltrain's projected ridership is forecasted to grow an average of 10.1% annually between FY 26 and FY 30. Fare increases are under review and are assumed to be 4% in FY 26, 5.5% in FY 27, 3.9% in FY 28 and 3% thereafter.

The large increase in FY 22 can be attributed to $116.0 million in one-time revenue from ARPA funding and $97.2 million from Measure RR. Originally, actual revenue in FY 22 totaled $263.8 million. However, a one-time $80.0 million transfer to capital expenses reduced the available revenue to $183.8 million. A similar adjustment occurs in FY 26, reflecting a one-time $25.0 million transfer from SB 125 to operating funds. Additionally, $60.0 million is expected to be used to cover the operating deficit across FY 25 and FY 26.

Chart 6: Caltrain Total Revenue Projections Compared to FY 19 to FY 24 Actuals

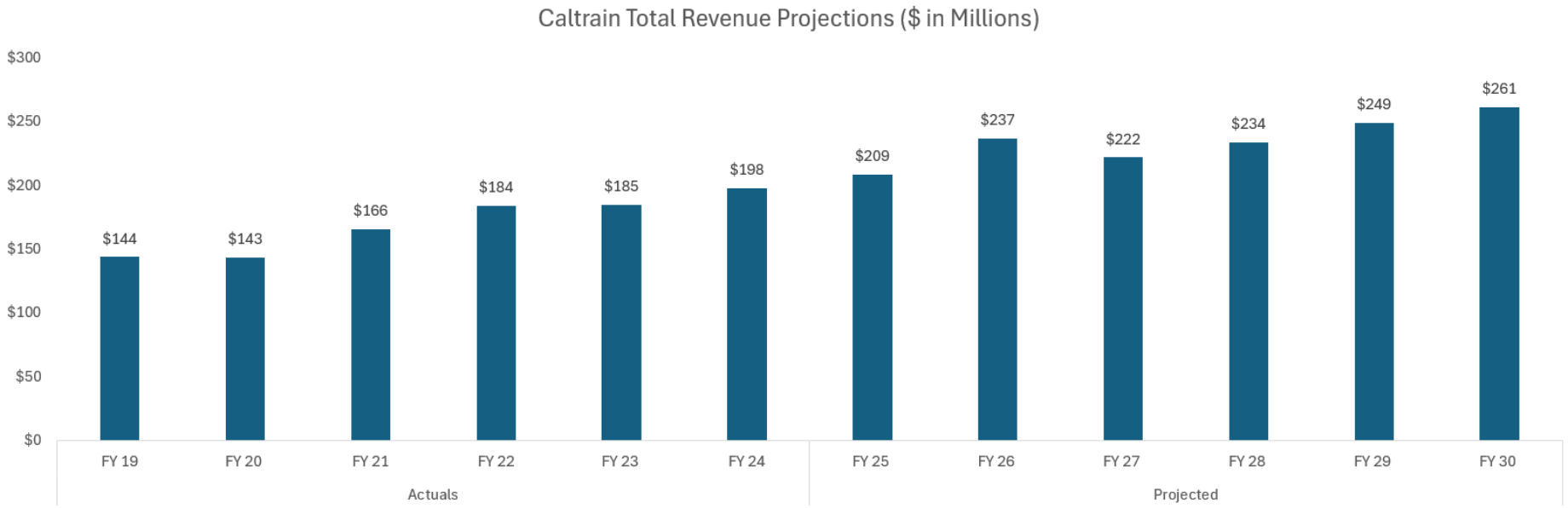


Table 5 below presents the top five projected revenue sources for FY 26, along with their respective percentages of the total revenue.

Table 5: Caltrain's Top Five Projected Revenues in FY 26

Revenue Source	Total Revenue	Percentage of Total Revenue
Measure RR	$124 million	52%
Farebox	$61 million	26%
Emergency Assistance (State)	$25 million	11%
Operating Grants	$12 million	5%
Other Operating Revenue	$8 million	3%

Expenses

While Chart 7 shows Caltrain's expenses are rising, the annual growth rate decreases from a 15% increase from FY 26 to FY 27, down to 3.6% in FY 30, averaging increases of 7.3% over this period. This is a higher growth rate than other operators in this assessment. Rail operator expense is the largest expense for Caltrain, which averages out to 46.8% of all expenses from FY 26 to FY 30. Caltrain recently shared a breakdown of labor and non-labor expenses that make up the rail operator category for FY 25 and FY 26 only: labor makes up on average 72.9%, with materials and other services accounting for the remainder of the cost. This is followed by other operations during the same timeframe at 11.3%, which includes shuttle, timetable, tickets, utilities, and maintenance. On average, from FY 26 to FY 30, 6.6% of their expenses come from electricity for traction. Like its peers, Caltrain is projected to increase its insurance, claims, reserves, and payments expenses by $10 million from FY 26 to FY 30, rising from $15.0 million to $25.3 million.

The debt service expense began in FY 20 and is expected to rise from a projected $8.0 million in FY 25 to $13.1 million in FY 26 to include principal repayment, and it is projected to remain at the same level through FY 30.

Chart 7: Caltrain Total Expense Projections Compared to FY 19 to FY 24 Actuals

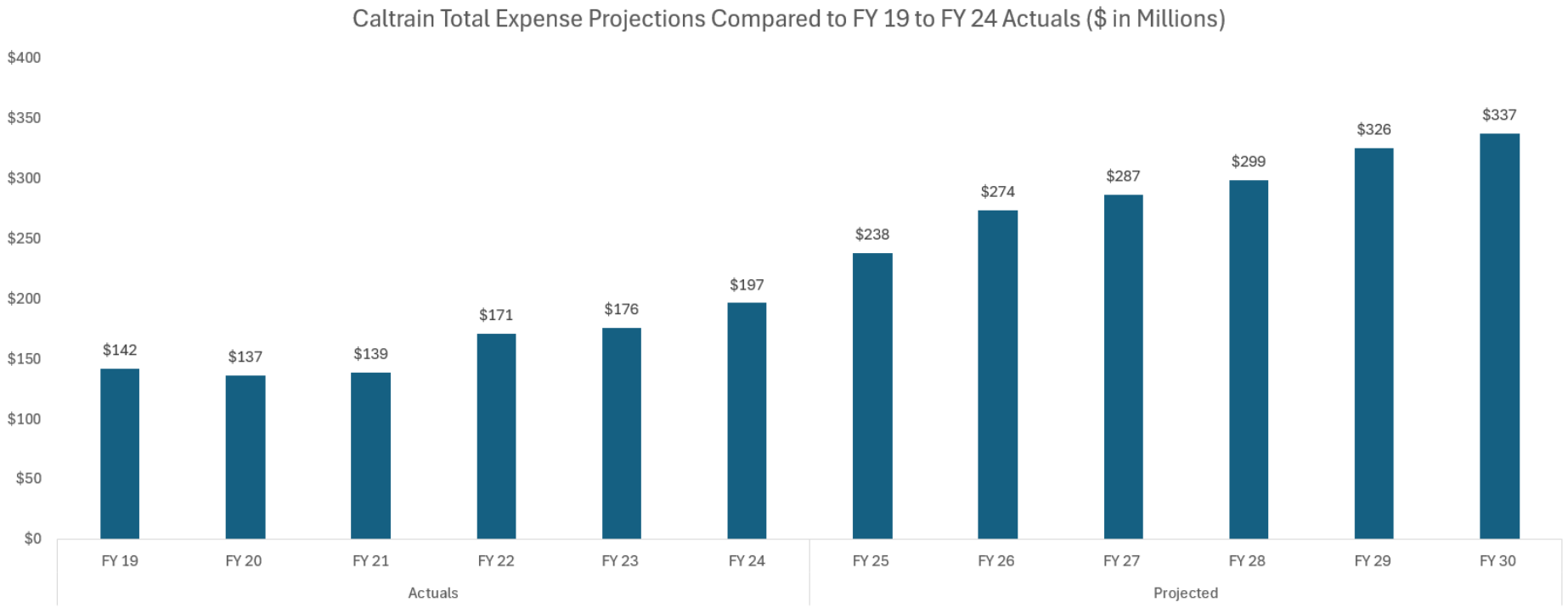


Table 6 below presents the top five projected expense sources for FY 26, along with their respective percentages of the total expenses.

Table 6: Caltrain's Top Five Projected Expenses in FY 26

Expense Source	Total Expenses	Percentage of Total Expenses
Rail Operator	$125 million	46%
Wages and Salary	$21 million	8%
Insurance, Claims, Reserves and Payments	$17 million	6%
Electricity for Traction	$17 million	6%
Communications, System Engineering and Operations (Clipper/TVM/Parking)	$14 million	5%

The fourth highest expense for Caltrain is electricity for traction. Per Caltrain, electric rates have risen significantly in California over the past five years and subjected Caltrain to market risk. However, recent news indicates that their electric fleet is more efficient than expected, due to regenerative braking.[11] As a result, they are revising electricity cost estimates downwards by $3 million annually. During the monthly Board of Directors meeting, the agency reported that regenerative braking on the new trains is generating and returning approximately 23% of the energy consumed by the system back to the electric grid; however, according to staff, Caltrain currently does not receive any compensation or credit for the significant amount of energy that is being exported to the grid. The operator reports that they are continuing to explore market regulatory and project opportunities to capture the value of the energy being exported to the grid in an effort to capture efficiencies and further reduce operating costs moving forward.

Golden Gate

Revenues

The financial information in this report, unless otherwise noted, refers to the entire Golden Gate Bridge, Highway & Transportation District, which includes the Golden Gate Bridge as well as the Transit division that operates buses and ferries. Where we are referring specifically to the Transit division, we will use "Golden Gate Transit."

Golden Gate's financial model shows that from FY 26 to FY 30, revenues are anticipated to grow at a slower rate (2.6%) than expenses which equates to 2.9% with depreciation removed, or 4.1% if included. This is caused by a $35.5 million increase in SB 125 funding from FY 25 to FY 26 (from $2.8 to $38.3 million) before funding is projected to be expended. It is important to note that Golden Gate's financial projections were developed in Fall 2024, prior to the Metropolitan Transportation Commission (MTC) clarifying its intent to allocate RM 3 funds and a portion of Senate Bill 125 (SB 125) through a specific disbursement methodology. MTC has utilized—or plans to utilize—approximately $5.9 million in RM 3 funding, which will result in a corresponding reduction in SB 125 allocations by the same amount, thereby adjusting the available SB 125 funding to $35.2 million. Due to this change, budgeted figures in FY 25 were changed from $238 million to $235 million and $283 million to $280 million in FY 26 according to information received May 15, 2025.

[11] Mass Transit: Caltrain's Electric Fleet More Efficient than Expected

The current projections assume an annual allocation of approximately $0.65 million from RM 3 and $2.2 million from RM 2 over the ten-year period spanning FY 26 through FY 35. It should be noted that the $0.65 million RM 3 estimate may be conservative, according to MTC's estimates, and could therefore potentially overstate the magnitude of their projected shortfall. The distribution of future RM 3 funds, some of which may be allocated to Golden Gate, may further reduce their operating deficit in FY 27 and beyond.

The largest revenue from FY 26 to FY 30 is bridge tolls, accounting for 69.5% of all revenue on average annually. This is followed by federal, state, and local funds at 9.8% and transit fares at 9.0% during the same timeframe. Chart 8 outlines a one-time payment during FY 26 of $38.3 million in funding from SB 125 for Golden Gate, resulting in a revenue reduction in FY 27. The slight revenue increases thereafter are attributed to bridge toll income which accounts for an average of 69.5% of all revenue from FY 26 to FY 30. However, it is expected that the District will no longer receive investment income as reserves are expected to be depleted for capital projects in the near future. Per recent information provided by the operator, this would result in an approximately $9.5 million decrease in revenues from FY 26 through FY 30. However, documentation was not provided to support this update, and the information presented in the below chart and other relevant areas have not been updated to reflect this adjustment.

Chart 8: Golden Gate Total Revenue Projections Compared to FY 19 to FY 24 Actuals

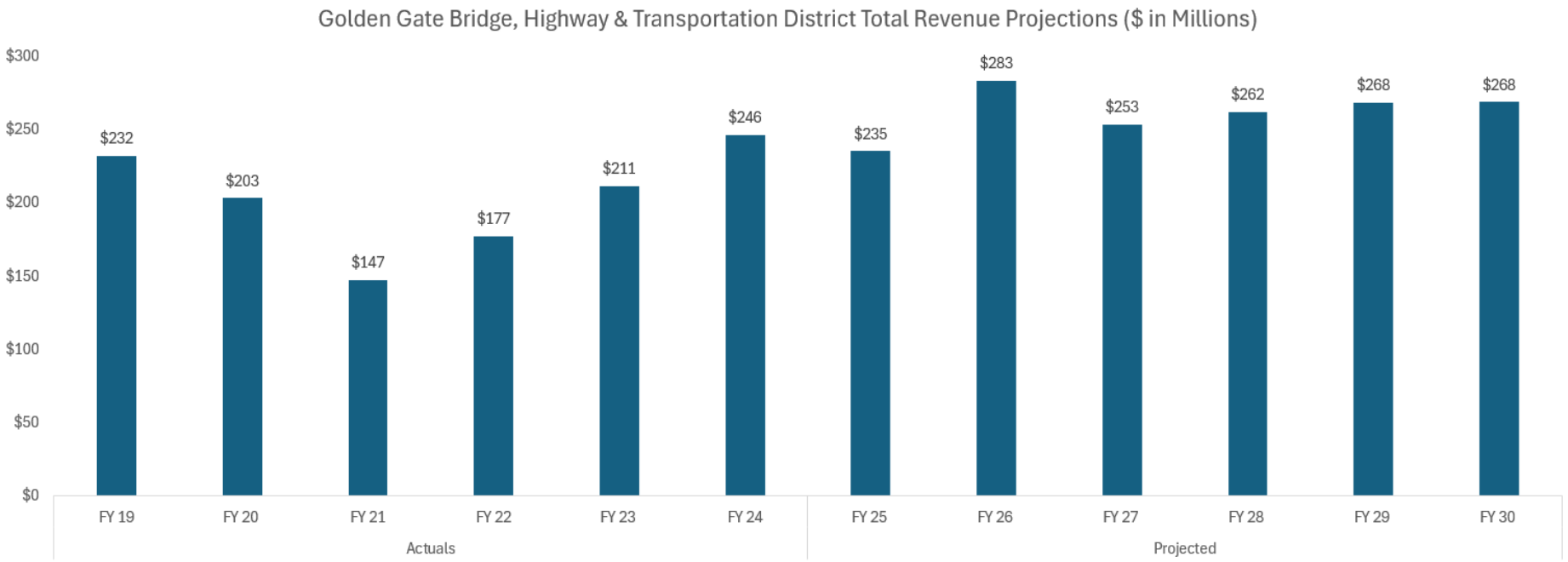


Table 7 below presents the top five projected revenue sources for FY 26, along with their respective percentages of the total revenue.

Table 7: Golden Gate's Top Five Projected Revenues in FY 26

Revenue Source	Total Revenue	Percentage of Total Revenue
Bridge Tolls	$168 million	59%
Emergency Assistance (State)	$38 million	13%
Federal/State/Local Funds	$25 million	9%
Transit Fares (bus and ferry)	$23 million	8%
MCTD Contract Funds	$12 million	4%

Expenses

Chart 9 outlines a steady increase in Golden Gate's expenses, primarily driven by salaries and fringe benefits, as well as depreciation. From FY 26 to FY 30, salaries will be the operator's largest expense and account for 30.2% of all expenses, whereas fringe benefits account for 27.8%. The table below outlines the differences if depreciation is included versus removed. Depreciation accounts for an average of 9.5% of expenses from FY 26 to FY 30.

Chart 9: Golden Gate Total Expense Projections Compared to FY 19 to FY 24 Actuals

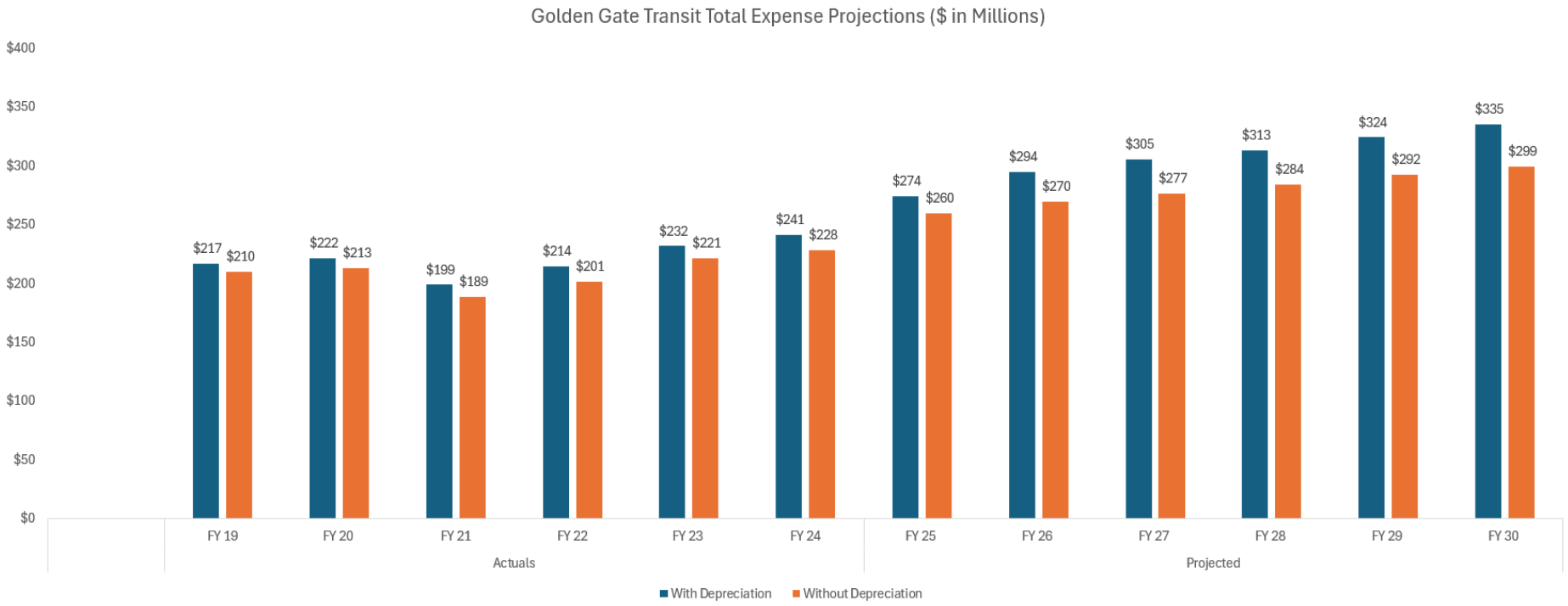


Table 8 below presents the top five projected expense sources for FY 26, along with their respective percentages of the total expenses.

Table 8: Golden Gate's Top Five Projected Expenses in FY 26

Expense Source	Total Expenses	Percentage of Total Expenses
Salaries	$90 million	31%
Fringe Benefits (Incl PR Taxes)	$81 million	27%
Professional Services	$38 million	13%
Depreciation	$25 million	8%
Repair and Operating Supplies	$12 million	4%

SFMTA

Revenues

Reviewing SFMTA, we can see that from FY 26 to FY 30, revenues are anticipated to decrease 19.6% in FY 27 due to federal and state relief ending in FY 26, which is projected to account for 17.2% of FY 26's budget. From FY 28 onward, revenues are projected to increase 3.0%.

Chart 10 outlines SFMTA's total revenue and projections from FY 19 through FY 30. The largest revenue source from FY 26 to FY 30 will be the general fund at 43.2%, while the next closest are the parking fund at 21.2% and operating grants at 19.0% during the same timeframe. When comparing the fluctuations in revenue with other operators, SFMTA projects a slow but steady increase in revenue from FY 27 to FY 30, as compared to FY 26. SFMTA is anticipated to achieve annual increases of 4.5% in parking and transit revenues from FY 26 to FY 30, alongside 2% annual increases in operating grants, based on assumptions from a five-year financial plan received from the operator. Additionally, a 2.2% increase in general fund revenues is expected between FY 26 and FY 30.

Chart 10: SFMTA Total Revenue Projections Compared to FY 19 to FY 24 Actuals

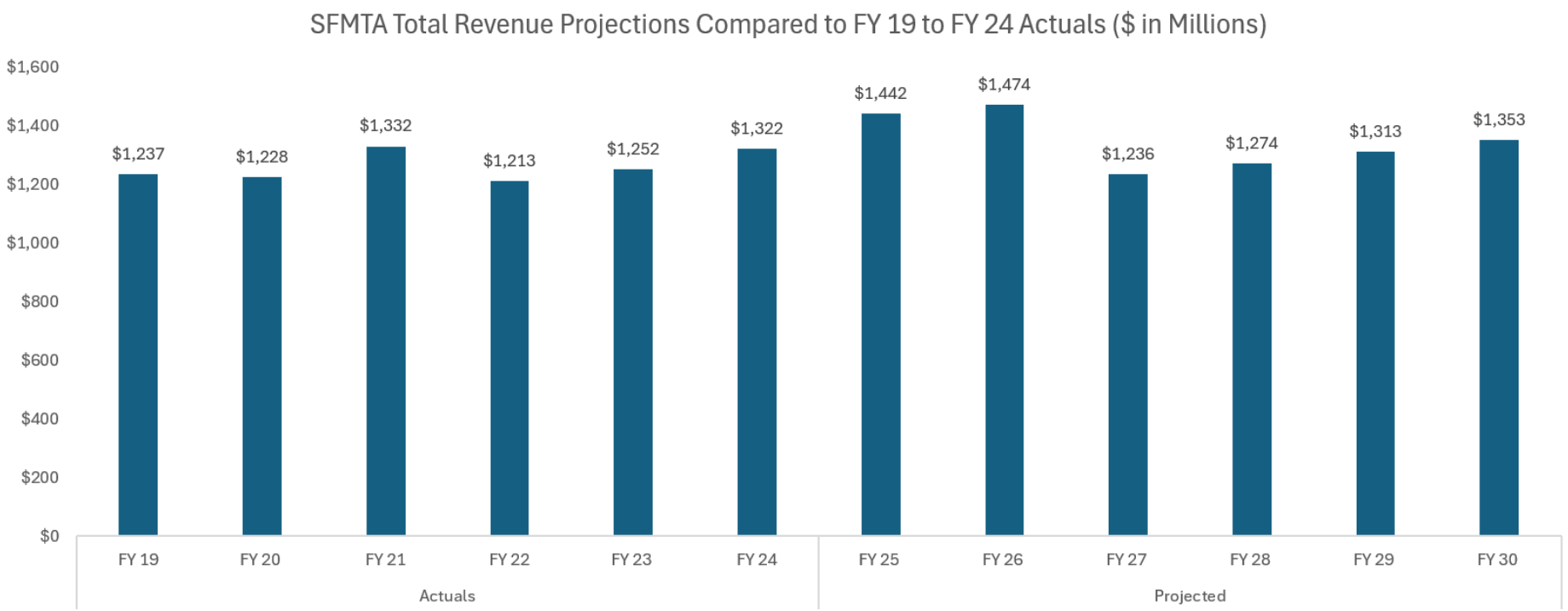


Table 9 below presents the top five projected revenue sources for FY 26, along with their respective percentages of the total revenue.

