



# Introduction to SB 63 and the Financial Efficiency Review

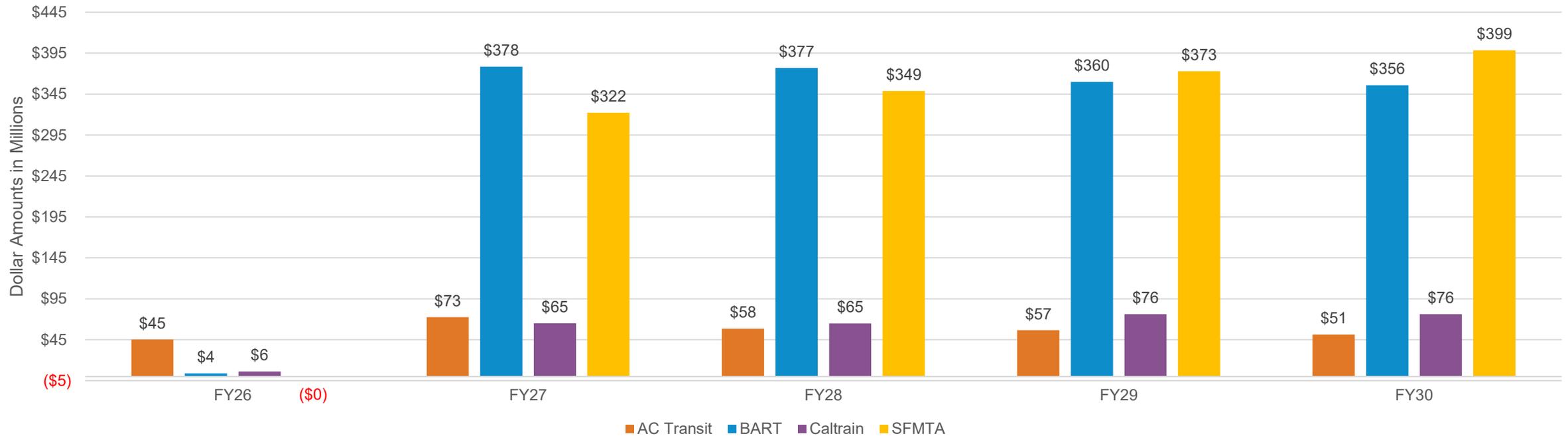
IOC - March 6, 2026



METROPOLITAN  
TRANSPORTATION  
COMMISSION

# Major Bay Area Operators Facing Deficits

The anticipated cumulative, collective deficit across operators from FY 26 to FY 30 is estimated to reach \$3.49B. **From FY 27 – FY 30, the period with the largest shortfalls, the cumulative deficit is projected at \$3.43B, averaging \$859M annually over the four-year period.**