Table 9: SFMTA's Top Five Projected Revenues in FY 26

Revenue Source	Total Revenue	Percentage of Total Revenue
General Fund	$547 million	37%
Parking Revenue	$257 million	17%
Emergency Assistance (Federal and State)	$254 million	17%
Operating Grants	$240 million	16%
Farebox	$114 million	8%

Expenses

Chart 11 outlines a consistent upward trend in expenses for SFMTA, though the data reveals several areas where percentage increases decline before stabilizing. Specifically, from FY 25 to FY 26, there is a 23% reduction in projected spending on Other Expenditures. Among the expenses provided by the operator, two of the six categories—other expenses, which account for less than 2% of annual expenses from FY 26 through FY 30. The largest expenses during this period are labor, comprising 63%, and non-personnel services, which include items such as rent, insurance, worker's compensation, and non-personnel services, at 18%.

Chart 11: SFMTA Transit Total Expense Projections Compared to FY 19 to FY 24 Actuals

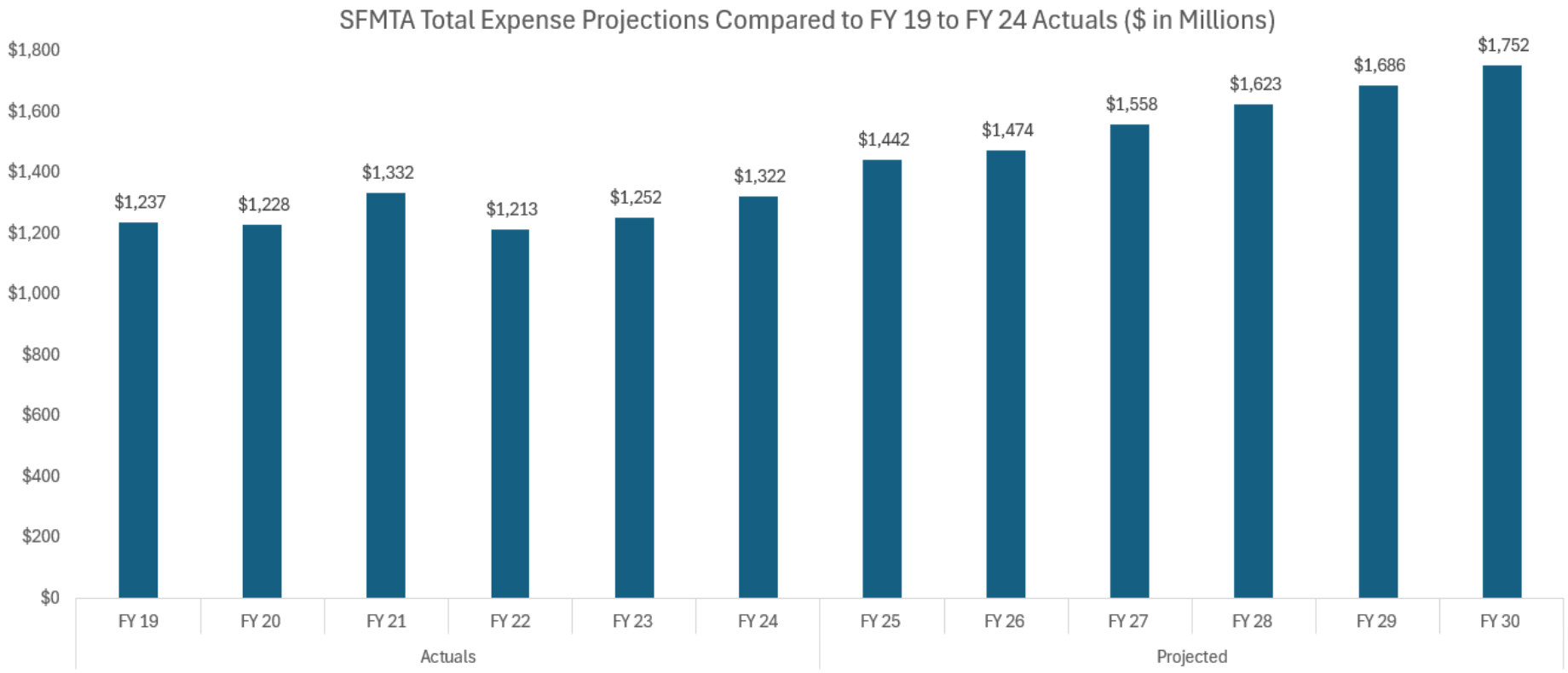


Table 10 below presents the top five projected expense sources for FY 26, along with their respective percentages of the total expenses.

Table 10: SFMTA's Top Five Projected Expenses in FY 26

Expense Source	Total Expenses	Percentage of Total Expenses
Labor	$932 million	63%
Non-Personnel	$274 million	19%
Services of Other Departments	$131 million	9%
Materials & Supplies	$106 million	7%
Debt Service	$28 million	2%

Operator Comparatives

Revenues

The major revenue sources for transit operators vary significantly in terms of detail, however fare revenue was a primary source of income for Caltrain, BART, and Golden Gate (if you include toll revenues) prior to the pandemic. During the pandemic and beyond, the operators relied heavily on federal and state emergency funds via the Coronavirus Aid, Relief, and Economic Security Act (CARES); the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA); the American Rescue Plan Act (ARPA or ARP), and California Senate Bill 125 (SB 125) to make up the loss in fare revenues and other related revenue sources like parking, advertising, and tolls, etc.

While the pandemic-related federal emergency funds are due to be fully expended by FY 26 for all operators, other sources of financial assistance serve as a major revenue source for operators, though to varying degrees.

It should be noted that only four of the operators provided financial models, meanwhile Golden Gate provided financial information in the format of various documents. Nonetheless, the organization and granularity of the data differed across all operators. For example, in the financial assistance category, BART breaks their information down into specific areas such as sales tax, property tax, different types of state assistance, and other local/federal assistance (VTA financial assistance, Measure BB, Measure J, etc.). In contrast, for instance, SFMTA groups all financial assistance – which includes sales tax/AB 1107, STA, TDA, other state grants, etc. – into a single line item called "operating grants." One notable difference as alluded to above is the proportion of financial assistance to total revenue across operators, with AC Transit at an annual average from FY 26 to FY 30 of 90.5%, Caltrain at 64.5%, BART at 58.3%, SFMTA at 19.0%, and Golden Gate at 18.3%. By contrast, SFMTA's main revenue source is from the CCSF General Fund, which accounts for on average 43.2% of their total revenue from FY 26 to FY 30.

Farebox Revenue

One of the primary sources of revenues, particularly for Golden Gate Transit, Caltrain, and BART pre-pandemic, was fare (and toll) revenue. Fare (bus and ferry) revenue made up 15.2% (and toll revenue 62.4%) of Golden Gate's total operating revenues in FY 19, and over half of Caltrain's (55.4%) and BART's (50.7%) for the same year. The remaining operators, SFMTA (which operates Muni) and AC Transit relied less on farebox revenue based on FY 19 when fare revenue accounted for 23.0% and 12.3% of SFMTA and AC Transit's total operating revenues, respectively. As shown below, farebox revenue experiences a significant decline due to the pandemic. Collectively, the five operators anticipate their revenues to be, on average, 16% lower than their FY 19 figures by FY 30. However, it is likely that the 16% decline understates the loss in fare revenue, as no operator anticipated fare revenue to remain flat between FY 19 and FY 30. In fact, most if not all were anticipating growth over this period. It should also be noted that each operator relies on farebox revenue to varying extents, as has been noted elsewhere in this report.

Nonetheless, all operators experienced a drop in fare revenue during and post-pandemic. For the following sections, we include only fare (bus and ferry) revenue for Golden Gate so that we are only comparing farebox revenue across operators. Table 11 shows the percentage decline when comparing FY 24 (latest available actuals during our engagement period) fare revenues against those in FY 19. Operators' financial models and/or documentation (in the case of Golden Gate) show the percentage that fare revenue makes up of their total revenues declining between 6.7% (AC Transit) and 47.6% (Caltrain), the largest decline of any operators from FY 19 compared to FY 24. The second to last column of Table 11 outlines each operator's average forecasted farebox revenue from FY 26 through FY 30 as a percent of total forecasted revenue over the same period, with BART and

Caltrain projecting over 30.0%, Golden Gate and SFMTA projecting approximately 9.0%, and AC Transit projecting 6.7% average over that time period.

The last column of Table 11 shows a comparison of average forecasted ridership growth across operators for the FY 26 to FY 30 period. Assumptions underlying projections vary significantly across operators, from an average of 1.2% forecasted ridership growth for SFMTA (from FY 26 to FY 29) to 10.1% for Caltrain, with BART projecting from FY 26 to FY 30 an average of 3.2%, and 4.2% for AC Transit over the FY 26 to FY 30 period.

During our engagement Golden Gate had provided no bus ridership projections, but as of mid-May 2025 they have shared the following written updates along with backed up data: Golden Gate projects moderate bus ridership growth averaging 2.3% annually between FY 26 through FY 28, while overall bus ridership growth from FY 26 thorugh FY 30 averages 1.8%. Golden Gate projects moderate ferry ridership growth averaging 3.1% annually between FY 26 through FY 28, while ferry ridership growth from FY 26 thorugh FY 30 averages 2.4%.

It should be noted that SFMTA's parking revenue, which comprises a significant portion of transit revenues compared to the other operators, would significantly affect its revenue loss due to the same factors that are driving reduced ridership. Parking revenue helps pay for transit and accounted for a decline of 16% of revenue from FY 19 to FY 24, declining from $284.1 million to $239.7 million.

Table 11: Farebox Revenue Comparisons across Operators, Based Primarily on Operator-Provided Shortfalls

	FY 19 to FY 24 Actuals			FY 26 to FY 30 Projected	
Operator	**FY 19 Farebox Revenue As A % of Total Revenues**	**FY 24 Farebox Revenue As A % of Total Revenues**	**Difference between %s in FY 24 and FY 19**	**FY 26 to FY 30 Average Forecasted Farebox Revenue As A % of Total Revenues**	**FY 26 to FY 30 Forecasted Average Annual Ridership Growth**
AC Transit	12.3%	5.7%	-6.7	6.7%	4.2%
BART	50.7%	19.2%	-31.5	31.1%	3.2%
Caltrain	71.3%	23.7%	-47.6	31.9%	10.1%
Golden Gate Transit (bus and ferry)	15.2%	8.4%	-6.8	9.0%	Bus 2.3% FY 26 to FY28, 0.6% FY29 to FY29/30 Ferry 3.1% FY 26 to FY28, 0.8% FY29 to FY29/30
SFMTA	23.0%[12]	8.2%[13]	-14.8	9.4%	1.2%[14]

[12] Retrieved from MTC's Triennial Performance Audit of the San Francisco Municipal Transportation Agency (SFMTA) for FYs 19 to 21, issued June 2024. It should be noted that there are discrepancies between the total revenues for FY 19 between what was used to calculate the 23.0% and what is presented in SFMTA's budget documents.
[13] Farebox revenue for SFMTA is referred to as transit revenue in their financial model as well as their FY 24 Adopted Budget.
[14] SFMTA staff stated they are expecting a very small increase in ridership through FY 30, and a 2% reduction in service levels starting in July 2025.SFMTA shared data in late May 2025 showing that ridership is expected to increase 1.2% from FY 26 to 29; FY 30 data was not provided. Due to timing of providing this information, MGO was unable to confirm or validate this information to supporting documents.

Table 12 shows the annual farebox revenue collected by each operator from FY 19 to FY 24, along with their projected totals from FY 25 through FY 30. The first column illustrates the negative impact of the pandemic on ridership for each operator and helps to illustrate how close, or far off, they are from approximating their pre-pandemic farebox revenues.

Table 12: Total Fiscal Year Farebox Revenue by Operator ($ in Millions)

Fiscal Year	AC Transit		BART		Caltrain		Golden Gate		SFMTA	
FY 19	$57.3	N/A	$482.6	N/A	$102.7	N/A	$35.7	N/A	$196.8	N/A
FY 20	$44.5	-22.3%	$341.5	-29.2%	$76.1	-25.9%	$26.5	-25.8%	$153.7	-21.9%
FY 21	$12.5	-71.9%	$62.5	-81.7%	$32.4	-57.4%	$3.8	-85.7%	$18.0	-88.3%
FY 22	$24.6	96.8%	$135.8	117.3%	$33.2	2.5%	$12.1	218.4%	$61.4	241.1%
FY 23	$29.7	20.7%	$188.3	38.7%	$43.3	30.4%	$17.9	47.9%	$88.3	43.8%
FY 24	$34.3	15.5%	$218.9	16.3%	$46.9	8.3%	$21.0	17.3%	$97.2	10.1%
FY 25	$34.9	1.7%	$235.7	7.7%	$53.1	13.2%	$21.4	1.9%	$108.6	11.7%
FY 26	$36.6	4.9%	$259.4	10.1%	$60.5	13.9%	$22.6	5.6%	$113.6	4.6%
FY 27	$38.4	4.9%	$275.8	6.3%	$67.3	11.2%	$23.6	4.4%	$118.7	4.5%
FY 28	$40.0	4.2%	$290.5	5.3%	$75.4	12.0%	$24.5	3.8%	$124.1	4.5%
FY 29	$41.2	3.0%	$300.3	3.4%	$86.9	15.3%	$24.8	1.2%	$129.6	4.4%
FY 30	$42.4	2.9%	$313.9	4.5%	$94.8	9.1%	$25.1	1.2%	$135.5	4.6%
Total	**$436.4**	**N/A**	**$3,105.2**	**N/A**	**$772.6**	**N/A**	**$259.0**	**N/A**	**$1,345.5**	**N/A**

AC Transit

Table 13 below outlines the AC Transit farebox revenue differences by fiscal year compared to FY 19, calculated on a nominal basis. Starting with FY 20, there was a decrease of $12.8 million compared to FY 19. The revenue difference between FY 19 and FY 30 amounts to $14.9 million less in FY 30.

Table 13: Farebox Difference Compared to FY 19 (in Millions)

	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Annual Farebox Difference From FY 19	N/A	-$12.8	-$44.8	-$32.7	-$27.6	-$23.0	-$22.4	-$20.7	-$18.9	-$17.3	-$16.1	-$14.9

Chart 12 compares a CPI adjusted projection of FY 19 Fare Revenues against operator projected fare revenues for FY 26 and FY 27. AC Transit's budgeted fares are $36.6 million and $38.4 million in FY 2026 and FY 2027 respectively, when compared to CPI-adjusted farebox projections of $71.4 million and $73.3 million during the same timeframe. This amounts to an average annual fare deficit of $34.8 million between FY 26 and FY 27, or 48% of their overall deficit.

Chart 12: AC Transit Inflation-adjusted Fare Loss Deficit FY 19 to FY 27

BART

Table 14 below outlines the BART farebox revenue differences by fiscal year compared to FY 19, calculated on a nominal basis. Starting with FY 20, there was a decrease of $140.1 million compared to FY 19. The revenue difference between FY 19 and FY 30 amounts to $168.7 million less in FY 30. It is worth

noting that fare revenue forecasts prepared by BART and submitted to MTC just prior to the pandemic projected $808 million in fare revenue for FY 28 (the last year of the forecast), over $500 million more than the current fare revenue projection of $290 million.[15]

Table 14: Farebox Difference Compared to FY 19 (in Millions)

	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Annual Farebox Difference from FY 19	N/A	-$141.1	-$420.1	-$346.8	-$294.3	-$263.7	-$246.9	-$223.2	-$206.8	-$192.1	-$182.3	-$168.7

Chart 13 compares a CPI adjusted projection of FY 19 Fare Revenues against operator projected fare revenues for FY 26 and FY 27. BART's budgeted fares are $259.4 million and $276.9 million in FY 26 and FY 27 respectively, when compared to CPI adjusted farebox projections of $601.2 million and $617.5 million during the same timeframe. This amounts to an average annual fare deficit of $341.2 million between FY 26 and FY 27, or 90% of their overall deficit.

BART stated that they consistently adjusted fares at a rate slightly below inflation each year, adhering to a predetermined schedule throughout the pandemic which has been in place since 2006. BART's projections assume they will continue to implement fare increases in a similar manner.

[15] BART: FY19 Short Range Transit Plan and Capital Improvement Program

Chart 13: BART Inflation-adjusted Fare Loss Deficit FY 19 to FY 27

BART Next Generation Fare Gates (NGFG)

Beginning in December 2023, BART launched the implementation of Next Generation Fare Gates using prototypes to test design, accessibility, reliability, and performance. BART anticipates installing more than 700 new fare gates across its system by the end of 2025, according to documentation reviewed. These new fare gates are meant to combat fare evasion and have been deployed at 30 stations as of April 2025, according to BART's website. We did not receive information from BART regarding preliminary performance of the new fare gates in recovering costs compared to their older fare gates. The new fare gates have been effective in reducing fare evasion. In monthly year-over-year station growth vs system ridership data provided by BART, a preliminary analysis for the eleven stations that have had NGFG installed through November 2024 was conducted. Based on this information, growth in paid ridership has outperformed systemwide growth trends by 2.9%. BART continues to monitor impacts as they move toward full coverage of the system.

Caltrain

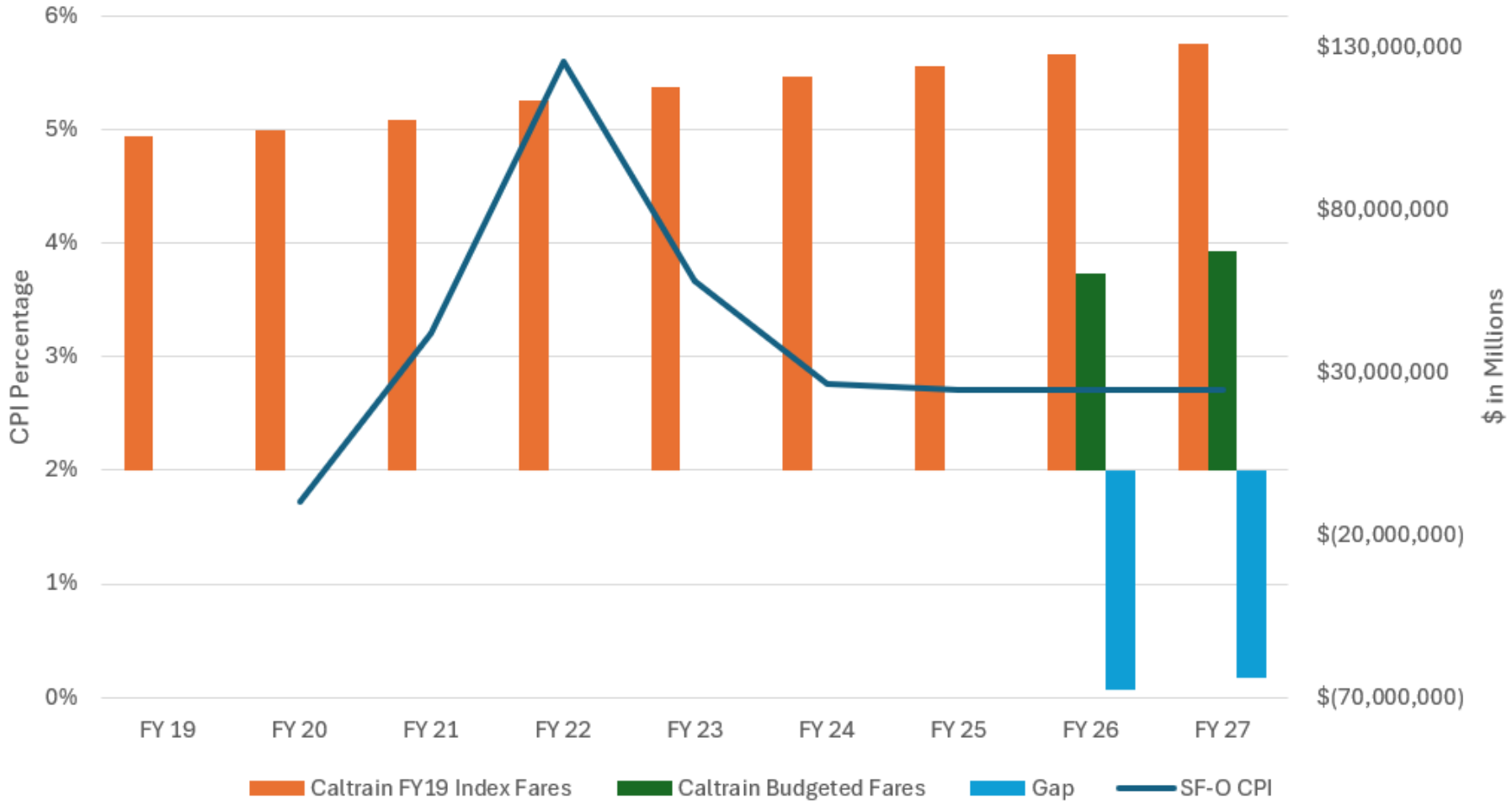
Table 15 below outlines the Caltrain farebox revenue differences by fiscal year compared to FY 19, calculated on a nominal basis. Starting with FY 20, there was a decrease of $26.6 million compared to FY 19. The revenue difference between FY 19 and FY 30 amounts to $7.9 million less in FY 30.