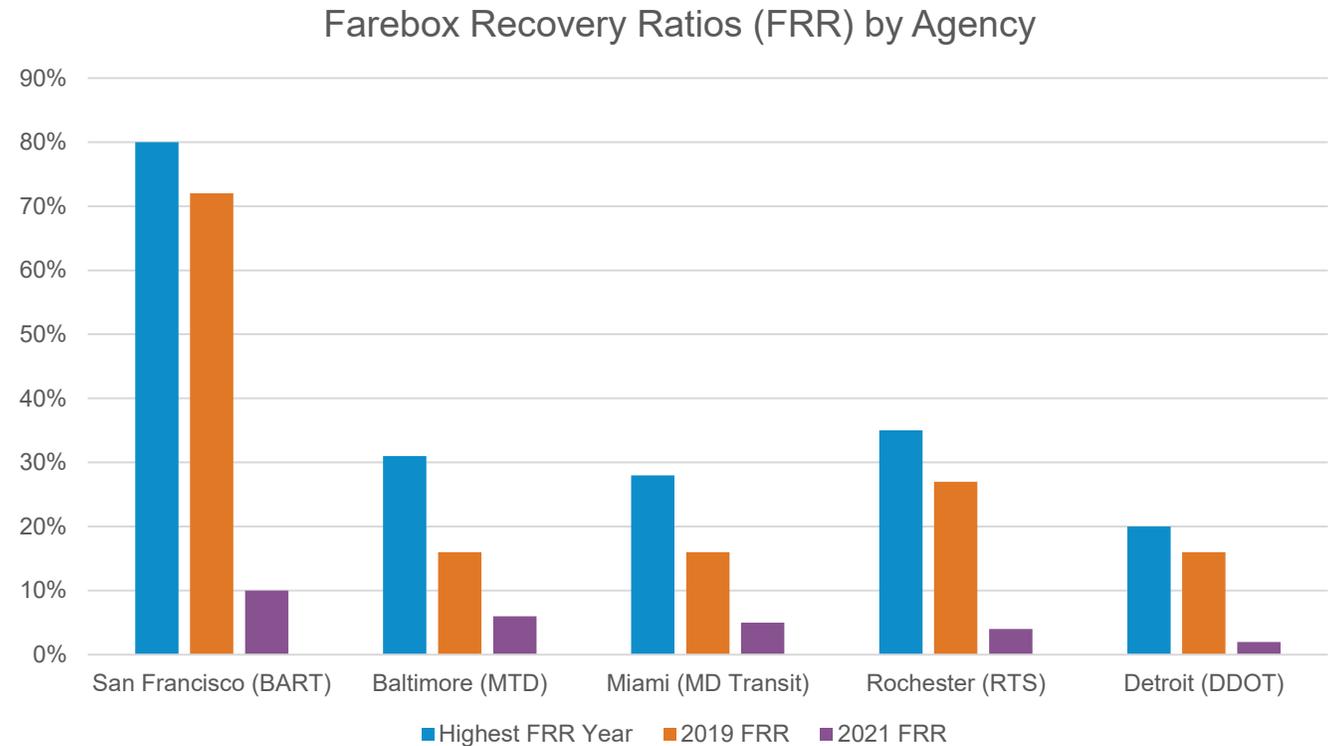
Cumulative Deficit - FY 26 – 30	AC Transit	BART	Caltrain	SFMTA	FY 26 – 30 Total
	\$284 M	\$1,475 M	\$289 M	\$1,443 M	<b>\$3,490 M</b>

Source: MGO Analysis 2024

# Transit Agencies Nationwide Face Operating Deficits

- ▶ According to a **May 2023 survey by APTA** (American Public Transportation Association)
  - ▶ 51% of 122 agencies surveyed are facing potential shortfalls in their operating budget
  - ▶ 71% of the largest agencies with an operating budget above \$200 M also face potential shortfalls
  - ▶ Agencies surveyed expect operating budget shortfalls of 10% to 30% over five years

- ▶ Agencies nationwide suffered **major losses in fare revenues** during the pandemic



Source: Urban Institute 2023

# Introduction and Overview of SB 63

# SB 63 Overview

- ▶ Authorizes placement of a November 2026 ballot measure in the counties of Alameda, Contra Costa, San Mateo, San Francisco and Santa Clara counties to prevent major service cuts on AC Transit, BART, Caltrain, and SF Muni
- ▶ Revenue Mechanism: 14-year sales tax
  - ▶ Generating about \$980 M/year in FY2026-27
  - ▶ Alameda, Contra Costa, San Mateo and Santa Clara: **0.5% rate**
  - ▶ San Francisco: **1% rate**

## Also provides:

- Flexible transit operating and capital funding, plus targeted road repair funds in Alameda, Contra Costa, San Mateo and Santa Clara counties.
- Funding to improve the transit rider experience (e.g., Clipper START, free and discounted transfers, accessibility improvements, mapping & wayfinding and transit priority).

# Preventing Major Transit Service Cuts

- ▶ BART, Muni, Caltrain and AC Transit collectively face an annual operating deficit of more than \$800 million in FY 2026-27 and growing thereafter according to MGO Analysis in 2024.
- ▶ **These four operators would receive 60% of annual funding in measure and 95% of the dedicated transit operating funding in expenditure plan.** Measure is not expected to fully close deficit for BART or Muni, necessitating further cost savings by operators.

Agency	SB 63 Measure Annual Amount in millions* (Based on FY 2027-28 forecast)
<b>BART</b>	<b>\$310</b>
<b>Muni</b>	<b>\$155</b>
<b>Caltrain</b>	<b>\$70</b>
<b>AC Transit</b>	<b>\$50</b>

\* Note: Amounts shown do not reflect one-time costs of unknown amounts that are anticipated to be incurred by MTC and new Public Transit Revenue Measure District in event of passage, including election-related costs.

# Rider-Focused Improvements

The final SB 63 expenditure plan includes approximately \$45 million/year spending plan for rider-focused improvements to make transit more affordable, accessible and easier to use, as follows:



## Fare programs (\$25 million)

- Fund free and reduced-cost transfers, which can save multi-agency commuters \$1,500/year. Projected to increase ridership by 30,000 daily trips.
- Double the capacity of the Clipper START discount program to make transit more affordable for an additional 100,000 low-income riders.

## Accessibility (\$10 million)

- Investments in accessibility, such as streamlined paratransit eligibility and cross-jurisdictional paratransit, will improve experience for older adults and people with disabilities.



## Transit Priority and Customer Navigation (\$10 million)

- Mapping and wayfinding upgrades at intermodal hubs and strategic transit priority investments will make it easier to navigate the system and improve bus speed and reliability on significant corridors.

# MTC Responsibilities

## Allocating Funding to Transit Agencies & Rider-Focused Programs

- ▶ To specified transit agencies: AC Transit, BART, Caltrain, SF Muni, SF Bay Ferry, Golden Gate Transit.
- ▶ To Alameda County Transportation Commission and Contra Costa Transportation Authority for them to allocate funds to small bus operators in their counties.
- ▶ To rider-focused improvements – Clipper START, free/reduced transfers, accessibility, transit priority & mapping and wayfinding.

## Ridership Study

- ▶ Forecast of ridership impact on AC Transit, Caltrain, BART and SF Muni from planned projects and strategies in adopted long-range plan (Plan Bay Area 2050+) – due March 31, 2026.

## Financial Efficiency Review

- ▶ Phase 1 – Spring/Summer 2026
- ▶ Phase 2 – Post-election – due approximately April 2028

## Operator Compliance Oversight

- ▶ Ongoing, as condition of allocating funds

# Financial Efficiency Review

# Financial Efficiency Review Scope

## Subject Operators: AC Transit, BART, Caltrain, SF Muni

### Phase One (2026)

- ▶ Cost-saving measures taken since 2020
- ▶ Early action strategies for increasing or improving service and enhancing customer experience with existing resources
- ▶ Analysis of operators' real property assets and identification of potential redevelopment opportunities, with an emphasis on housing, commercial and mixed-used projects that can support ridership growth and generate long term value

### Phase Two (2027 – 2028)\*

- ▶ Menu of cost-saving measures (administrative, operating, capital)
- ▶ Regional development & financing strategy to maximize the value of each operator's real property assets