Table 15: Farebox Difference Compared to FY 19 (in Millions)

	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Annual Farebox Difference from FY 19	N/A	-$26.6	-$70.3	-$69.5	-$59.4	-$55.8	-$49.6	-$42.2	-$35.4	-$27.3	-$15.8	-$7.9

Chart 14 compares a CPI adjusted projection of FY 19 Fare Revenues against operator projected fare revenues for FY 26 and FY 27. Caltrain's budgeted fares are $60.5 million and $67.3 million in FY 2026 and FY 2027 respectively, when compared to CPI-adjusted farebox projections of $127.9 million and $131.3 million during the same timeframe. This amounts to an average annual fare deficit of $65.7 million between FY 26 and FY 27, or 98% of their overall deficit.

Chart 14: Caltrain Inflation-adjusted Fare Loss Deficit FY 19 to FY 27



SFMTA

Table 16 below outlines the SFMTA farebox revenue differences by fiscal year compared to FY 19, calculated on a nominal basis. Starting with FY 20, there was a decrease of $43.1 million compared to FY 19. The revenue difference between FY 19 and FY 30 amounts to $61.3 million less in FY 30.

Table 16: Farebox Difference Compared to FY 19 (in Millions)

	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Annual Farebox Difference from FY 19	N/A	-$43.1	-$178.8	-$135.4	-$108.5	-$99.6	-$88.2	-$83.2	-$78.1	-$72.7	-$67.2	-$61.3

Chart 15 compares a CPI adjusted projection of FY 19 Fare Revenues against operator projected fare revenues for FY 26 and FY 27. SFMTA's budgeted fares are $113.6 million and $118.7 million in FY 2026 and FY 2027 respectively, when compared to CPI-adjusted farebox projections of $131.6 million and $133.1 million during the same timeframe. This amounts to an average annual fare deficit of $132.4 million between FY 26 and FY 27, or 41% of their overall deficit. It should be noted that SFMTA's parking revenue, which comprises a significant portion of transit revenues compared to the other operators, would significantly affect its revenue loss due to the same factors that are driving reduced ridership. With that said, parking revenue is not included within the fare loss analysis presented in Chart 15.

Chart 15: SFMTA Inflation-adjusted Fare Loss Deficit FY 19 to FY 27

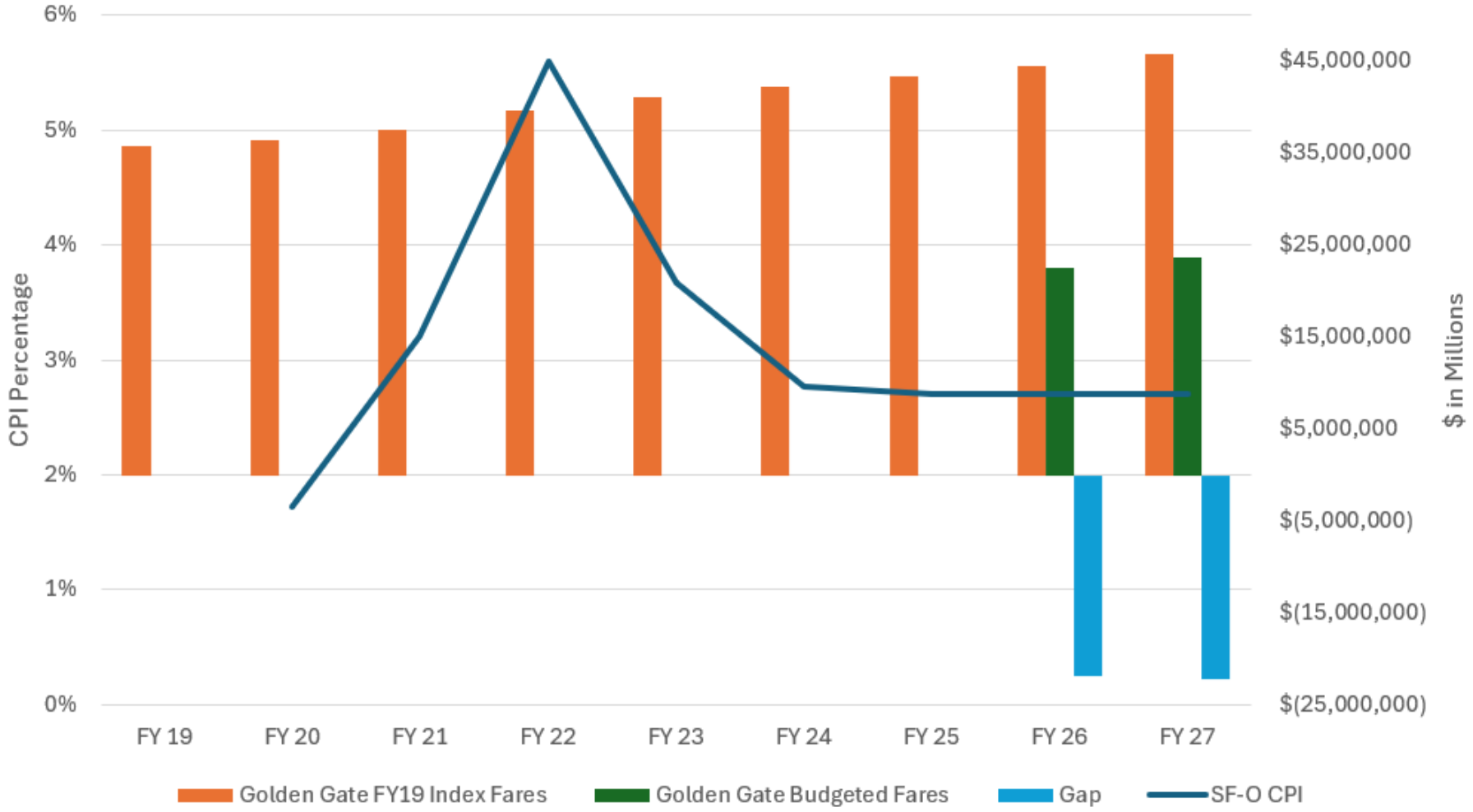
Golden Gate

Table 17 below outlines the Golden Gate farebox revenue differences by fiscal year compared to FY 19, calculated on a nominal basis. Starting with FY 20, there was a decrease of $9.2 million compared to FY 19. The revenue difference between FY 19 and FY 30 amounts to $10.6 million less in FY 30.Table 17: Farebox Difference Compared to FY 19 (in Millions)

	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Annual Farebox Difference from FY 19	N/A	-$9.2	-$31.9	-$23.6	-$17.8	-$14.7	-$14.3	-$13.1	-$12.1	-$11.2	-$10.9	-$10.6

Chart 16 compares a CPI adjusted projection of FY 19 Fare Revenues against operator projected fare revenues for FY 26 and FY 27. Golden Gate's budgeted fares are $22.6 million and $23.6 million in FY 2026 and FY 2027 respectively, when compared to CPI-adjusted farebox projections of $44.5 million and $45.7 million during the same timeframe. This amounts to an average annual fare deficit of $22.0 million between FY 26 and FY 27 and 43% of their overall deficit.

Chart 16: Golden Gate Inflation-adjusted Fare Loss Deficit FY 19 to FY 27



Expenses

The major expense drivers for transit operators exhibit notable differences in detail. As shown in Table 18, operators presented budgets differently which resulted in our being able to compare seven different expenses against each operator. Debt services, for instance, vary significantly across operators. From FY 26 to FY 30, BART projects that 4.2% of their total expenses will be allocated to debt services, whereas Golden Gate anticipates 0.7%, SFMTA 1.9%, and Caltrain 4.3%. BART and Caltrain, as fixed rail operators, are more capital intensive than bus operators, and often must issue debt to finance capital investments. AC Transit did not include a line-item for this expense, due to its only accounting for 0.2% of the budget. Labor costs, however, are a common major expense driver, accounting for nearly 60% of all expenses across operators. The American Public Transportation Association (APTA) has found that agencies have been increasing compensation to help combat competitive compensation from other organizations, along with considerations of performance-based bonuses and other benefits to compete with private sector companies.[16] SFMTA stands out as an exception due to their unique allocation of expenses to services provided by other departments within their organization, which currently accounts for on average 8.8% of projected expenses for FY 26 to FY 30.

For our analysis, it is important to note that, due to the lack of clear comparative line items, some expenses have been combined. For instance, fuel costs are included under materials and supplies for certain operators.

Labor and Wages

As Table 18 outlines, labor accounts for the majority of operator-projected expenses through the upcoming six or so fiscal years (between 53.9% and 59.1%). Professional services account for the next largest percentage of expenses, ranging from 4.9% to 18% of total projected operating expenses among the operators. Caltrain maintained the lowest professional services as a percentage of the operating budget among the operators, though it should be noted SFMTA's financial model includes other high-cost items like rent, insurance, and worker's compensation, which the operator shares is consistent with the City and County of San Francisco's (CCSF) accounting practices. Because SFMTA is a component unit of CCSF, its accounting practices must be consistent with CCST accounting practices. Costs related to materials and supplies account for between 3.7% and 21.5% of projected expenses, while pension costs and debt service (where information was provided) make up approximately 9% and 3%, respectively, of forecasted expenses.

Please note that we averaged the data provided by each operator. "N/A" indicates unavailable or inapplicable data. Percentages may not total 100% due to rounding and the exclusion of some minor expenses. Please see the attached footnote for pension and OPEB information.[17]

[16] American Public Transportation Association: Transit Workforce Shortage

[17] AC Transit provided separate pension and OPEB contribution line-items that were not combined. The OPEB contribution was not projected out for FY 26 through FY 30. BART provided separate pension and OPEB contribution line-items which were combined. Caltrain, Golden Gate, and SFMTA pension line-item includes retiree health (OPEB) and Pension (SFERS).

Table 18: Comparison of Primary Expense Drivers As Average Percentage of Total Forecasted Expenses for FY 26 through FY 30[18]

Operator	Labor	Pension[19]	Professional Services	Materials and Supplies	Debt Service	Liability and Insurance	Fuel and Electricity
AC Transit	58.0%	9.3%	8.1%	3.7%	N/A	5.2%	2.4%
BART	58.3%	12.2%[20]	N/A	21.5%	4.2%[21]	N/A	5.8%[22]
Caltrain	59.1%[23]	N/A	4.9%	N/A	4.3%	7.0%	0.2%
Golden Gate	58.1%[24]	N/A	12.6%	3.9%	0.7%[25]	3.5%	3.6%
SFMTA	53.9%	8.8%	18.2%[26]	7.5%	1.8%	1.1%	1.2%

[18] The analysis is based on operator-provided financial projections for the next five to ten years. Not all operators provided timely data through FY 30, and some used different date ranges. The projections we used for this analysis were submitted between mid-February and early April 2025, unless otherwise noted.
[19] Some operators provided clear delineations between labor and pension expenses. For Caltrain and Golden Gate, N/A responses are assumed to be included within labor expenses.
[20] This includes the PERS unfunded Liability line-item and OPEB.
[21] This is related to bond debt service.
[22] Fuel is referred to as traction power by BART in their financial model.
[23] Includes wages and salary, as well as Rail Operator and Additional Non-Operator Costs (excluding TSSSA). Caltrain noted that when the Rail Operator line-item is disaggregated by labor versus non-labor expenses, labor accounts for 72.4% of the total cost for FY 25. The remaining amount is attributed to materials and other services and costs per Caltrain. This information was not included in the financial model provided, and it is outside the scope of this engagement to update operator models.
[24] This includes salaries and fringe benefits, which also include payroll taxes.
[25] This only includes debt service-interest expense.
[26] SFMTA's percentage encompasses non-personnel services, under which professional services falls, though it includes other items such as rent, insurance, and worker's compensation. SFMTA's financial model initially referred to these items as "professional services."

Service Level Expectations and Changes across Operators

Industry Trends – Ridership[27]

Per the American Public Transportation Association (APTA), nationally after falling to 20% of pre-pandemic levels in April 2020, public transit ridership has recovered to 73-79% of 2019 (pre-pandemic) levels by the first three months of 2024. Transit rider trips increased 16% from 2022 to 2023, even though office occupancy rates remained stagnant at 50%. It appears that transit agencies are having success in increasing non-commute trips, such as from and to residential or commercial service areas and/or to non-office type jobs (e.g., restaurants). It should be noted that some geographical areas, such as the Bay Area, and different modes of transportation (i.e. bus versus rail), were more severely impacted by the decline during the pandemic including college towns when schools shut down, areas harder hit by the pandemic, and areas with work-from-home cultures. San Francisco has the lowest return-to-office rate of US city's (and regions), additionally, commute-oriented services have tended to lag other types of operators nationally. San Francisco was tied in last place with Chicago with office visits 44.6% below 2019 levels.[28] The city has however experienced a 9.6% growth from March 2024 to March 2025.

On a national basis rail service saw more significant decreases than bus service. Bus ridership has led the recovery increase, with rail ridership recovery being lower. Buses tend to serve more essential workers whereas rail tends to service commuters to offices. Nationally bus ridership has recovered to 81 percent of 2019 whereas rail ridership recovered to 70 percent. When viewed by city size, the largest and medium-sized urban areas recovered to 74% of 2019 levels during the first three months of 2024.

Industry Trends – Vehicle Revenue Miles[29]

The Federal Transit Administration (FTA) report, National Transit Summaries and Trends, 2023 edition, which is based on submissions of nearly 3,000 public transit agencies, noted that Vehicle Revenue Miles (rail, bus, demand response, vanpool) annual total across all modes decreased 1.9% from 2013 to 2023, a 10-year period, and from 4.04 billion to 3.96 billion vehicle revenue miles, due to declines in bus and demand response modes. Rail service was mostly unchanged, due to several new systems opening to offset decreases from existing systems.

[27] APTA Public Transportation Ridership Update

[28] The Anchor: Placer.ai March 2025 Office Index: Back to Recovery

[29] Federal Transit Administration's (FTA) Office of Budget and Policy National Transit Summaries and Trends Report (2023 Edition)

AC Transit

AC Transit data is submitted by AC Transit and includes five Service Modes:

- MB-DO (Motorbus)
- CB-DO (Commuter bus)
- RB-DO (Rapid Bus/Tempo), starting in FY 21.
- MB-PT (Dumbarton)
- DR-DO (Flex), terminated after FY 20.

Data is total Revenue Vehicle Hours (RVH) for five modes of service, excluding paratransit. AC Transit's RVH was 2.1 million in FY 19, decreased to 1.7 million in FY 21 and FY 22 during the pandemic, and recovered to 1.8 million in FY 24. The five modes – except RB-DO Rapid Bus/Tempo because it was a new service added in FY 21, and DR-DO Flex which stopped service in FY 20 – saw a decrease in services from FY 20 to FY 21, with CD-DOCommuter Bus experiencing the largest decline (an 86.0% decline from FY 20). However, while most of the other service modes continued to experience small declines ranging from 1.8% to 3.6% in FY 22, CB-DO Commuter Bus saw a large increases in service, at 135.7%. These trends reflect the impact of widespread work-from-home (WFH) adoption, which sharply reduced Transbay ridership through FY 21, followed by a partial rebound in FY 22.

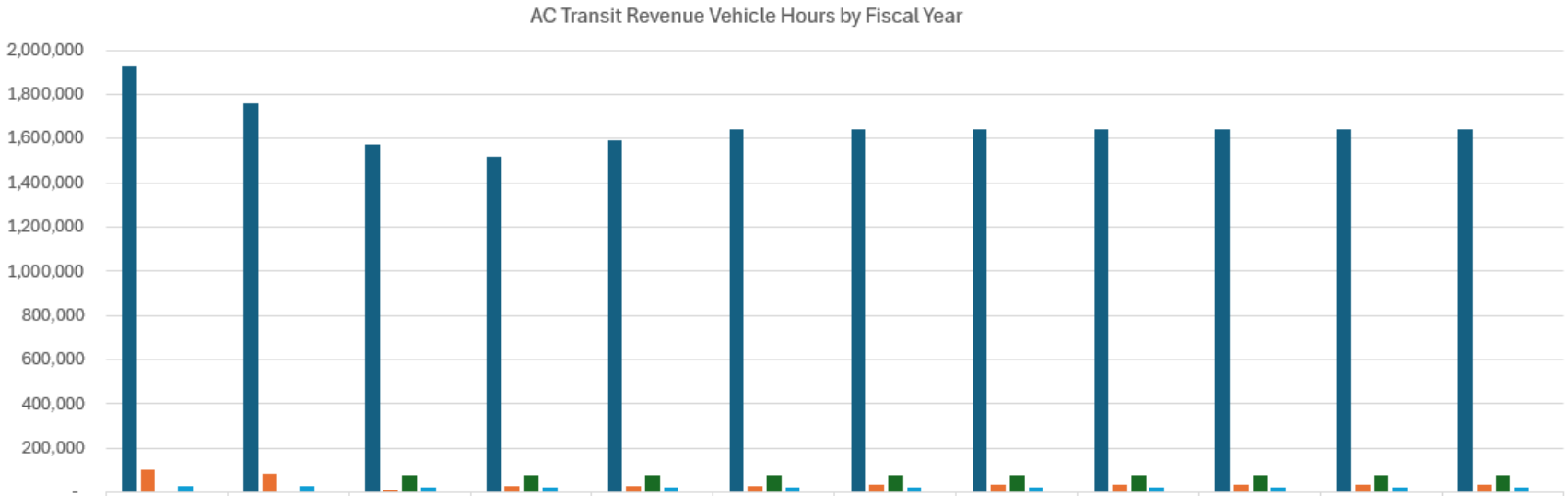
Overall, AC Transit predicts service levels to remain at the FY 25 level of 1.8 million through FY 30, based on 85.9% of pre-pandemic service levels. AC Transit plans to add service hours only if new revenue becomes available.

AC Transit notes the following service level percentages and future percentage assumptions for financial modeling. These same levels were noted as reported to the AC Transit Board.

- Prior to Spring '20 - 100%
- Spring '20 - 65%
- Fall '20 - 75%
- Fall '21 - 83%
- Fall '22 - 85%
- Current - 85%
- Projection through FY 30 - 85%

During the spring of 2020, service levels were reduced to 65% of pre-pandemic levels. Beginning in the fall of 2020, service levels were steadily restored to 81.8% of pre-pandemic levels and are currently at 85.9% (FY 25). It should be noted that it is the Board's goal to increase service levels to 100% of pre-pandemic levels. With that said, AC Transit believes they are constrained financially and limited in their ability to recruit and hire more operators, so there is no current plan in place to increase the level of service beyond the current level.

Chart 17: AC Transit FY 19 to FY 30 Service Levels and Projections



	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
	Actuals						Projected					
MB-DO (Motorbus)	1,926,083	1,760,136	1,575,268	1,519,139	1,595,492	1,641,773	1,640,376	1,640,376	1,640,376	1,640,376	1,640,376	1,640,376
CB-DO (Commuter bus)	105,041	87,367	12,218	28,795	29,191	30,745	32,186	32,186	32,186	32,186	32,186	32,186
RB-DO (Rapid Bus/Tempo)			76,908	75,544	76,821	79,549	77,651	77,651	77,651	77,651	77,651	77,651
MB-PT (Dumbarton)	27,840	28,771	22,928	23,337	24,136	24,591	22,179	22,179	22,179	22,179	22,179	22,179
DR-DO (Flex)	4,384	3,065										

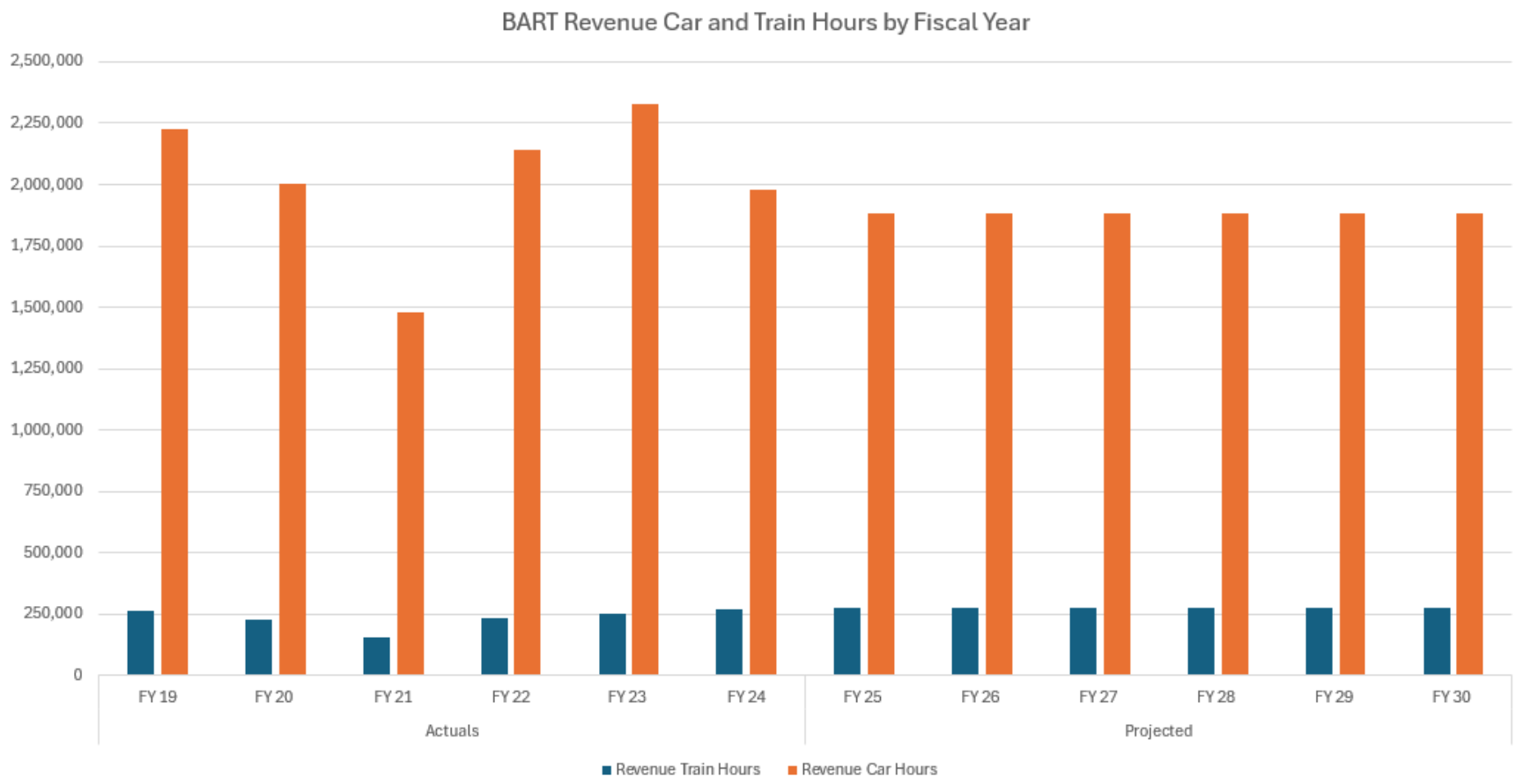
BART

Data presented is Revenue Car Hours (RCH) and Revenue Train Hours (RTH) and is submitted by BART. BART's RCH were 2.2 million in FY 19, decreased to 1.5 million in FY 21 during the pandemic (66.4% of FY 19), and recovered to 2.0 million in FY 24 (88.9% of FY 19). It should be noted that BART adjusted its service to include shortened trains in September 2023, resulting in the decrease from 2.3 million to the 2.0 million RCH from FY 23 to FY 24. BART predicts future RCH, FY 25 to FY 30, to remain at 1.9 million, which is 84.7% of pre-pandemic service levels.

BART's Revenue Train Hours (RTH) were 263,519 in FY 19, decreased to 155,234 in FY 21 during the pandemic (58.9% of FY 19). Since 2024, BART has increased their RTH beyond FY 19 hours with 268,245 in FY 24 and a projected stable 276,600 hours from FY 26 to FY 30. The increase in RTH likely came as a result of shortening car lengths, and BART staff have explained that RTH are higher cost drivers than RCH due to the need to hire additional train operators.

The Berryessa extension, which opened in June 2020, enabled BART to begin service to the Milpitas station in FY 19, adding approximately 10 miles of new track. This extension was projected to increase total train hours by about 6.0%. Between FY 19 and FY 23, the average number of cars per train rose from 8.4 to 9.6, with longer trains deployed during the pandemic to support social distancing. From FY 19 through FY 28, total train hours are expected to increase by 8%, while car hours are projected to grow by 10% over the same period.

Chart 18: BART FY 19 to FY 30 Service Levels and Projections



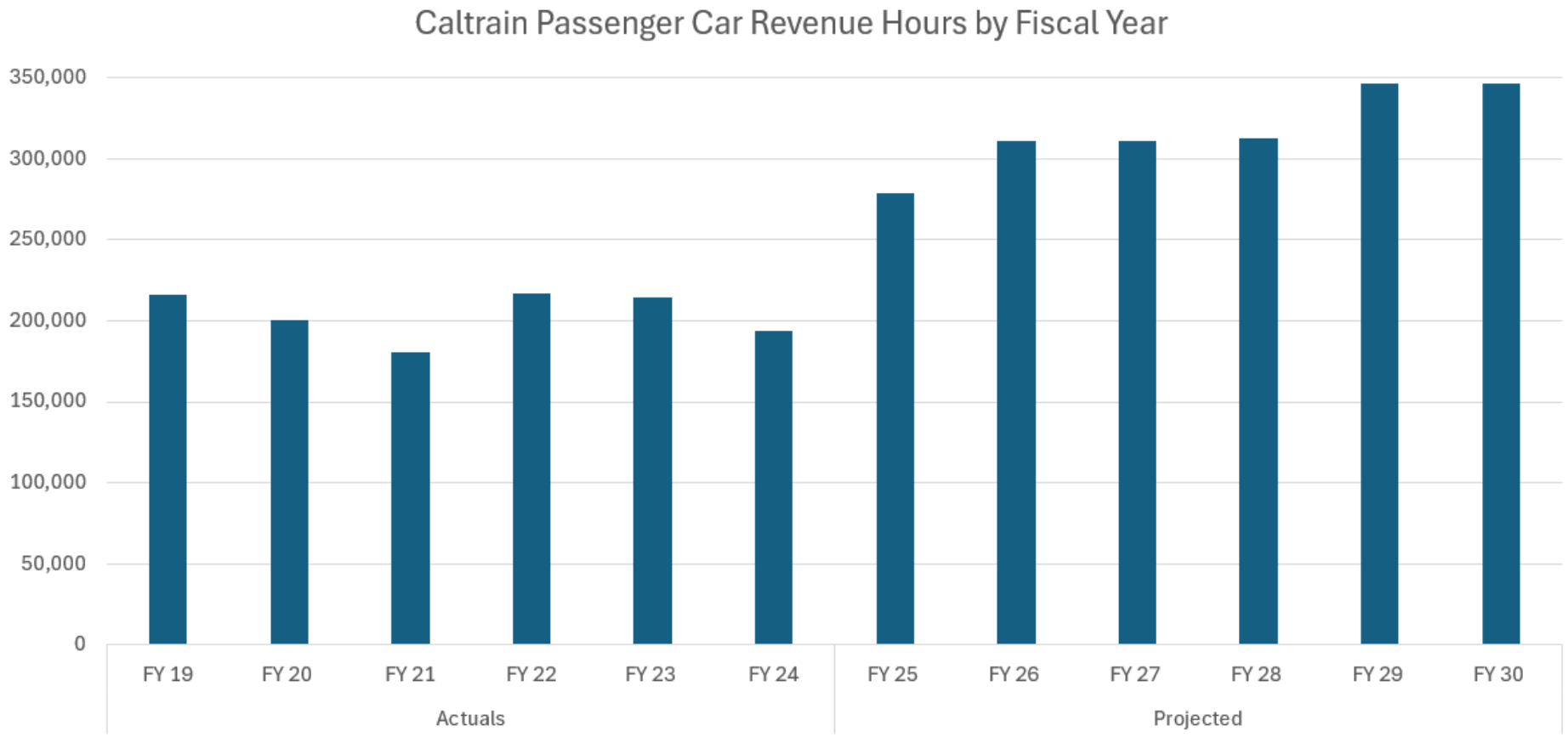
Caltrain

The following is based on information reported by Caltrain. Prior to electrification, Passenger Car Revenue Hours were 216,217 in FY 19, decreased to 180,880 in FY 21 due to the pandemic, increased to 216,444 in FY 22, then decreased again to 214,153 in FY 23 and 193,884 in FY 24 due to construction supporting electrification. Caltrain electrified service launched September 12, 2024, meaning FY 25 is the first year with the new service.

As of September 12, 2024, Caltrain's electrified service includes 104 trains per day weekdays and 66 on the weekends between San Francisco and San Jose. It also included eight diesel train trips per day between San Jose and Gilroy on weekdays only. This is a total of 112 weekday and 66 weekend trains, with slight modifications for holidays and special events. Service levels for FY 26 to FY 30 are projected to stay at the post-electrification FY 25 fully electrified service levels on the main line with service level increase planned in FY 29 to be in compliance with the service level requirement of the Full Funding Grant Agreement (FFGA) for the Peninsula Corridor Electrification Project. The resulting Passenger Car Revenue Hours is anticipated to average 325,355 for FY 26 to FY 30. These levels of service are required to increase based on six trains per hour during peak periods (versus the current four trains per hour peak), and result in 116 trains per day between San Francisco and San Jose when Caltrain reaches 63,598 average weekday boardings or by December 31, 2027 (whichever comes first) per the terms of the full funding grant agreement (FFGA). As noted previously, Caltrain is subject to the terms of their FFGA. Caltrain may request a waiver if it is at risk of not achieving its commitments under the FFGA. Caltrain's service level in FY 24 (193,884) is 89.7% of the service level of FY 19.

Caltrain is anticipating Passenger Car Revenue Hours in FY 26 through FY 30 to be on average 150.5% of pre-pandemic levels.

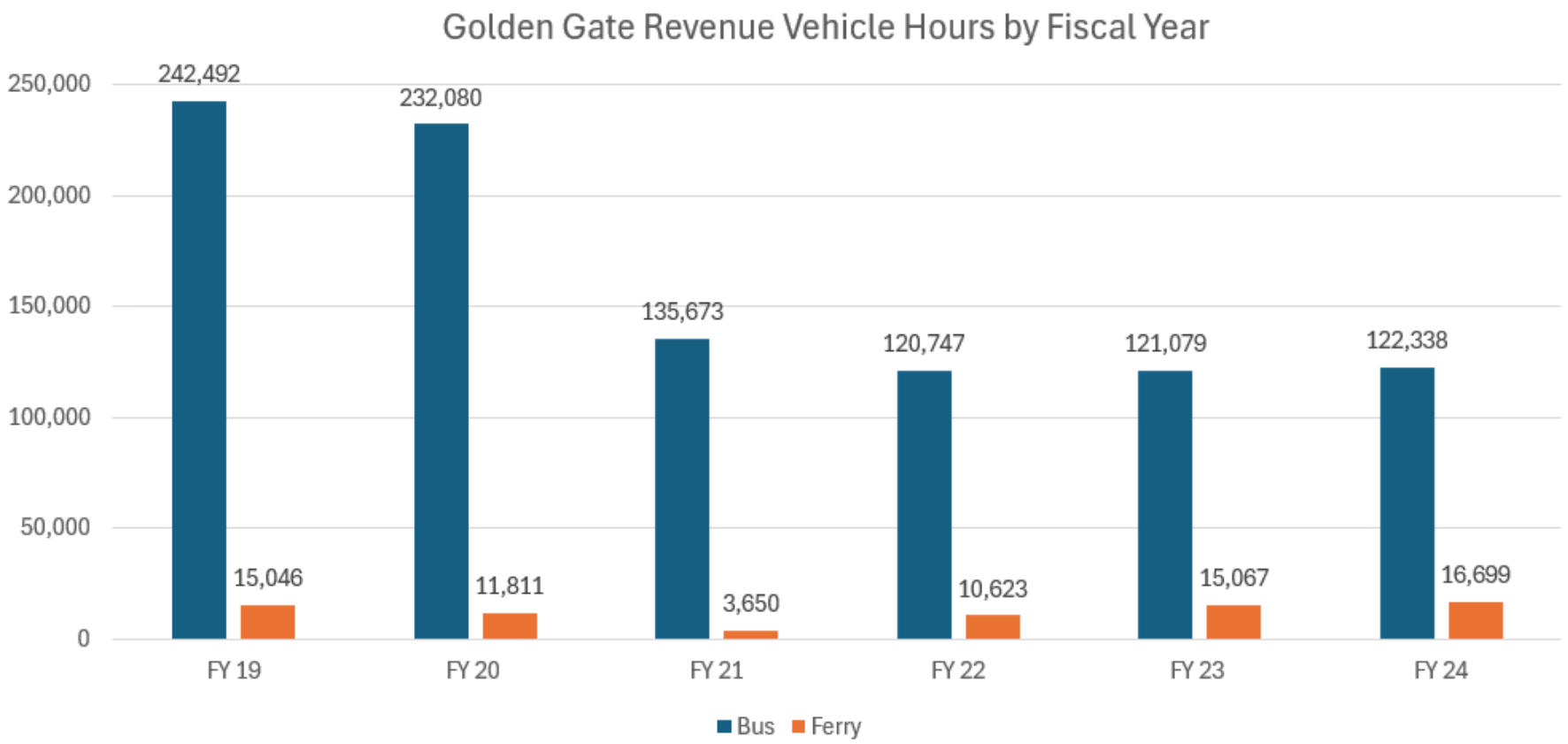
Chart 19: Caltrain FY 19 to FY 30 Service Levels and Projections



Golden Gate

The following Information is reported by Golden Gate. Included in the data is Revenue Vehicle Hours (RVH) for bus and ferry services, and we were unable to disaggregate local from commute service hours based on the information that was provided. The District makes no long-term projections on RVH, so data presented is for FY 19 through FY 24. Service hours (bus and ferry) in FY 19 were 257,538, declining to 131,370 in FY 22. Service hours across both bus and ferry increased to 139,037 in FY 24, which is 54.0% of the service hours in FY 19. However, it should be noted that ferry service levels recovered to FY 19 (pre-pandemic) levels by FY 23, meanwhile bus service levels have remained at an average of 51.5% of pre-pandemic (FY 19) hours from FY 21 through FY 24. This is likely partially due to the addition of a new ferry route to Angel Island. According to staff, service level decisions are made based on demand and for ferry service levels, it is based on monitoring transit patterns.

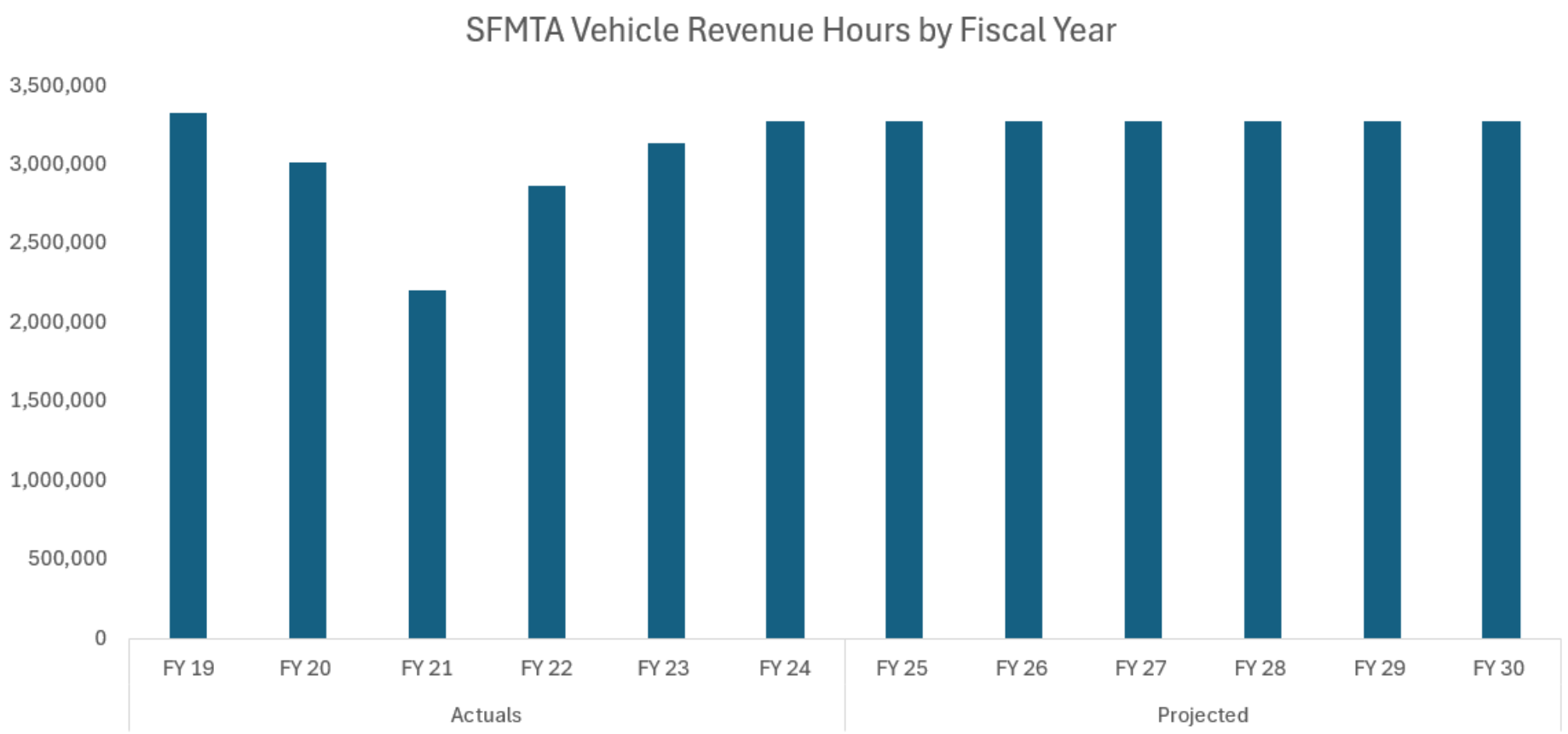
Chart 20: Golden Gate Transit FY 19 to FY 30 Service Levels and Projections



SFMTA

The following data is reported by SFMTA and is Actual Vehicle Revenue Hours (VRH) for five types of service. SFMTA's VRH were 3.3 million in FY 19, decreased to 2.2 million in FY 21 and recovered to 3.3 million in FY 24. SFMTA predicts service levels to remain the same through FY 30. As such, VRH are estimated to remain at 3.3 million from FY 25 through FY 30, which is essentially the same as the pre-pandemic level of FY 19 (3.3 million).

Chart 21: SFMTA FY 19 to FY 30 Service Levels and Projections



Operator Comparison – FY 19 to FY 30

The following graph, Chart 22, provides revenue hours by fiscal year and operator. It demonstrates relative service levels between operators. It indicates that only Caltrain is anticipating recovering to FY 19 level by FY 30. The other three operators are projecting less service in FY 30 than in FY 19. Although ridership and revenue hours (or service levels) differ, it is worth noting that three operators are forecasting zero growth in service levels from FY 26 to FY 30 (e.g., AC Transit, BART, and SFMTA[30]); one operator does not forecast out future growth (Golden Gate) and one operator is projecting 11.5% growth (Caltrain) from FY 26 to FY 30.

[30] SFMTA informed the MGO team that it is anticipating service reductions of 2% starting in July 2025, though updated revenue hours were not provided, and this information was not updated in their financial model as the service increase was not approved at the time the model was built.

Chart 22: Revenue Hours by Fiscal Year and Operator

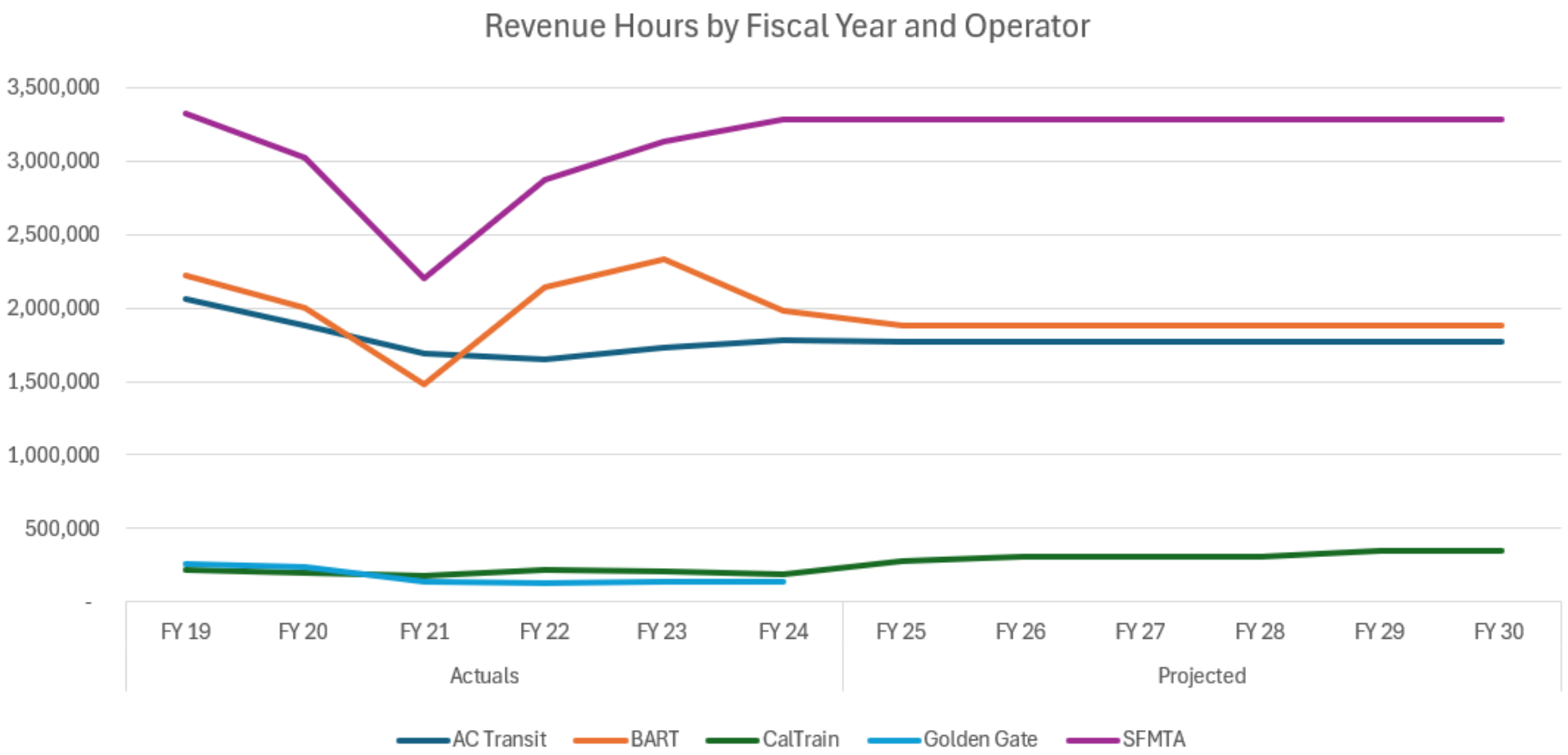


Table 19 provides revenue hours and percent change from FY 19 for each operator. For AC Transit, FY 24 revenue hours have recovered to 86.1% of the FY 19 level and are anticipated to remain at essentially the same level through FY 30. By FY 24 BART has recovered to 88.9% of FY 19 level of Revenue Car Hours and 101.8% of FY 19 level for Revenue Train Hours. Combining Revenue Car and Train Hours, BART anticipates revenue hours to be on average 86.9% of FY 19 level from FY 25 to FY 30. In FY 24, Golden Gate Transit's hours are 54.0% of FY 19. In FY 24, SFMTA recovered to 98.6% of FY 19 service levels and is expecting ridership to increase slightly while service levels are to decline by 2% starting July 2025, as stated by the operator. It should be noted that SFMTA did not provide updated revenue hours so this slight decline is not reflected above in Chart 22 or below in Table 19.

In FY 24, Caltrain's service hours have recovered to 89.7% of FY 19 and are estimated to increase to 143.7% of the FY 19 level by FY 26 and remain at an average of 150.5% from FY 26 through FY 30. As noted previously, Caltrain's electrification went into service in FY 25. The main driver in the increase in

projected Passenger Car Revenue hours at Caltrain is the increase in consist lengths from 4-car diesel trains to fixed, 7-car EMU consists. Caltrain anticipates increased ridership of 10.1% average annually to use the new electrified service.

Table 19: Scheduled Vehicle Revenue Hours (FY 19 to FY 30) and Percent Change from FY 19, Based on Operator-Provided Information

	AC Transit		BART				Caltrain		Golden Gate[31]		SFMTA	
Revenue Vehicle Hours	AC Transit (hours)	AC Transit (% of FY 19 Hours)	BART (Car hours)	BART (% of FY 19 Hours)	BART (Train hours)	BART (% of FY 19 Hours)	Caltrain (Train hours)	Caltrain (% of FY 19 Hours)	Golden Gate (hours)	Golden Gate (% of FY 19 Hours)	SFMTA (hours)	SFMTA (% of FY 19 Hours)
FY 19	2,063,348	N/A	2,225,056	N/A	263,519	N/A	216,217	N/A	257,538	N/A	3,323,189	N/A
FY 20	1,879,339	91.1	2,004,002	90.1	229,211	87.0	200,591	92.8	243,891	94.7	3,016,252	90.8
FY 21	1,687,322	81.8	1,478,164	66.4	155,234	58.9	180,880	83.7	139,323	54.1	2,199,980	66.2
FY 22	1,646,815	79.8	2,138,733	96.1	232,204	88.1	216,444	100.1	131,370	51.0	2,866,031	86.2
FY 23	1,725,640	83.6	2,331,158	104.8	251,858	95.6	214,153	99.1	136,146	52.9	3,135,750	94.4
FY 24	1,776,658	86.1	1,977,317	88.9	268,245	101.8	193,884	89.7	139,037	54.0	3,275,899	98.6
FY 25	1,772,392	85.9	1,885,000	84.7	276,600	105.0	278,661	128.9	N/A	N/A	3,275,899	98.6
FY 26	1,772,392	85.9	1,885,000	84.7	276,600	105.0	310,622	143.7	N/A	N/A	3,275,899	98.6
FY 27	1,772,392	85.9	1,885,000	84.7	276,600	105.0	310,958	143.8	N/A	N/A	3,275,899	98.6
FY 28	1,772,392	85.9	1,885,000	84.7	276,600	105.0	312,223	144.4	N/A	N/A	3,275,899	98.6
FY 29	1,772,392	85.9	1,885,000	84.7	276,600	105.0	346,485	160.3	N/A	N/A	3,275,899	98.6
FY 30	1,772,392	85.9	1,885,000	84.7	276,600	105.0	346,485	160.3	N/A	N/A	3,275,899	98.6

[31] Projections for Golden Gate Transit were unavailable for FY 25 to FY 30.

Revenue-Generating and Cost-Saving Actions and Impacts across Operators

MGO requested information from each operator in terms of planned revenue-generating and cost-savings ideas that have recently been or are being planned to be implemented. The following is a summary and analysis of the information provided. Note, with the exception of BART, the operators' financial models or documentation are not presented in such a way to reliably validate whether the revenue-generating and cost-savings estimates are incorporated into their projected deficits. It should be noted that the cost-savings and revenue-generating actions included in the table for BART are largely already incorporated into its financial model, and therefore unavailable to further close the deficit. Additionally, the revenue-generating and cost-savings actions provided by the operators are not presented on the same basis to easily and quickly enable comparison across operators (e.g., some items are presented as one-time savings, with an unclear timeline, while others are presented on an annual or recurring basis). Table 20 highlights key actions and reflects our efforts to estimate FY 26 revenue-generation and cost-savings totals (at the bottom of the table), though the table includes information that operators provided for other fiscal years which range from FY 19 to FY 30.

To highlight some revenue-generating actions, all operators have plans to increase the amount and type of revenue they generate in FY 26, with increases ranging from $29.7million by SFMTA to $0.6 million by Golden Gate. One primary source of revenue-generation is fare increases, which have gone into effect for all operators and will soon go into effect (July 1, 2025) for AC Transit. These are quantified in Table 20 as an amount or a percentage increase, with some being driven by an automatic inflation factor based on a predetermined formula, as in the case of BART.

The impact of the fare increases varies by operator, depending on the type of increase and ridership counts. Estimated revenue increases range from $0.6 million at Golden Gate Transit to $14.7 million for BART. Additional types of revenue increases are planned by four of the five operators, Golden Gate Transit being the exception. AC Transit is planning to receive an increase of $0.01 in sales tax from its Measure BB, which replaces its former sales tax Measure B, which will not result in any significant changes to this revenue source. BART is planning for several new revenue types: changing investment reserve allocations, increasing revenues from fiber optic and telecommunication programs, leasing its parking lots and increasing parking fees. Caltrain plans to obtain funding from the State's Low Carbon Fuel Standards during FY 26 through FY 34 resulting in $64.0 million in additional revenue, amounting to an estimated $7.1 million in FY 26 when averaged out. Beginning in FY 26, SFMTA plans to increase parking revenues $18 million annually by increasing: parking meter rates $4.5 million annually, garage revenue $2.0 million, citation revenue $9.0 million, and contractor permit fees $2.5 million. Beginning in FY 27, SFMTA anticipates that the impact of fare inspectors will increase fare compliance by $5.0 million.

Four of the five operators, Golden Gate being the exception, are planning cost reductions in FY 26, with impacts ranging from $168.7.0 million by Caltrain to $15.3 million by AC Transit. These four operators are all planning to reduce staffing costs by reducing hiring, changing the mix of employees to lower cost positions and/or reducing salary increases. Four operators plan reductions in non-service fees, for example electricity costs, with anticipated savings of up to $105.0 million, with several effects unknown at this time. BART's September 2023 service realignment saved approximately $9.0 million annually due to lower car miles and reduced traction power costs. Additionally, one service provider, SFMTA, has proposed future plans for a $7.2 million reduction in transit services and an additional $0.2 million in tow subsidies for stolen vehicles. However, service reductions were not noted in the financial model provided to us, as the service reduction was approved after this financial model was already created. Additionally, SFTMA held $90 million in positions vacant and deferred $30 million in one-time investments in FY 25 and FY 26.

Based on information that Caltrain presented to its Finance Committee in late April 2025, the operator is exploring several non-fare revenue strategies to enhance fiscal resiliency. Key actions include negotiating full train brand cars and expanding media packages, introducing dedicated private car services for special events, and leasing fiber optic cables for telecommunications. Additionally, they are considering solar land leasing and implementing energy storage systems for traction power.

These strategies collectively forecast a potential revenue generation of up to $12.0 million annually, with significant contributions from transit-oriented development and commercial leasing. This figure is based on the high-end estimates provided for each strategy. Note that this figure is not included in the table below, as it was noted subsequent to the operator's response to our initial request.

It should be noted that MGO developed Table 20 using information provided by the operators including board and committee presentations, public budget presentations, or other materials compiled by operators, and we have documented where information was not available. AC Transit shared additional expense and cost-saving activities for services and non-services with MGO from FY 22 to FY25 which totaled $21.5 million. BART has outlined several revenue-generating and cost-saving measures, including a 5% reduction in non-labor costs for FY 25, in addition to previous reductions in earlier years. Furthermore, BART eliminated 700 positions in 2020 and an additional 280 positions in 2022 through a retirement incentive program.

Table 20: Revenue-Generating and Cost-Saving Impacts across Operators (FY 19 through FY 30), with Dollar Estimates Based on FY 26[32]

Revenue-Generating and Cost-Saving Actions	AC Transit	BART[33]	Caltrain	Golden Gate Transit	SFMTA[34]
Revenue-Generating Actions					
Fare Increases	Increase in fares to go into effect July 1, 2025 is expected to generate $4.1 million in FY 26 and similarly in following years depending on ridership levels.	Since 2006, BART has implemented automatic inflation-adjusted fare increases each year based on a predetermined schedule. For Fiscal Year 2026, the projected fare increase is 6.2%, expected to generate an additional $14.7 million. FY 28 is projected to be 4.0%. From FY 26 through FY 31, increased fares are expected to generate $364.4 million in revenues.	Increase in fares by 4% to 5% from FY 26 through FY 29 and then 3% annually thereafter through FY 34 is projected to bring in $86 million in incremental revenues. The additional 5% in FY 26 will generate $3.0 million.	Increase in fares by $0.25 for the period July 1, 2024, to June 30, 2029, is expected to generate $3 million in revenues, amounting to an estimated $0.6 million in FY 26 when averaged out. Note: The Golden Gate Bridge, Highway and Transportation District is implementing a five-year toll increase plan, with revenues that could potentially fund transit.	Fare increases on January 1, 2025, are estimated to generate $1.8 million between January 1, 2025, and June 30, 2026, and $7.4 million between FY 27 and FY 30.
Tax Increases	Measure BB's (which took the place of Measure B) $0.01	N/A	N/A	N/A	N/A

[32] Total revenue-generation and cost-saving estimates are provided only for FY 26, based on the information received from the operators. This information may not be precise, as operators provided information in various formats and did not always disclose time horizons for the actions and initiatives they are undertaking or planning.

[33] As previously noted, BART's revenue-generating and cost-saving actions have largely been built into their financial model and do not represent additional future revenue-generation or cost-saving potential.

[34] A document from SFMTA was received in late-May, outlining the total revenue-generating actions and cost-savings actions. Due to timing of providing this information, MGO was unable to confirm or validate this information to supporting documents.

Revenue-Generating and Cost-Saving Actions	AC Transit	BART[33]	Caltrain	Golden Gate Transit	SFMTA[34]
	increase in sales tax which will not result in any significant changes for the operator. Effective FY 25.				
Other Income	N/A	BART has adjusted investment of reserves to generate $2.3 million annually from FY 26 to FY 30 amounting to $13.8 million in revenues over that time period. BART to implement underground fiber networks for SFMTA which is expected to generate $3.0 million in revenues from FY 26 to FY 31. Amounting to an estimated $0.5 million in FY 26. BART to lease parking lots which is estimated to generate $0.9 million in revenues from FY 26 to FY 31. Amounting to an estimated $0.2 million in FY 26.	Obtain access to the State's Low Carbon Fuel Standards Program by negotiating the purchase of 100% renewable energy with 0% carbon content from FY 26 through FY 34 to generate $64.0 million in incremental revenues. Amounting to an estimated $7.1 million in FY 26 when averaged out. Caltrain is exploring the additions of three new revenue generating opportunities which include fiber optic system leasing, transit-oriented development, and EV charging, solar, and energy management systems leasing for traction power. Based on April	N/A	In the FY 25 FY 26 budget, SFMTA increased fees and fines to generate an estimated $11.2 million over the two-year budget and an estimated $23.1 million from FY 27 to FY 30. Beginning in FY 26, SFMTA plans to increase parking revenues $18 million annually by increasing parking meter revenue $4.5 million, garage revenue $2.0 million, citation revenue $9.0 million, and contractor permit fees $2.5 million. Beginning in FY 27, SFMTA anticipates that the impact of fare inspectors will increase fare compliance by $5.0 million per year.

Revenue-Generating and Cost-Saving Actions	AC Transit	BART[33]	Caltrain	Golden Gate Transit	SFMTA[34]
			2025 Finance Committee. Caltrain is exploring opportunities to increase revenue in the following areas: cell tower leasing, retail and commercial leasing, special events, and advertisements and naming rights. Based on April 2025 Finance Committee.		
Cost-Saving Actions					
Reduce Staffing Cost		Implement a strategic hiring freeze including eliminating 45 positions in FY 25 and eliminating 19 FTE from planned Bay Area Rapid Transit Police Department (BPD) expansions.	No new FTEs will be added unless the financial situation changes, and Caltrain will still backfill critical vacant positions while putting non-essential ones on hold. This is expected to save $35 million, which would amount to an average estimated $3.9 million in savings for FY 26.	N/A	In FY 25 and FY 26, SFMTA held vacant or defunded over $90.0 million in positions and $30.0 million in one-time non-labor savings, as well as slowed hiring in October 2024 and froze non-essential hiring in late 2025.

Revenue-Generating and Cost-Saving Actions	AC Transit	BART[33]	Caltrain	Golden Gate Transit	SFMTA[34]
Reduce Service	N/A	N/A	N/A	N/A	Rationalized service to match ridership trends by eliminating 12 lines post-pandemic and only adding service when balanced by service reductions elsewhere in the system. Aligning services with available resources by implementing modest service decreases is expected to save $7.2 million annually beginning July 1, 2025.
Reduce Subsidies, and Other Cost-Savers	Reducing initiatives such as, but not limited to, flex service bids, San Pablo Telegraph Rapid Marketing and Branding, Capital improvement Plans, and Neighborhood Market Studies. Reducing training. Reducing office furniture and supplies. Reducing expenses $4.3 million in professional services, temporary	Procuring wholesale power versus retail power and appropriating shorter trains. Deferring pension prepayment allocations Eliminating feeder payment agreements. In combination, all cost-saving activities from FY 26 to FY 31 are expected to save $529.5 million, which would amount to an	Keeping professional service fees flat beginning FY 29 is expected to save $17 million. Reducing electricity cost by $105 million through FY 34, which would amount to an average annual estimated $11.7 million in savings for FY 26.	N/A	Reducing subsidies like towing fee discounts for low-income individuals is expected to save $0.2 million. Eliminated planned one-time non-labor investments by $30 million in FY 25 and FY 26.

Revenue-Generating and Cost-Saving Actions	AC Transit	BART[33]	Caltrain	Golden Gate Transit	SFMTA[34]
	help, and other accounts. Fuel projections decreased $1.7 million, as has purchased transportation with a decrease of $4.0 million due to early contract estimates. During the April 2025 Board of Directors meeting, AC Transit called out five line-item reductions in software and professional services, temporary help services, HR data analytics project, fire optic repair and deferred and reduced/phased projects saving $5.3 million in FY 26.	average of $88.3 million in savings for FY 26. *Note: most of these actions are already baked into BART's forecasting, so the savings aggregated here are not new dollars available to close the deficit.*			
Total Estimated Revenue Generation (FY 26)	**$4.1 million**	**$17.7 million**	**$10.1 million**	**$0.6 million**	**$29.7 million**
Total Estimated Cost Savings (FY 26)	**$15.3 million**	**$88.3 million**	**$168.7 million**	**N/A**	**$112.2 million**

Note: N/A signifies requested information was not provided or not available.

Operator Reserves and Intended Uses

Table 21 below outlines the most current available balances of each operator. AC Transit has an operating reserve of $119.4 million, which is approximately 20% of its FY 25 operating budget, but it will not be sufficient to cover the projected deficit of $283.8 million from FY 26 to FY 30. BART's total reserves for operating expenses amount to approximately $79.0 million, which will not be sufficient to cover the total operating deficit projected from FY 26 to FY 30 ($1,451.7 million). Caltrain's operating reserve of $26.9 million is also insufficient to cover its projected deficit of $288.7 million. The same applies to Golden Gate with its combined reserve of $53.8 million for operating expenses, falling short of the projected deficit of $236.6 million, and SFMTA's reserve of $140.6 million will not cover its projected deficit of $1,443 million over the next five-year period.

If operators continue to fund their reserves at current levels, they will run out within the next few years, highlighting the need for continuous funding to address future deficits.

Across operators, the total current reserves that can be used toward operating costs are $419.7 million.

Table 21: Most Current Available Operator Reserves, Based on Operator-Provided Information[35]

Operator	Reserves Available for Operating Expenses (Most Current Available Balances)	Potential Impact of Reserves on Projected Shortfalls
AC Transit (Balances as of February 2025)	• Operating Reserve ($119.4 million) - *Approximately 20% of FY 25 Operating Budget*	• The current operating reserves ($119.4 million) will not be sufficient to cover the total operating deficit projected from FY 26 to FY 30 ($283.8 million). The reserves at its current balance ($119.4 million) will run out, if not continuously funded, in FY 28.
BART (Balances as of December 2024)	• Operating Reserve ($53.7 million) - *Approximately 5% of FY 25 Operating Budget* • Operating Reserve – Reserve for Economic Uncertainty ($25.3 million)	• The current sum of reserves available (approximately $79.0 million[36]) for operating expenses will not be sufficient to cover the total operating deficit projected from FY 26 to FY 30 ($1,451.7 million). • The reserves at its current balance ($79.0 million) will run out, if not continuously funded, in FY 27.
Caltrain (projected as of June 30, 2025)	• Operating Reserve ($26.9 million) - *Approximately 12.9% of FY 25 Operating Budget*	• The current operating reserves ($26.9 million) available for operating expenses will not be sufficient to cover the total operating deficit projected from FY 26 to FY 30 ($288.7 million). • The reserves at its current balance ($26.9 million) will run out, if not continuously funded, in FY 27. • Note: Caltrain is projected to use $30.6 million of operating reserves/fund balance in FY 26 to help offset operating costs in the FY 26 budget.
Golden Gate (Balances as of July 2024)	• Bridge Self Insurance Loss Reserve ($23.7 million) – *Approximately 8.3% of FY 26 operating budget* • Emergency reserve ($9.6 million) – *Approximately 3.4% of the FY 26 operating budget*	• The current sum of reserves available for operating expenses emergencies is $53.8 million, which will not be sufficient to cover the total operating deficit projected from FY 26 to FY 30 ($236.6 million).

[35] Source: Operator-submitted information and documentation, and publicly accessible policies (where applicable).

[36] BART also has a California Low Carbon Fuel Standards (LCFS) Credits reserve currently funded at $9.3 million. However, any current revenues from LCFS credits can be used 50% toward BART Sustainability Group programming and 50% to BART general operating fund for the fiscal year of the sales per "Low Carbon Fuel Standard Policy," so this amount is not included in the total reserves available.

Operator	Reserves Available for Operating Expenses (Most Current Available Balances)	Potential Impact of Reserves on Projected Shortfalls
	• Capital (Operating) Reserve ($20.5 million) – *Approximately 7.2% the FY26 of Operating Budget*	• The reserves at its current balance ($53.8 million) will run out, if not continuously funded, in FY 27.
SFMTA (Balances as of February 2025)	• Contingency Reserve ($140.6 million) - *Approximately 9.7% of FY 25 Operating Budget*	• The current sum of reserves available for operating expenses ($140.6 million) will not be sufficient to cover the total operating deficit projected from FY 26 to FY 30 ($1,443.0 million)[2]. • The reserves at its current balance (FY 25 $140.6 million) will run out, if not continuously funded, in FY 27.

Operating to Capital Transfers and Assumptions

Table 22 outlines a list of capital transfers from FY 26 to FY 30 for each operator, where the information was available, providing a comparative visualization. Following the table, we outline assumptions derived from budget documents and additional insights from operators.

Table 22: Projected Capital Transfers for FY 26 to FY 30 across Operators

Operators	FY 26	FY 27	FY 28	FY 29	FY 30
AC Transit[37]	N/A	N/A	N/A	N/A	N/A
BART	46,284,802	75,041,480	75,041,480	75,041,480	79,173,290
Caltrain	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Golden Gate	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
SFMTA[38]	0	0	0	0	0

Assumptions:

- Golden Gate's FY 24/25 Proposed Budget indicates that $21.0 million intended for capital contributions will not be fully available due to operating budget shortfalls. This suggests that the District's reliance on reserves for operating expenses is unsustainable and may impact future capital projects.
- Each fiscal year, BART allocates operating funds to essential capital projects and programs to maintain operations, fiscal stability, and priority initiatives. Due to decreased fare revenue from the pandemic, BART reduced planned capital allocations from $70 million in FY 24 to a projected $31 million in FY 25 and will continue conserving funds for operations, aiming to reduce future liabilities and costs.
- BART's capital allocations encompass four key areas: baseline capital allocations (including local match for federal formula funds), priority capital programs (local match for federal CIG grant for Core Capacity), BART-to-OAK Capital Asset Replacement Program (CARP), and other capital allocations. According to the operator, BART uses Priority Capital Allocations to meet federal funding commitments, while Baseline Capital Allocations provide local matching funds for maintaining its infrastructure. According to BART, these investments are vital to keeping over 80,000 assets in good condition and ensuring safe, reliable service. This strategic approach aims to conserve funds for operations while reducing future liabilities and costs.

[37] AC Transit did not provide operating to capital transfer amounts for FY 26 through FY 30, though they did provide it for FY 19 through FY 25 upon request.

[38] Based on clarification form the operator in late-May, SFMTA maintains a separate capital budget that is independent from the operators budget. This could result in the operating budget deficit appearing smaller than other operators.

Summary

In summary, operators provided financial models supported by documentation and explanations for underlying assumptions to varying degrees. Table 23 outlines the information that MGO requested and whether the information was provided by the operators. Based on the information the operators provided, we have summarized several major takeaways in Table 24.

Additionally, we were limited in what we were able to validate based on operator-provided information as well as the scope of this engagement. Table 24 summarizes at a high level our assessment of various categories, like whether the operator-provided data fully supports the forecasted shortfalls, whether key assumptions are in line with industry trends (where we could find reliable information), a high-level summary of cost-saving and revenue-enhancing measures taken by each operator, and a comparison of service level projections across operators.

In the first row of Table 24, where we summarize whether the operator-provided models fully support their projected shortfalls. Our assessment was based on the following:

- Caltrain's revised projected shortfalls are based on FY 25 service levels, which take into account the electrification of their fleet and a large increase in service levels, and are not currently tied to mandated additional service increases that would likely significantly drive up projected deficits in the near-term if a waiver cannot be secured in FY 27. However, we are unable to ascertain the exact impact to the shortfalls of the anticipated service level increases.
- Golden Gate factors depreciation, which makes up an average annual 9.5% of total expenses over the FY 26 to FY 30 period, into their projected deficit, while no other operator includes this in their models.
- There appear to be differences between STA and potentially TDA amounts in SFMTA's financial model compared with information that MTC has reported. SFMTA's FY 25 estimates are $7.4 million less than the MTC February 28, 2024 fund estimate. SFMTA staff explained that they estimated less STA revenue than projected by MTC to plan for economic uncertainty.
- AC Transit's financial model shows a net operating surplus of $221.3 million for the FY 19 through FY 25 period. While the model itself does not detail how these surpluses were or are intended to be used, AC Transit provided information just before the issuance of this report explaining how the funds were or are being utilized (i.e., toward District Capital payments, operating and capital reserves, and OPEB pre-funding, with remaining funds held in working cash accounts). According to the operator, this approach has resulted in a larger-than-usual working cash balance, which for AC Transit is essential for managing cash flow fluctuations due to the timing of grant reimbursements and property tax receipts.
- It should be noted that BART's service changed in September 2023 to shorter trains, which means fewer car hours but more train hours. This is reflected in the revenue train hours increasing from FY 23 to FY 25, then holding steady, while revenue car hours decreased from FY 23 to FY 25 and then level out.

Additionally, it should be noted that:

- Treatment of fund estimates (TDA and STA contributions) differed across operators, where these amounts were sometimes grouped with other revenues (not clearly disaggregated) and sometimes not evident in the revenues at all. Additionally, some operators like AC Transit may have used updated estimates while others may not have. Due to differing treatment of these funds and the fact that MGO did not receive sufficient information, we were unable to determine which operators utilized updated fund estimates and which did not, and also whether the amounts used in their models aligned with MTC's Fund Estimate.
- Service levels in financial models may not be reflective of future service adjustments

- Based on the information we received, only one operator (Caltrain) is projecting higher service levels in the FY 25 to FY 30 period compared to FY 24 due primarily to electrification of their service, but several operators have shared the expectation from their boards that they increase services to pre-pandemic levels. As noted previously, Caltrain is also likely to have to adjust service levels upward related to its full funding grant agreement terms. These service increases will certainly have cost implications and likely drive projected deficits significantly.

- Fare reliance differed across operators
  - Of the five operators, Golden Gate, BART, and Caltrain have historically relied the most heavily on fare revenues (in the case of Golden Gate, fares and toll revenues). Projections for FY 26 to FY 30 show that fare revenues are anticipated to account for an annual projected average of 9.0%, 31.1%, and 31.9% of total revenues for each operator, respectively.
  - SFMTA relies most heavily on CCSF General Fund revenues and parking revenue, with fare revenues projected to make up an annual average of 9.4% of total revenues.
    - It should be noted that SFMTA's parking revenue, which comprises a significant portion of transit revenues compared to the other operators, would significantly affect its revenue loss due to the same factors that driving reduced ridership. Parking revenue helps pay for transit and accounted for a decline of 16% of revenue from FY 19 to FY 24, declining from $284.1 million to $239.7 million.
  - AC Transit has the most diversified funding sources, and arguably the least reliance on fares, with fare revenues projected to make up an annual average of 6.7% of total revenues. However, their Transbay service was previously able to generate significantly more revenue than during and post-pandemic. Currently, their local service lines are where ridership has been recovering, but according to staff the riders using these services are low-income and the fares for these local services are lower.

Table 23: Information Requested and Provided by Operators

	AC Transit	BART	Caltrain	Golden Gate Transit	SFMTA
Updated financial model for FY 19 through FY 30	Yes	Yes	Yes	No	Yes[39]
Explanation of key assumptions and documentation	Partial	Yes	Yes	No	Yes
Information related to reserves	Yes	Yes	Yes	Partial	Yes
Cost-saving and revenue-generating actions taken or anticipated	Yes	Yes	Yes	Partial	Yes
Service level information and projections	Yes	Yes	Yes	Yes	Yes
Information related to Capital transfers	Partial	Yes	Yes	Yes	Yes
Scheduled Vehicle Revenue Hours	Yes	Yes	Yes	Yes	Yes

Table 24: Summary Table

	AC Transit	BART	Caltrain	Golden Gate	SFMTA
Does data provided generally support projected shortfalls?[40]	Yes	Yes	Yes	Yes	Yes
Have operators provided supporting information for assumptions to demonstrate reasonableness?	Yes	Yes	Yes	Yes	Yes
Assumptions in line with industry norms or economic trends (e.g., property tax, sales tax, etc.)[41]	• Property tax is expected to increase • Sales tax revenue is projected to reduce	• Liability and insurance are projected to increase	• Liability and insurance are projected to increase	• Liability and insurance are projected to increase • Higher toll increases	• Liability and insurance are projected to increase
Assumptions not in line with industry norms or economic trends	• AC Transit projects high liability and	• Ridership assumptions are optimistic	• Farebox revenue is projected to grow by an	N/A	N/A

[39] SFMTA provided information for FY 19 to FY 24 just prior to the final issuance of this report.
[40] MGO compared each operator's financial model with the most recent Annual Comprehensive Financial Report (ACFR) except in the case of SFMTA which did not include FY 24 (latest actuals) or preceding years in their financial model until late May 2025. This exercise revealed discrepancies due to various factors.
[41] Sales tax forecasts are operator-developed and may not be consistent across operators in terms of growth assumptions.

	AC Transit	BART	Caltrain	Golden Gate	SFMTA
	insurance costs and increases	compared to actual ridership data and other projections	average of 12.3% from FY 26 through FY 30		
Cost-cutting and revenue-generating measures (high-level summary)	• Limiting annual wage increases • Reducing expenses in software, professional, and technical services • Reducing initiatives	• Implementing strategic hiring freezes • Procuring wholesale power versus retail and appropriating shorter train	• Not anticipating adding any new operating FTEs from FY 26 to FY 34, unless projections materially change. • Reducing electric costs by $105 million through FY 34	• Defunding positions and freezing hiring	• Increasing fares, fees, and fines • Maximizing parking revenue • Reducing subsidies like towing fee discounts • Increasing fare compliance • Eliminating 12 lines post-pandemic and implementing modest service decreases July 1, 2025 • Holding $90.0 million in positions vacant each year • Deferring $30.0 million in one-time investments. • Implementing transit only lanes to provide transit more efficiently, reducing cost • Implementing technology solutions, such as

	AC Transit	BART	Caltrain	Golden Gate	SFMTA
					credit card readers in parking garages, to reduce expenditure
Are service level increases projected?	FY 25 to FY 30 service levels projected at essentially the same amount as FY 24.	FY 25 to FY 30 service levels projected at a lower amount than FY 24.	FY 25 to FY 30 service levels projected at a higher amount than FY 24.	Yes	Decreasing service 2% starting July 1, 2025.

Fair-Share Allocation Methodologies

Fair-share allocation is a method for equitably distributing the costs associated with the operation and capital investment of public transit systems amongst stakeholders. A fair-share allocation methodology ensures that jurisdictions benefiting from the service contribute fairly to the system's funding and prevents any jurisdiction from bearing a disproportionate share of costs. For multi-jurisdiction transit systems, a fair share allocation methodology balances the diverse needs of the multiple jurisdictions, each with unique demographic, economic, and transit usage profiles.

Industry Best Practices

As part of our analysis, we conducted high-level industry best practices research to survey what factors other major national and international transit systems utilize in their fair-share approaches. Based on our research, we identified fair-share allocation methodologies to allocate the operating and capital costs of a transit system among stakeholders, including participating jurisdictions, developers and local businesses. The following are the primary factors, or inputs, that other transit systems include in their fair-share cost allocation methodologies:

- Ridership (examples: total boardings/alighting, A.M. boardings, peak-hour/peak-period usage, entries, exits, anticipated future usage)
- Number of stations
- Service hours/frequency
- Track miles
- Capital assets
- Sales tax base
- Property tax base
- Property Tax Assessed Value
- Population
- Demographic factors like income levels
- Commuter patterns
- Socioeconomic makeup
- Economic capacity
- Economic output
- Base fares
- Surcharge fares charged to riders at high-demand stations
- Parking fees
- Land donations*
- Land Value Capture (LVC)*

Taking the above factors, we categorized them into the following overarching areas that one could consider when developing a fair-share allocation methodology for participating jurisdictions: ridership patterns, infrastructure contribution and distribution, and fiscal capacity. It should be noted that while land donations and related land value capture (LVC) mechanisms are one input that other transit agencies utilize (as a type of infrastructure contribution), this input does not seem to apply to the circumstances of the current operators (BART and Caltrain). Where land donations were factored into fair-share contributions, they were coupled with LVC mechanisms to ensure equitability of distribution of the benefits of the transit systems that utilize this approach. The high-level summary of our industry best practices research can be found in "Attachment B: Fair-Share Best Practices Summary" along with a list of sources for further exploration in "Attachment C: Sources to Explore."

In the following sections, we outline the current states of BART and Caltrain, including some background on the services provided by each operator, a brief history of the operators and an overview of the primary legal agreements that largely guide county contributions, and a summary of the other relevant local/regional measures that impact county contributions. We also include a section that shows current county contributions (as of FY 24), by operator.

For ease of navigation, we organize the fair-share analysis into two parts, the first focused on BART, and the second on Caltrain. For BART, we outline three fair-share scenarios for consideration that we categorize using the following terminology based on our best practices research:

A. Benefit-based
B. Ability-to-Pay
C. Hybrid

Using these frameworks, we establish contribution ranges per county per scenario. These ranges are included for illustrative purposes only and are subject to change if the factors taken into consideration or if the weighting of factors evolve during discussions with the counties that contribute to the funding of BART.

Current State – BART

Per BART's Popular Annual Financial Report, Fiscal Year Ended June 30, 2024, the BART system comprises five lines of service over 131.4 miles of track and includes 50 stations in five Bay Area counties. With BART's exclusive right-of-way system, passengers experience predictable travel times, free from traffic congestion. In FY 24, BART delivered nearly 50 million passenger trips. BART's vision is to support a sustainable and prosperous Bay Area by connecting communities with seamless mobility. BART's mission is to provide safe, reliable, clean, quality transit service for riders. BART has played a critical role in keeping the Bay Area moving for more than 50 years, providing a safe, clean, and reliable alternative to driving.

Per BART's Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2024, the District is an independent agency created in 1957 by the legislature of the State of California for the purpose of providing an adequate, modern, interurban mass rapid transit system in the various portions of the metropolitan area surrounding the San Francisco Bay. The District started its revenue operations in September 1972. It presently operates a 131-mile, 50-station system serving the five counties of Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara. On June 13, 2020 the District opened the Berryessa Extension in Santa Clara County, which added two stations and 10 miles of track to the system. The Operating and Maintenance agreement (see above) provides guidance on the financial, maintenance, and operating responsibilities of each party, where Valley Transportation Authority (VTA) owns the extensions including the transit centers and the District operates the service and maintains the system.

BART is an integral part of the public transportation system for all five counties in which it operates. A few examples include:

- San Mateo and Alameda counties have direct access to San Francisco.
- Even though BART does not geographically extend fully into Santa Clara and San Mateo counties, BART integrates with other systems within the counties for a county-wide transportation network.
- Residents of areas further away can avail themselves of lower cost of housing while commuting to employment hubs.
- San Mateo has direct access to the SFO Airport and sports/entertainment facilities in San Francisco.
- Alameda has access to the Oakland Airport and sports/entertainment facilities in Oakland.

BART is a regional transportation system that benefits all five counties. The revenues that support BART have greatly shifted since the pandemic started in 2020. Before the pandemic, riders primarily supported the system in that fare revenues comprised more than 50% of BART's operating budget in FY 19. This dropped to just over 20% in FY 24 due to ridership declines as commute patterns shifted. As a result of this structural drop in ridership and revenue, BART cannot rely on ridership funding and needs additional sources of funding for its future. Determination of the responsibility for funding BART may rest with counties' sharing in the additional funding. Below are several scenarios that stakeholders could consider when discussing the counties' roles and amounts of BART funding solutions for the future.

BART currently is driven by the following historical agreements (see Table 25 for more detail):

- 1990 BART and SamTrans Comprehensive Agreement
- 1999 Memorandum of Understanding between MTC, BART and SamTrans
- 2006 BART Federal Funds Approval
- 2006 Loan Extension and Repayment Agreement
- 2007 Agreement between MTC, BART and SamTrans
- 2020 Operating and Maintenance Agreement with SCVTA.

BART currently has agreements with San Mateo County/SamTrans and Santa Clara County/VTA. The current SamTrans agreement was made in 2007 and superseded the 1999 MOU and the 1990 Comprehensive Agreement. The agreement includes a loan agreement initially made in 1999 and amended in 2006. Santa Clara County's agreement is an operating and maintenance agreement through VTA, which was signed in 2020 and covers the BART extension into Santa Clara County. Below is a summary table of the agreements and discussion of funding from the five counties that BART services.

Table 25: Summary of BART's Primary Agreements with San Mateo County Transit District, Metropolitan Transportation Commission, and Santa Clara Valley Transportation Authority

Agreement	Year	Agreement Terms	Financial Contributions to BART
BART and SamTrans Comprehensive Agreement	1990	Between BART and SamTrans. Allocates responsibilities regarding the extension to SFO. Includes a commitment for payment of $145M from net operating surplus from revenue operations on the SFO Extension to be used for Warm Springs Extension.	$145M from SamTrans per the agreement, though it should be noted that this amount could not be traced in the documentation the MGO team was provided[42] Note: was replaced by the 2007 agreement (MOU) between BART, SamTrans, and MTC.
Memorandum of Understanding	1999	MOU between MTC, BART and SamTrans for the SFO extension project. • Funding of $198M provided follows: BART $50M, SamTrans $72M, and MTC $76.5M ($16.5M funding and $60M loan). • $145M of net operating surplus by the SFO extension will fulfill balances due by SamTrans for SFO Project Cost and BART/Warm Springs capital contribution. • Additional net operating surplus allocated proportionally to repay to BART ($50M), SamTrans ($72M), and MTC ($16.5M). • Relieves SamTrans of financial responsibility for operating deficits of SFO extension. Transfers property and operating responsibility to BART.	$198.5M funding provided by three agencies, including a $60M loan from MTC to BART that was repaid in full. Note: The 2007 agreement (MOU) between BART, SamTrans, and MTC rescinds the MOU.
BART Federal Funds Approval	2006	Approves federal funds of $80M to BART, which includes the $60M BART was to use to repay the MTC loan.	No additional BART financing.

[42] See Tables 26 and 27 for local contributions made in FY 24. The MGO team confirmed that the $145 million was not contributed in FY 24, and BART staff have stated that this amount never came to fruition.

Agreement	Year	Agreement Terms	Financial Contributions to BART
Loan Extension and Repayment Agreement	2006	Between MTC and BART. Provides a revised payment schedule for the $60M loan. Payments to be made in FY 06 to FY 15.	No additional BART financing. Note: The 2007 agreement (MOU) between BART, SamTrans, and MTC retains the Loan Extension and Repayment Agreement.
Agreement	2007	• Between MTC, BART and SamTrans. • Addresses all of the outstanding issues arising from the Comprehensive Agreement between BART and SamTrans. • Rescinds the 1999 Memorandum of Understanding amongst MTC, BART, and SamTrans. • Retains the Loan Extension and Repayment Agreement between BART and MTC. • MTC allocation to BART $24M. • SamTrans assigns to BART $32M. • MTC allocates to BART $801,024 from SamTrans via MTC annually to fund deficit and to fulfill $145M SamTrans commitment. • SamTrans 25-year agreement commencing January 1, 2009, to allocate 2% of SMTA's one-half cent transactions and use tax, net, to BART for operating costs of the SFO extension. • Surpluses of the SFO extension are used to meet the $145M commitment.	$24M from MTC. $32M from SamTrans. $801,024 annually from SamTrans via MTC. 2% of one-half cent transactions and use tax.
Operating and Maintenance Agreement	2020	• An agreement between BART and Santa Clara Valley Transportation Authority (VTA). • Relates to revenue operation of the extension and addresses ongoing operations and maintenance responsibilities, use of real property, payment of cost and funding. • VTA is responsible for ongoing operating, maintenance and capital costs for operation of	Actual costs of O&M and capital costs of the extension, plus a share of core system capital costs. Costs vary depending on actual expenses, FY 24 operating costs net of offsetting fare revenue were approximately $46.6M, and $29.5M for core system capital

Agreement	Year	Agreement Terms	Financial Contributions to BART
		the extension and share of core system capital costs • VTA to ensure a secure source of funds, initially Measure B sales tax.	

BART Local Contributions

The BART service area spans five counties, all of which contribute to BART's funding. Three counties are within the BART District (San Francisco, Alameda, and Contra Costa). Two counties are not within the BART District (Santa Clara, San Mateo). The agreements above provide context for funding of BART from San Mateo and Santa Clara counties. See Table 26 for a summary of total county contributions to BART received in FY 24.

Sales Tax and Property Tax

Three counties are within the BART District (San Francisco, Alameda, and Contra Costa). Taxpayers from the three District counties provide to BART 75% of a one-half cent sales tax and a portion of the 1% general ad valorum property tax levied.

In FY 24, BART received $320 million in sales tax paid by District taxpayers. Because sales tax is provided directly to BART from the State, there is no reporting from the State of sales tax by county.

In FY24, BART received $65 million of 1% property tax. These are monies paid by property owners and allocated to BART because it is a special district operating within the County. Amounts paid by taxpayers by county were as follows: San Francisco taxpayers $21 million, Alameda County $26 million and Contra Costs County $18 million.

Santa Clara County-VTA Assistance

Santa Clara County taxpayers do not pay property taxes or sales taxes directly to BART because Santa Clara County is not in the BART District. In FY 24 Santa Clara County, through VTA, paid $47 million, for the operating and maintenance costs of the BART extension into Santa Clara County as well as $29 million for core system capital. Contributions are based on an agreement which defines roles and responsibilities, including funding for extensions into Santa Clara County.

Other Assistance

BART received approximately $19 million in other local assistance in FY 24, mainly consisting of:

- $7.3 million from Alameda County Measure BB, which is for paratransit and transit operations in Alameda County.
- $4 million from San Mateo County, comprised of:
    - $2.3 million from San Mateo County-Measure AA. San Mateo County taxpayers do not pay property taxes or sales taxes directly to BART because San Mateo County is not in the BART District. SamTrans has a 25-year agreement commencing January 1, 2009, with BART to allocate 2% of total revenue each year from SMTA's one-half cent transactions and use tax, net, to BART for operating costs of the SFO extension. BART received $2.3 million of this in FY 24.
    - $801,024, from MTC per an agreement which allocates to BART State funds that would otherwise be available to SamTrans. The amount is paid annually for operating costs of the SFO extension until a $145M commitment has been satisfied or in order to fund a deficit of the SFO extension.

- $7 million from San Francisco, consisting of $5 million from the Office of Economic Development and $2 million from grants.

Below are the local funding received by BART in FY 24 by category.

Table 26: BART Local Funding by County Based on FY 24 Actuals (in Millions)

Fund Source ($M)	San Francisco	Alameda	Contra Costa	San Mateo	Santa Clara	Total
BART District Sales Tax	82	148	90	0	0	$320
BART District Property Tax	21	26	18	0	0	$65
VTA Assistance					47	$47
Other Local Assistance	7	8		4		$19
Total[1]	**$110**	**$182**	**$108**	**$4**	**$47**	**$451**

Below are the FY 24 actual local assistance amounts, by type.

Table 27: Other Local Assistance Received by BART (By Type) Based on FY 24 Actuals

County/Agency	Description	Actuals
San Mateo	STA from SamTrans	801,024
Alameda	STA County Block Grant Alameda	336,280
Contra Costa	STA County Block Grant Contra Costa	30,484
San Francisco	STA County Block Grant San Francisco	1,000,949
Contra Costa	CCTA Measure J	112,703
Alameda	ACTC Measure BB - Paratransit	5,456,312
Alameda	ACTC Measure BB - Transit	1,818,771
Caltrain	Caltrain/Millbrae Use/Op/Maintenance	1,036,524
Alameda	Grants – City of Oakland	65,000
San Francisco	Grants – SFMTA (MUNI)	1,093,550
San Mateo	Financial Assist – SM Measure A	2,321,768
San Francisco	CCSF – Office of Economic Development	5,000,000
Total		**19,073,365**

Fare Surcharge

Tables 28 and 29 below review BART's fare revenue by County, which can be attributed by county of entry.

Table 28: BART's FY 24 Results – Net Surcharges and Base Fares, Attributed to County of Entry

	San Francisco County	Alameda County	Contra Costa County	San Mateo County	Santa Clara County	San Francisco International Airport	Oakland International Airport	Total
Capital Surcharge	$2,418,192.7	$2,177,004.5	$842,316.2	$159,258.9	$104,799.5	$3,370.4	$373.0	$5,705,315.1
Transbay Surcharge	$11,624,450.3	$8,878,012.3	$3,886,266.2	$681,884.6	$289,626.3	$512,296.6	$0	$25,872,536.2
Daly City Surcharge	$999,211.9	$0	$0	$980,662.3	$0	$0	$0	$1,979,874.1
San Mateo County Surcharge	$2,427,082.2	$0	$0	$2,262,379.7	$0	$1,015,424.0	$0	$5,704,885.9
SFO Premium	$2,228,108.4	$1,175,034.4	$926,209.3	$736,491.8	$16,173.1	$5,973,265.9	$0	$11,055,282.9
OAK Premium	$413,987.9	$500,197.5	$243,339.7	$23,032.4	$25,032.6	$25,513.5	$1,427,078.1	$2,658,181.8
Magstripe Surcharge	$20,518.1	$26,473.2	$5,888.2	$2,060.8	$378.8	$48,459.7	$121.7	$103,900.4
Total Net Surcharges	**$20,131,551.5**	**$12,756,721.8**	**$5,904,019.6**	**$4,845,770.4**	**$436,010.2**	**$7,578,330.0**	**$1,427,572.8**	**$53,079,976.4**
Base Net Fares	**$61,045,281.5**	**$54,439,146.1**	**$26,535,177.4**	**$8,972,142.7**	**$4,456,177.0**	**$4,875,766.8**	**$861,304.0**	**$161,184,995.5**
Total Net Fare Revenue	**$81,176,833.0**	**$67,195,867.9**	**$32,439,197.0**	**$13,817,913.1**	**$4,892,187.2**	**$12,454,096.8**	**$2,288,876.8**	**$214,264,971.9**

Table 29: BART's FY 24 Full Results – Net Surcharges and Base Fares, Attributed to A.M. (Home-Based Proxy) County of Entry, then Scaled up to Match Control Totals

	San Francisco County	Alameda County	Contra Costa County	San Mateo County	Santa Clara County	San Francisco International Airport	Oakland International Airport	Total
Capital Surcharge	$1,459,134.9	$2,610,435.8	$1,299,105.7	$218,917.9	$114,183.5	$3,209.1	$328.2	$5,705,315.1
Transbay Surcharge	$4,744,361.8	$13,071,136.8	$6,738,285.9	$543,122.6	$428,082.7	$347,546.5	$0	$25,872,536.2
Daly City Surcharge	$394,636.3	$0	$0	$1,585,237.9	$0	$0	$0	$1,979,874.1
San Mateo County Surcharge	$1,686,905.7	$0	$0	$3,089,448.2	$0	$928,531.9	$0	$5,704,885.9
SFO Premium	$2,504,753.6	$1,483,333.0	$1,242,640.3	$885,426.6	$15,359.4	$4,923,770.1	$0	$11,055,282.9
OAK Premium	$369,551.2	$582,582.8	$338,558.4	$23,157.1	$19,681.1	$23,145.0	$1,301,506.2	$2,658,181.8
Magstripe Surcharge	$20,518.1	$26,473.2	$5,888.2	$2,060.8	$378.8	$48,459.7	$121.7	$103,900.4
Total Net Surcharges	**$11,179,861.6**	**$17,773,961.5**	**$9,624,478.4**	**$6,347,371.0**	**$577,685.4**	**$6,274,662.4**	**$1,301,956.1**	**$53,079,976.4**
Base Net Fares	**$32,443,852.4**	**$66,362,662.1**	**$41,806,365.7**	**$10,929,222.1**	**$5,010,574.6**	**$3,869,573.8**	**$762,744.8**	**$161,184,995.5**
Total Net Fare Revenue	**$43,623,713.9**	**$84,136,623.6**	**$51,430,844.1**	**$17,276,593.1**	**$5,588,260.0**	**$10,144,236.2**	**$2,064,700.9**	**$214,264,971.9**

BART Fair-Share Scenarios

Three scenarios are outlined below for consideration and discussion. The FY 27 deficit of $378.3 million was used to project example costs purely for illustrative purposes, at the request of MTC and other stakeholders. A similar methodology can be repeated to map out scenarios considering the full operating and/or capital costs of the BART system. The intent of the below BART fair-share cost attribution ranges is to give stakeholders a sense of magnitude based on what inputs are ultimately selected for inclusion in the fair-share allocation – to be negotiated at a later date between BART and the counties.

BART's operating revenue consists of State financial assistance, investment revenue, other operating revenue, fares, parking revenue, sales tax, property tax, VTA financial assistance, and other financial assistance. All three scenarios retain current revenues at the regional level, including amounts paid directly by riders for fares, and parking fees. This provides for all counties to benefit from increases in rider paid fees by reducing the deficit systemwide. All three scenarios retain at the regional level system costs, thereby acknowledging BART as a system that benefits the whole region. Four counties are included in the scenarios: San Francisco, Alameda, Contra Costa and San Mateo. Santa Clara County was excluded from the scenarios based on the scope of this project, per discussion with MTC.

Table 30: Outline of Cost Allocation Scenarios for BART

Factors	Scenario 1 Benefit-based	Scenario 2 Ability-to-Pay	Scenario 3 Hybrid
A.M. Boardings	X		X
All Day Boardings	X		X
Population		X	X
Property Tax Assessed Value		X	X
Sales Tax		X	X

Scenario One: Benefit-Based

The first scenario splits $378.3 million of cost based on benefits received as measured by AM Boardings or All Day Boardings. The data was received from MTC. All Day Boardings is Boarding by County of Origin based on Clipper trips from 12/1/23 through 2/25/24, then multiplied by 4 to approximate an annual amount. The costs are split between the four participating counties. Boardings data is deemed an appropriate Factor for approximating benefits received by each county because it approximates current usage by county residents and therefore estimates future use by county residents. Depending on the county and the factor, ranges of contribution were determined.

Table 31: Scenario One – Benefit Based Contribution Ranges

	San Francisco	Alameda	Contra Costa	San Mateo	Total
Fair-Share Calculation Based on A.M. Boardings					
A.M. Boardings	21.9%	45.0%	23.5%	9.6%	100%
Fair-Share Calculation Based on All Day Boardings					
All Day Boardings	45.0%	35.1%	14.0%	5.9%	100%
Range of Contribution – Scenario 1					
Range of Additional Contribution	21.9-45.0%	35.1-45.0%	14.0-23.5%	5.9-9.6%	

Scenario Two: Ability-to-Pay

The second scenario splits $378.3 million of cost based on the county's ability to pay as determined using one of three factors: Property Tax Assessed Value, Population, or Sales Tax base. Property Tax Assessed Value and Population were obtained from the Annual Comprehensive Financial Statements; Sales Tax base was provided by MTC. Property Tax and Sales Tax base acknowledge not only county residents but also business activity within the county. The costs are split between the four participating counties. Depending on the county and the factor, ranges of contribution were determined.

Table 32: Scenario Two – Ability to-Pay Contribution Ranges

	San Francisco	Alameda	Contra Costa	San Mateo	Total
Fair-Share Calculation Based on Property Tax Assessed Value					
Property Tax Assessed Value	24.6%	30.9%	20.8%	23.7%	100%
Fair-Share Calculation Based on Population					
Population	18.7%	37.6%	26.6%	17.2%	100%
Fair-Share Calculation Based on Sales Tax					
Sales Tax	18.1%	40.7%	20.7%	20.4%	100%
Range of Contribution (in %) – Scenario 2					
Range of Additional Contribution	18.1-24.6%	30.9-40.7%	20.7-26.6%	17.2-23.7%	

Scenario Three: Hybrid

The third scenario builds on the first two scenarios. It splits $378.3 million of cost based on a hybrid of the Benefit-Based approach, using AM or All Day Boardings, and the Ability To Pay Based Approach using one of three factors: Property Tax Assessed Value, Population, or Sales Tax base. The costs are split between the four participating counties. Depending on the county and the factor, ranges of contribution were determined.

Table 33: Scenario Three – Hybrid Contribution Ranges

	San Francisco	Alameda	Contra Costa	San Mateo
A.M. Boardings Range of Additional Contribution	20.0-23.2%	38.0-42.9%	22.1-25.0%	13.4-16.7%
All Day Boardings Range of Additional Contribution	31.6-34.8%	33.0-37.9%	17.4-20.3%	11.5-14.8%

Additional Factors for Consideration

Factors in Scenarios Provided by BART

During this engagement, MGO reviewed cost-sharing scenarios that BART staff developed. All BART-developed scenarios calculated the same deficit to be allocated to participating counties. Based on the factors and formula utilized, the amount to be contributed by each participating county was determined. These scenarios involved allocating the system-wide cost of BART based on combinations of the below factors:

- Revenues segregated between Operating, Non-Local, and Local Contributions.
    - Local Contributions are amounts paid locally within each county including sales tax, property tax, and other financial assistance.
- In some scenarios, surcharges, fares and parking revenue were included as an amount paid locally, at the request of specific counties.
- Cost per county, activity-based, or direct cost.

The scenarios and factors developed by BART staff may be helpful for discussions when deciding on an agreed-up allocation methodology.

Factors from Research

In our research, we identified the following factors could be considered for incorporation into a scenario.

a. Track miles, which reflect the amount of service available within the county.
b. Station count, which reflects the amount of service available within the county.
c. Service hours, which reflect the amount of service available within the county.
d. Distribution of capital costs are separately addressed. In the past 20 years, BART received funding for capital costs from bond measures and grants. For capital costs, VTA is responsible for capital costs of the extension of BART into Santa Clara County and a share of core system capital costs.
e. Amounts paid by riders, including base fares, surcharge fares, parking fees are handled regionally and excluded from the scenarios.

f. Costs of the system proportional to each county (for example, activity based, direct, indirect costs, VTAs Operating and Maintenance agreement model). Costs are considered to be regional.
g. Entries and exits. However, because BART spans multiple counties, using entries and exits will overstate ridership to any one county.
h. Exit Station.
i. Peak hour usage. In lieu, A.M. Boardings were utilized for ridership statistics.
j. Relative rates of ridership recovery. In lieu, A.M. boardings were utilized for ridership statistics.
k. Trips
l. Stations and surcharges (example: Daly City and/or SFO airport stations). In the three scenarios, no stations or surcharges are handled separately. There are 7 surcharge fees, with two being for the Daly City and SFO stations. In all three scenarios, surcharges are considered regionally along with other fees paid by riders (examples: base fares, parking).
m. Pandemic-related fare revenue losses.
n. Core system buy-in. Excluded are costs to non-district counties (San Mateo and Santa Clara) for a buy-in to the core system.
o. Loans. A permanent solution is needed, so loans are not considered.

Current State - Caltrain

Caltrain is operated by the Peninsula Corridor Joint Powers Board (JPB) through an agreement between the City and County of San Francisco, San Mateo County Transit District, and Santa Clara Valley Transportation Authority. Under the terms of the JPB, the San Mateo County Transit District serves as the Managing Agency and provides management, administrative, as well as staff services for Caltrain under the direction and oversight of the JPB Board. Caltrain provides commuter rail service that spans 77 miles and runs along the San Francisco Peninsula and through the South Bay to San Jose and Gilroy. Caltrain also manages 21 stations along its routes.

Caltrain currently is driven by the following historical agreement and associated amendment (see Table 34 for more detail):

- 1991 Real Property Ownership Agreement
- 2008 Amendment to Real Property Ownership Agreement
- 2022 Memorandum of Understanding.

County contributions to Caltrain are governed by one primary agreement, the Real Property Ownership Agreement signed in 1991 and amended in 2008, between San Mateo County Transit District (SamTrans), City and County of San Francisco (CCSF), and Santa Clara County Transit District (now VTA). SamTrans made an Additional Contribution toward the purchase of the Right of Way. The parties agreed to reimburse $43M from VTA funds and $10.3M from CCSF funds. Also, the parties agreed on division of rights and responsibilities based on a Mileage Formula and agreed upon the treatment of operating and non-operating revenues and expenses.

Measure RR

Voters passed Measure RR, a one-eighth cent sales tax on retail transactions and use tax for 30 years in the three Caltrain counties (San Francisco, San Mateo, and Santa Clara), in 2020. Funds from Measure RR supplanted existing county contributions starting in 2022. Currently, Measure RR brings $120 million annually to support Caltrain's operating and capital expenses; however, Measure RR only provides approximately 50% of Caltrain's total annual operating budget.

Table 34: Summary of Caltrain's Primary Agreement with San Mateo County Transit District, City and County of San Francisco, and Santa Clara County Transit District

Agreement	Year	Agreement Terms	Financial Contributions to Caltrain
Real Property Ownership Agreement	1991	An agreement amongst Peninsula Corridor Joint Powers Board San Mateo County Transit District, the City and County of San Francisco, and the Santa Clara Transit District. • Allocate rights and obligations based on a Mileage Formula. • SamTrans contributed an Additional Contribution toward the purchase price of the ROW, which the parties agree to reimburse. • Operating expenses and Right of Way capital project costs shall be shared among the member agencies or borne by an individual member agency as provided in the JPA. • Revenues earned and used to support the operating budget to be used to reduce operating expenses as provided in the JPA. • For non-operating expenses and revenues comprising of the ROW, the responsibility shall be shared by the Member Agencies in accordance with the Mileage Formula.	Note: This was amended in 2008 (see below).
Amendment to Real Property Ownership Agreement	2008	First Amendment to Real Property Ownership Agreement. MTC to facilitate reimbursement of SamTrans' Additional Contribution, which was an advance provided by SamTrans for the purchase of ROW as follows: • $43M from VTA funds. • $10.3M from CCSF funds. Expect to allocate in 2010-2012, and by 2018 latest.	No additional funding. Amendment reimburses SamTrans for prior funding advanced.
Memorandum of Understanding	2022	An MOU amongst Peninsula Corridor Joint Powers Board (JPB), Santa Clara Valley Transportation Authority, San Mateo County Transportation	MTC and CCSF have agreed to pay SMCTD $19.6M and $200,000, respectively, for the outstanding

Agreement	Year	Agreement Terms	Financial Contributions to Caltrain
		District (SMCTD), and the City and County of San Francisco • Establishes staffing within SMCTD regarding Caltrain, either exclusively dedicated to Caltrain (Example: Executive Director) or shared between SMCTD and Caltrain (example: Human Resources). Includes which positions take direction from the JPB. States that the JPB and SMCTD will execute an agreement to govern shared services. • States the JPB will document assets owned by the JPB. • MTC and CCSF have agreed to pay SMCTD $19.6M and $200,000, respectively, for the outstanding balance owed pursuant to the 2008 RPOA. • Once both are paid, SMCTD shall reconvey title to the ROW and ownership will vest with the JPB, SMCTD's rights are extinguished related to equity conversion and approval of real property transactions, • SMCTD releases claims against CCSF and VTA under the RPOA and 2008 RPOA for SMCTD's payment of the Additional Contribution. • CCSF and VTA shall pay SMCTD $6,080,000 and $9,120,000, respectively, totaling $15.2M. • The agreement defines timelines for the actions noted.	balance owed pursuant to the 2008 RPOA. On April 18, 2022, CCSF paid SMCTD the $200,000 it agreed to pay. MTC shall make the remaining $19.6M payment forthwith. CCSF and VTA shall pay SMCTD $6,080,000 and $9,120,000, respectively, totaling $15.2M.

Historic Contributions – Pre-Measure RR

Table 35 outlines historical county contributions to Caltrain's operating expenses based on the 1991 Real Property Ownership Agreement and subsequent revisions (for FY 10 through FY 21). As noted previously, member agency contributions ceased starting in FY 22 with the onset of Measure RR funding from the three counties.

Table 35: County Contributions Pre-Measure RR (FY 10 to FY 21)

		Operating Contributions by County				Percent of Contribution[1]		
Fiscal Year	**Formula**	**SM ($M)**	**SC ($M)**	**SF ($M)**	**Total ($M)**	**SM (%)**	**SC (%)**	**SF (%)**
FY 10	A.M. Boardings	16.5	15.9	7.0	**39.4**	41.9	40.3	17.8
FY 11	A.M. Boardings	14.7	14.1	6.2	**35.1**	41.9	40.3	17.8
FY 12	A.M. Boardings	10.6	10.2	4.5	**25.3**	41.9	40.3	17.8
FY 13	A.M. Boardings	14.0	13.7	5.8	**33.5**	41.8	40.9	17.3
FY 14	All Day Boardings	5.4	7.3	4.5	**17.2**	31.6	42.3	26.1
FY 15	All Day Boardings	6.3	8.4	5.2	**19.8**	31.6	42.3	26.1
FY 16	All Day Boardings	6.1	8.4	5.2	**19.7**	30.8	42.7	26.5
FY 17	All Day Boardings	6.5	8.4	5.6	**20.4**	31.7	41.0	27.3
FY 18	All Day Boardings	6.2	9.0	5.3	**20.4**	30.1	43.9	26.0
FY 19	Midweek Boardings	7.6	10.8	7.0	**25.4**	30.0	42.4	27.6
FY 20	Midweek Boardings	8.6	11.9	7.6	**28.0**	30.6	42.4	27.0
FY 21	Midweek Boardings	8.5	11.8	7.5	**27.9**	30.6	42.4	27.0

Source: Caltrain-provided information.

[1] Numbers may not total 100% due to rounding.

Current Contributions – Measure RR

Table 36 shows the recent and current county contributions from Measure RR (FY 22 to FY 25), which are based on share of sales tax revenue collected in each of the three counties.

Table 36: Total Contributions from Measure RR by County (FY 22 to FY 25)

Fiscal Year	San Francisco ($M)	San Mateo ($M)	Santa Clara ($M)	Total ($M)
FY 22	24.8	26.7	61.1	**$112.6**
FY 23	26.9	28.6	66.2	**$121.6**
FY 24	26.3	28.1	65.3	**$119.6**
FY 25[1]	26.2	28.3	65.6	**$120.1**

Source: Caltrain-provided information.

[1] Based on FY 25 adopted budget information provided by the operator.

Caltrain Fair-Share Options

During this engagement, Caltrain and its member counties have been actively reviewing options to determine fair-share contributions to its operating deficits. Options being discussed are outlined below in Table 37. As such, these options are subject to change. See “Attachment A: Caltrain Fair-Share Synopsis,” a write-up created by Caltrain, for more background information related to the Caltrain options for county contributions.

Table 37: Caltrain Fair-share Options

Option A	Option B	Option C	Option D	Option E	Option F	Option G	Option H
A.M. Boardings	**All-Day Boardings**	**A.M. Boardings + Measure RR**	**All-Day Boardings + Measure RR**	**A.M. Boardings + Measure RR + Gilroy service**	**All-Day Boardings + Measure RR + Gilroy service**	**A.M. Boardings + Gilroy service**	**All-Day Boardings + Gilroy service**
Takes the $75.0M projected deficit and assigns it to each county based on A.M. boardings percentages.	Takes same approach as Option A, except uses all-day boardings instead of A.M. boardings.	Treats Measure RR (MRR) as a member contribution, which means that the total operating need is the sum of MRR contributions and the $75.0M projected deficit. This total amount is distributed among the three counties by A.M. boarding percentages and the counties' respective MRR contributions.	Takes same approach as Option C, except uses all-day boardings instead of A.M. boardings.	Assumes full cost of Gilroy service is assigned to Santa Clara County (SCC), and this amount is taken from SCC's MRR contribution. Approach also treats Measure RR (MRR) as a member contribution and mirrors Option C, with the addition of the Gilroy service cost being fully attributed to SCC.	Takes same approach as Option E, except uses all-day boardings instead of A.M. boardings.	Assumes full cost of Gilroy service is assigned to Santa Clara County (SCC), and does not treat MRR as a member contribution. Once the service cost for Gilroy has been assigned to SCC, the remaining need is attributed across all three counties using A.M. boardings.	Takes same approach as Option G, except uses all-day boardings instead of A.M. boardings.

Attachment A: Caltrain Fair-Share Synopsis

Caltrain Narrative Explanation

Background

Caltrain is governed by a joint powers authority made up of member agencies from the three different counties along its corridor: the City and County of San Francisco, SamTrans, and VTA. It has a nine-member board with three representatives from each county. The JPA Agreement and related letters of understanding are the means by which the member agencies have allocated financial responsibility for Caltrain.

Differences Between the Agreements and Practice:

- Under the 1996 JPA, subsidies from the member agencies are to be allocated based on a formula using AM peak ridership, adjusted annually. Over the years, the parties have changed the formula several times, the first occurring in 2001 with the introduction of a five-year averaging applied to the AM boardings. As of fiscal year 2014, the practice has been to allocate costs based on average all-day boardings, adjusted annually. Finally, in 2018, the member agencies established average mid-week boardings (still all-day), adjusted annually as the means of allocating operating costs amongst the member agencies.

- However, the member agencies have not contributed to Caltrain's operations budget since fiscal year 2021 after the passage of Measure RR.

- Under the 1996 JPA, operating costs for service on the Union Pacific Railroad-owned line between Tamien Station and Gilroy Station (Gilroy service) are to be paid by VTA. Since 2001, the annual operating costs have been treated as a mainline cost and are paid by all member agencies. Starting in 2023, VTA started paying for some of the additional costs for Gilroy service related to the fourth train to Gilroy.

Before the pandemic, Caltrain had the highest farebox recovery of any regional rail system in the nation, bringing in as much as 73% of its operating budget through fares, including through its annual and monthly pass programs. During that period, Caltrain was heavily reliant on riders commuting to work during peak time periods. Given the impacts of the pandemic and changes in remote work, Caltrain's ridership recovery has been slow. In September 2024, Caltrain launched a brand new electrified service on the Caltrain-owned portion of the corridor from San Francisco to San Jose. This service enhancement has led to a 50 percent increase in ridership over the same period the previous year and has weekend ridership exceeding pre-pandemic levels.

Caltrain Operating Deficit

Despite this increase in ridership from electrification, according to Caltrain's Strategic Financial Plan (SFP), the latest iteration of which was presented in January 2025 to its Board of Directors,

Caltrain faces an average annual deficit of $75 million beginning in FY 2027. Caltrain's projected deficit is on average 23% of its operating budget.

Historic Member Contributions

Historically, during annual operations budgeting process, any revenue still needed to close the agency's operating budget was made up for by the member agencies. However, when Measure RR, a 1/8 cent sales tax measure in the three Caltrain counties, passed in 2020, the member agencies ceased contributing to Caltrain's operations budget.

Historic Operating Funding by Member Agency

Formula		**Operating Dollars Provided by County to Caltrain**				**Percent of the contribution**		
	Fiscal Year	San Mateo	Santa Clara	San Francisco	Total	San Mateo	Santa Clara	San Francisco
AM Boardings	FY2010	16,521,290	15,878,130	7,017,165	39,416,585	41.91%	40.28%	17.80%
AM Boardings	FY2011	14,707,875	14,135,309	6,246,946	35,090,130	41.91%	40.28%	17.80%
AM Boardings	FY2012	10,620,000	10,206,572	4,510,684	25,337,256	41.91%	40.28%	17.80%
AM Boardings	FY2013	14,000,000	13,700,000	5,800,000	33,500,000	41.79%	40.90%	17.31%
All Day Boardings	FY2014	5,440,000	7,290,678	4,500,881	17,231,559	31.57%	42.31%	26.12%
All Day Boardings	FY2015	6,260,000	8,389,629	5,179,324	19,828,953	31.57%	42.31%	26.12%
All Day Boardings	FY2016	6,080,000	8,413,758	5,233,692	19,727,450	30.82%	42.65%	26.53%
All Day Boardings	FY2017	6,480,000	8,390,000	5,578,014	20,448,014	31.69%	41.03%	27.28%
All Day Boardings	FY2018	6,169,761	8,967,294	5,310,959	20,448,014	30.17%	43.85%	25.97%
Midweek boardings	FY2019	7,634,404	10,789,958	7,023,652	25,448,014	30.00%	42.40%	27.60%
Midweek boardings	FY2020	8,578,727	11,886,863	7,569,465	28,035,055	30.60%	42.40%	27.00%
Midweek boardings	FY2021	8,549,711	11,846,658	7,543,862	27,940,231	30.60%	42.40%	27.00%
Contribution Stopped	FY2022	0	0	0	0	0	0	0
Contribution Stopped	FY2023	0	0	0	0	0	0	0
Contribution Stopped	FY2024	0	0	0	0	0	0	0

Note: This information does not include capital contributions which are provided annually through other county measures and processes through Caltrain capital budget process

Measure RR

In 2020, voters in the City and County of San Francisco, County of San Mateo, and County of Santa Clara approved Measure RR, which levies a one-eighth (1/8) of one percent (0.125%) retail transactions and use tax for a period of thirty (30) years in all three areas. The purpose of

Measure RR is to fund the operating and capital expenses of the JPB rail service and to support the operating and capital needs.

Measure RR Contributions by County

	Total Dollars Provided by RR to Caltrain by County				Percent of the contribution		
Fiscal Year	**San Mateo**	**Santa Clara**	**San Francisco**	**Total**	**San Mateo**	**Santa Clara**	**San Francisco**
FY2022	26,704,614	61,147,669	24,767,363	112,619,646	24%	54%	22%
FY2023	28,563,101	66,224,712	26,857,331	121,645,144	23%	54%	22%
FY2024	28,090,034	65,254,048	26,270,360	119,614,442	23%	55%	22%
FY2025 - adopted budget	28,265,298	65,590,736	26,243,966	120,100,000	24%	55%	22%

Caltrain Operating Deficit Information

According to Caltrain's SFP, Measure RR and Farebox Revenues do not cover Caltrain's projected operating expenses, which is why it is projecting an operating deficit in the near term. The analysis provided shows Measure RR revenues account for 50% to 60% of total revenues and are only projected to grow at 2.5% annually. Thus, the analysis concludes that Measure RR revenues and Farebox revenues only account for 70% to 75% of projected operating expenses over the course of the next ten years.

Caltrain's Operating Deficit Assumptions

Ridership Assumptions

According to the SFP, Caltrain, even in the best-case scenario would only expect to exceed pre-pandemic ridership levels in 2034. This assumes 8.5 million passengers in FY2025 growing to 19 million by FY2034. Caltrain's current projections forecast overall ridership growth between 7% and 15% year over year beginning in FY2027.

Service Assumptions

Caltrain currently runs 104 trains per weekday and four trains in the peak period. Caltrain's Full Funding Grant Agreement (FFGA) with the Federal Transit Administration (FTA) for the $2.44 billion Electrification Project requires service to increase in 2028 which is also anticipated to yield higher ridership levels but higher operating costs. Specifically, the agreement states that Caltrain must operate 114 trains per weekday between San Jose and San Francisco, including six

trains in the peak hour in the peak direction, at the completion of the Project. Caltrain received a waiver from the FTA in 2024 allowing it to continue to run its current level of service, which is 104 trains per day, through to December 31, 2027. If Caltrain does not comply with the terms of the FFGA, it would be in violation of its agreement and could be at risk of owing back federal funding for the project. Recently, Caltrain provided information to FTA about extending the waiver time period, but FTA was not able to commit and told Caltrain to make the request towards the end of 2027, if necessary. The potential need to increase service in 2028 is reflected in the SFP projections of Caltrain's operating deficit.

Financial Assumptions

The SFP forecast includes the following financial assumptions:

- $25.4 million from State SB 125 funds allocated by MTC in FY26
- $28.7 million in one-time funds applied to FY26 from Measure RR
- A fare increase of ~4% to 5% annually over next 3 years and 3% annually thereafter (the last base fare increase was in February of 2016)
- $4.7 million in Low Carbon Fuel Standard credit revenues in FY25 and $6.6M annually thereafter (subject to actual consumption)
- $65 million in increased insurance costs through FY34 based on assessment of trends
- Managing Agency Overhead costs at 2.5% total annual costs (less JPB Debt Service and Overhead)
- Projected annual lease costs for the agency's headquarters of $1 million in FY 27 growing to $2.8 million in FY34
- Annual contribution of $15 million in Measure RR funds toward Capital/State of Good Repair beginning in FY26

The SFP also includes the following cost control/reduction measures:

- No new operating FTEs from FY26 to FY34, unless projections materially change or the positions pay for themselves
- Professional services held flat beginning inFY29

The SFP projected deficit excludes:

- $55 million in capitalized electric vehicle maintenance costs
- Any compensation received from regenerative braking energy sent back to the grid

Of note, Caltrain will be bringing an updated budget to the Board in May and June 2025 to reflect the most recent information and may adjust some projections at that time.

Caltrain's Deficit Allocation Options

Caltrain staff have discussed several options for allocating financial responsibility for the operating deficit amongst the member counties. They cover three major aspects of cost

allocation: the choice of AM or All-Day boardings within counties, the treatment of Measure RR, and the cost allocation of Gilroy service.

AM Boardings vs All Day Boardings

In the original JPA, the three counties split financial responsibility for Caltrain operations based on AM boardings in each county. This has since changed several times and the most recent iteration moved to all-day mid-week boardings. The idea behind AM boardings is that it may better reflect where the riders reside. It also reflects a focus on peak period commuter ridership which is typically in the morning, with returns more scattered in the late afternoon. MTC has also looked at using AM boardings as a means to allocate responsibility for operations deficits in different counties when discussing the regional transit revenue measure.

With All-Day boardings, the latest mechanism used by the JPB, the idea is to account for the full usage of the system in the respective counties that may benefit from those riders. All-day boardings also accounts for changes in rider behavior in the wake of the pandemic. Caltrain has adjusted its schedule to accommodate more off-peak demand and has been seeing significant growth in riders in the mid-day period and on weekends. All Day Boardings are also more accurately captured by Caltrain's fare media ridership estimates. Only 70% of the system's riders are captured through Clipper data, which offers AM boarding information. Other fare products and riders are not included in the AM ridership estimates on Caltrain.

When looking at 2023 MTC Clipper data, San Francisco County has higher ridership attribution in the All-Day boardings ridership estimates than the AM boardings. San Mateo County has higher ridership attribution in AM boardings than with All-Day boardings. Santa Clara County has roughly the same percentage rider attribution with AM boardings and All-Day boardings.

County	% of AM Boardings	% of All-Day Boardings
San Francisco	21%	24%
San Mateo	37%	34%
Santa Clara	42%	42%

Treatment of Measure RR

Measure RR provides a 1/8 cent sales tax to Caltrain from each of the three counties with currently producing about $120 million per year in revenue. Of that total amount, San Francisco is contributing 22%, San Mateo is contributing 24%, and Santa Clara is contributing 65%. If Measure RR were to be treated as a member contribution, then it would impact how financial responsibility amongst the counties was allocated regarding ridership levels and the remaining operating budget needs.

Gilroy Service

The original JPA allocated Gilroy Line costs to Santa Clara County. However, since FY2001, the costs have not been separated and the member agencies have incorporated the Gilroy cost into the overall operating budget. Recently, an agreement was put in place for SCC to pay a portion of the Gilroy costs for the 4th train for FY2024 and FY2025.

VTA's Measure B specifically called out funding for Gilroy.

Prior to electrified service, costs for diesel service to Gilroy south of Tamien in terms of maintenance, fuel, and other factors, were more difficult to allocate and isolate because all service was diesel. Today, the Gilroy service is the only remaining diesel service and is easier to allocate and isolate the costs.

Allocation Options – Under discussion and subject to change.

Based on these three main factors, Caltrain staff have presented the following options to the CFOs of each of the member agencies as potential means by which financial responsibility over Caltrain's projected operating deficit could be allocated:

- **Option A: AM Boardings Only**
  This option takes the $75 million projected deficit and assigns it to each county based on AM boardings percentages and does not take into account Measure RR or Gilroy service cost allocation.

- **Option B: All-Day Boardings Only**
  This option is the same as Option A but based on All-Day boardings percentages rather than AM boardings.

- **Option C: AM Boardings + Measure RR**
  This option treats Measure RR as if it were a member contribution, making the total local need the sum of Measure RR and the projected operating deficit. This sum is assigned amongst the counties according to AM boardings and any Measure RR contribution from the respective counties is accounted for when calculating the remaining need. This option does not account for assigning Gilroy service cost allocation.

- **Option D: All-Day Boardings + Measure RR**
  This option is the same as Option C but using All-Day boardings rather than AM boardings.

- **Option E: AM Boardings + Measure RR + Gilroy Service**
  This option assumes that 100% of Gilroy service costs are assigned to Santa Clara and that the amount for Gilroy service comes off the top of Santa Clara's Measure RR contribution. This option also treats Measure RR as if it were a member contribution, making the total local need the sum of Measure RR and the projected

operating deficit. This sum is assigned amongst the counties according to AM boardings and any Measure RR contribution from the respective counties is accounted for when calculating the remaining need. However, Santa Clara's contribution to the total local need is calculated assuming it accounts for 100% of the Gilroy service being assigned to it.

- **Option F: All-day Boardings + Measure RR + Gilroy Service**
  This option is the same as Option E but using All-Day boardings rather than AM boardings.

- **Option G: AM Boardings + Gilroy Service**
  This option does not treat Measure RR as a member contribution and assumes that 100% of Gilroy service costs are assigned to Santa Clara. After Gilroy is accounted for by Santa Clara, it assumes that the remaining need is assigned amongst the counties according to AM boardings.

- **Option H: All-Day Boardings + Gilroy Service**
  This option is the same as Option G but using All-Day boardings instead of AM boardings

Attachment B: Fair-Share Best Practices Summary

Background

As requested by MTC, MGO conducted high-level summary research on global fair-share best practices. While information is disparate and practices are customized to meet local needs and perspectives, we did uncover some interesting information for consideration. Below, we break down broadly the different ways to approach fair-share allocations: benefit-based, ability-to-pay, and a hybrid model that blends inputs from both of the previous approaches. We also include examples of other agencies or transit systems that utilize each of the aforementioned approaches.

Ultimately, our research indicates that there are varying ways to approach this matter; however, a best practice approach is one that is hybrid in nature. That is, one that considers a variety of legal guard rails, funding sources, and allocation methodologies to achieve equity in practice.

Lastly, we did look deeper into the issue of land donation and land value capture. This is included as a fourth approach for potential future consideration. Still, we believe that it detracts from the overall conversation. While land donation is used in some models, it is also countered on the balance sheet with land value capture. Introducing just one or the other is not a feasible approach. Introducing both, this late in the conversation, could derail the focus on resolution.

Fair-Share Approaches

Benefit-Based Approach

In a benefits-based approach, costs are allocated based on the benefits each jurisdiction receives from the transit service. Factors used may consist of:

- Ridership: boardings/alighting, entries, exits, peak-hour/peak-period usage, anticipated future usage
- Service: Number of stations and service hours/frequency
- Surcharges: Fees charged to riders at high-demand stations
- Infrastructure Distribution: Track miles and capital assets.

A benefits-based approach allows for jurisdictions which receive more benefit to pay more for the transit system.

Ridership factors would consider total boardings and can be further divided by A.M. boardings, entries, exits, peak-period usage and anticipated future usage. Ridership measures put a larger share of the cost contribution on jurisdictions with higher ridership. The use of these metrics links local benefit in terms of rider usage of the system with cost responsibility by the jurisdiction with higher usage.

Service factors could be measured using the number of stations, as well as service hours and frequency. Using service factors would reflect the infrastructure available within a jurisdiction and the operational support provided to the jurisdiction's riders.

Surcharges can be calculated and paid by rider, station, or route. Surcharges represent a direct revenue source from the areas where the surcharge applies. Surcharge fees can assist in funding the broader system or be applied to a jurisdiction's fair-share contribution. The distribution of the surcharge could assist in ensuring a fair allocation of funds, while reducing the burden on areas that do not generate a surcharge.

Infrastructure distribution can be measured using track mileage and other capital asset usage. The use of these factors can allow for attributing greater costs to those jurisdictions with longer stretches of track or more extensive capital assets.

Table 38: Other Agencies That Utilize A Benefit-Based Approach

Agency	Benefit-based Allocation
New York City Metropolitan Transportation Authority (MTA)	• Uses detailed, real-time ridership and service data • Allocates costs by combining boardings per station, peak period ridership, and service frequency. Information related to exact allocation methodology is not publicly available. • Adjusts allocations periodically to reflect shifts in commuter patterns • **Outcome:** Provides transparency and has helped align funding responsibilities with actual service usage
Washington Metropolitan Area Transit Authority (WMATA)	• Implements a benefit-cost framework, where the benefits in terms of ridership and service levels are directly tied to cost allocation • Integrates qualitative factors, such as accessibility improvements and regional connectivity • **Outcome:** This model has been effective in securing equitable contributions from a diverse set of local jurisdictions, ensuring that counties benefitting more from transit service pay proportionately more

Ability-to-Pay Approach

In an ability-to-pay approach, costs are allocated based on the jurisdiction's fiscal capacity. Factors used may consist of:

- Demographic factors like income levels
- Commuter patterns
- Population
- Socioeconomic makeup
- Economic capacity
- Economic output
- Sales tax base
- Property tax base.

An ability-to-pay approach provides for fiscal capacity factors to be an indication of a jurisdiction's ability to contribute to a transit system. These factors would include demographic factors like income levels, population, socio-economic makeup, economic capacity and economic output. Additionally, the size of a jurisdiction's sales and property tax bases may be a measure of its fiscal capacity to support a transit system. Jurisdictions with higher fiscal capacity factors might be able to contribute more, whereas jurisdictions with lower fiscal capacity factors might be able to contribute less. Using fiscal capacity factors in an ability-to-pay approach increases the contribution from jurisdictions with higher population levels, economic capacity, or other factors and conversely reduces the contribution from jurisdictions with lower population levels, economic output, and other factors.

Table 39: Other Agencies That Utilize An Ability-to-Pay Approach

Agency	Ability-to-pay-based Allocation
European models, like the Paris Transit System (Metro, Regional Express, etc.)	• Several European transit agencies combine revenue capacity with service benefit measures, ensuring that wealthier jurisdictions contribute a larger share even if their usage is proportionally lower • For instance, the Paris transit system is paid for partially by fares, payroll taxes, and the regional and municipal government. • Since 1973, Paris has used a funding tool allowing local payroll tax for firms with more than 11 employees. The rate varies between 1.4% and 2.6% percent of gross wages, depending on place of residency • This model is ideal for raising revenues in the short- to medium-term.

Note: We did not find any agencies or transit systems that exclusively use an ability-to-pay approach, without consideration of other factors like ridership and usage of the system.

Hybrid Approach

In a hybrid approach, costs are allocated based on combining factors from the benefits-based approach and ability-to-pay approach. Factors used may consist of a combination of factors used in the benefits-based approach and ability-to-pay approach.

A hybrid approach may equitably balance usage with fiscal capacity. Additionally, a hybrid approach is flexible in that it will be adjusted over time to reflect changing factors, for example, demographics, ridership patterns, and economic conditions.

When implementing a hybrid approach, a weighted formula that considers various factors can be utilized. First, the factors would be decided. Following this, appropriate weighting will be determined. Calculations should be validated using historical data and stakeholder input. Finally, the factors and weights should be adjusted periodically to reflect changes.

Research suggests that many transportation economists advocate for composite models that use weighted factors, ensuring that high-benefit areas (where transit is heavily used) contribute more, while still considering the relative fiscal capacity of each jurisdiction.

Table 40: Other Agency That Utilizes A Hybrid Approach

Agency	Ability-to-pay-based Allocation
Los Angeles County Metro	• Often factors local tax revenues and economic conditions into funding formulas for its transit programs. • Incorporates both usage metrics (ridership, service frequency) and fiscal capacity (local tax base). • Uses a composite weighted formula to account for both service benefit and economic capacity. Exact weighted formula is not publicly available. • Outcome: By combining these elements, the model supports a balanced approach that can be adjusted as both service levels and local economies evolve.

Approaches That Include Land Contributions and Land Value Capture

While traditional allocation methods focus on ridership, infrastructure usage, and local tax contributions, our research found that emerging models incorporate land donations using Land Value Capture (LVC) mechanisms, which are financing methods to recover and reinvest the increased land value resulting from public actions like constructing or improving infrastructure, and using those investments to fund additional public services (e.g., transit) or infrastructure (e.g., transit stations or system expansions). Another common methodology is to incorporate equity-based adjustments and hybrid pooling approaches, which we will discuss later in this section.

In LVC models, counties that donate land could receive offsets for these types of in-kind contributions to help reduce their financial obligations. However, the research suggests that land donations should not replace monetary contributions entirely. While LVC refers specifically to increases in land value resulting from public investments into the donated land, land donations separate from LVC, particularly when these help reduce project costs, can still be factored into fair-share approaches.

Table 41: Examples of How Pooled Land Value Capture Can Be Used

Agency	Land Value Capture Mechanism
Hong Kong's Mass Transit Railway (MTR)	• Hong Kong's MTR Corporation employs a "Rail plus Property" model, integrating railway development with land development. The government grants land development rights to MTR, which then partners with private developers to build residential and commercial properties above or adjacent to stations. The profits generated subsidize railway construction and operations, creating a self-sustaining funding mechanism. This model has been instrumental in expanding Hong Kong's transit network without relying heavily on government subsidies. • Land development profits are reinvested across the entire transit network rather than benefitting only the area where the development occurred.
London's Crossrail Business Rate Supplement	• Funds from special transit-related taxes are used for systemwide rail infrastructure improvements rather than benefitting only the taxed districts.

This approach is flexible and can adapt to changes in ridership, economic conditions, and transit service levels. Implementing this model will align financial contributions with actual service benefits, ensuring that both BART and Caltrain can maintain and expand their operations sustainably as the Bay Area's transit needs evolve.

Table 42: Summary of Fair-Share Approaches Based on Industry Research

	Benefits-Based Approach	Ability-to-Pay Approach	Hybrid Approach	Hybrid Pooled Land Value Capture (LVC)
Principle:	Costs are allocated based on the benefits each jurisdiction receives from the transit service.	Costs are allocated based on the jurisdiction's fiscal capacity.	Costs are allocated based on combining factors from the Benefits-Based Approach and Ability-To-Pay Approach.	All contributions, including revenue generated from LVC, are collected into a centralized fund to be redistributed based on a formula that considers multiple factors like ridership, geographic equity, and infrastructure needs.
Factors:	• Ridership: boardings/alightings, entries, exits, peak-hour/peak-period usage, anticipated future usage • Service: Number of stations and service hours/frequency. • Surcharges: Fees charged to riders at high-demand stations. • Infrastructure Distribution: Track miles and capital assets.	• Demographic factors like income levels • Commuter patterns • Population • Socioeconomic makeup • Economic capacity • Economic output • Sales tax base • Property tax base	Factors used may consist of a combination of factors used in the Benefits-Based Approach and Ability-To-Pay Approach.	• Base contributions • Pooled LVC revenue • Usage-based performance fees
Advantages	A Benefits-Based Approach allows for jurisdictions which receive more benefit to pay more for the transit system.	An Ability-to-Pay Approach provides for fiscal capacity factors to be an indication of a jurisdiction's ability to contribution to a transit system.	Equity: Balances usage with fiscal capacity. Flexibility: Will be adjusted over time to reflect changing factors, for example, demographics, ridership patterns, and economic conditions.	Costs are funded through multiple, varied sources including LVC, while entities contribute equitably based on systemwide benefits and financial capacity.
Examples:	New York City Metropolitan Transportation Authority Washington Metropolitan Area Transit Authority	European models, like the Paris Transit System	Los Angeles County Metro	Hong Kong's Mass Transit Railway London's Crossrail Business Rate Supplement

Attachment C: Sources to Explore

Research Considered

- Publicly available information from other major transit entities around the world
- Publicly available state and federal DOT information
- Publicly available FTA information
- Publicly available APTA, NACTA, CTAA, and NRTAP information
- Recent state, local, and national news on transit

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