\*In the event of an approved measure

# Financial Efficiency Review Timeline

## Phase One (2026)

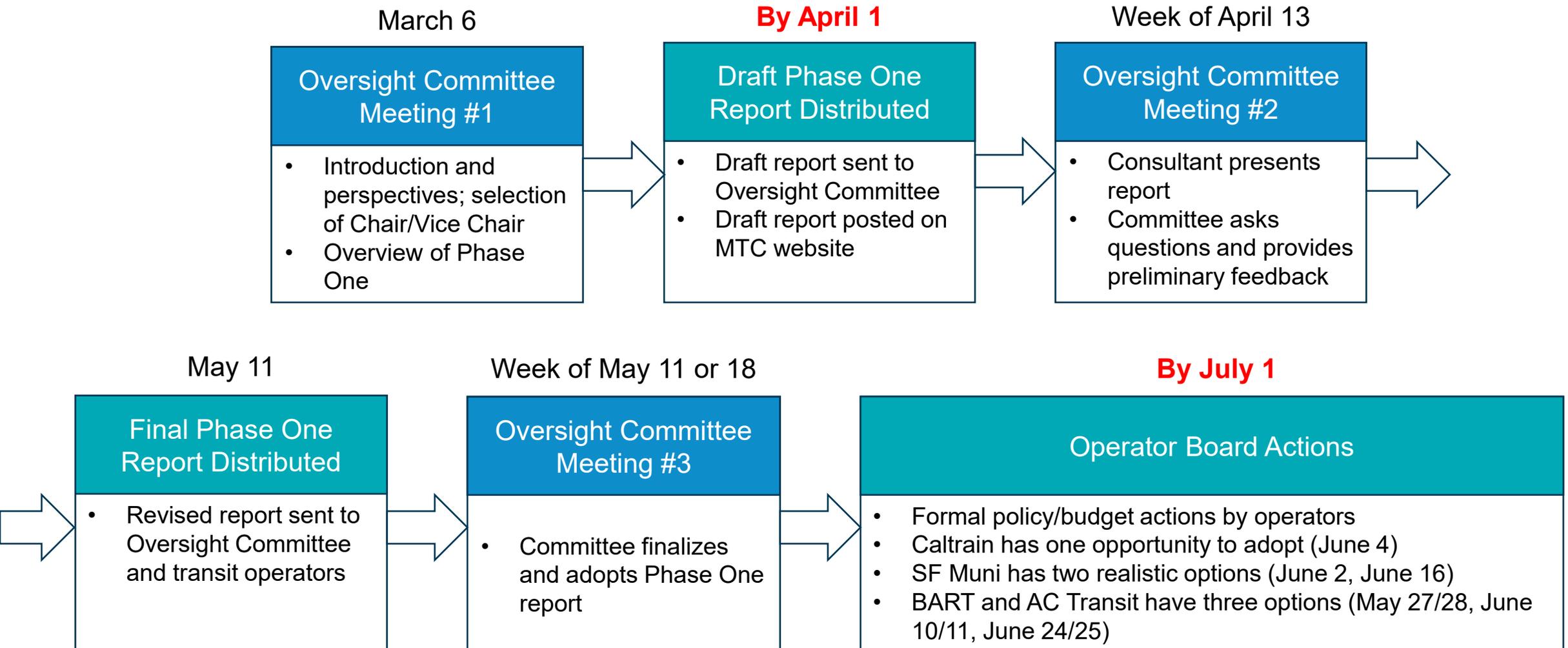


## Phase Two (2027 – 2028)\*



\*In the event of an approved measure

# Phase One Projected Timeline



# Financial Efficiency Review Responsibilities

<b>Consultant</b> <i>Role: Conduct the Analysis</i>	<b>Oversight Committee</b> <i>Role: Review, Direct Revisions, Adopt</i>	<b>MTC Commission</b> <i>Role: Governance, Transmission</i>	<b>Operator Boards</b> <i>Role: Policy Adoption, Implementation</i>
<ul style="list-style-type: none"> <li>• Perform Phase 1 and (if measure passes) Phase 2 analyses in consultation with MTC and operator staff</li> <li>• Incorporate revisions directed by the Oversight Committee</li> <li>• Deliver reports by statutory deadlines</li> </ul>	<ul style="list-style-type: none"> <li>• Review consultant deliverables</li> <li>• Direct revisions as needed</li> <li>• Adopt final Phase 1 and Phase 2 reports</li> <li>• In Phase 2, review and act on operator implementation plans</li> </ul>	<ul style="list-style-type: none"> <li>• Appoint independent experts</li> <li>• Contract with and manage the consultant</li> <li>• Transmit adopted reports to Legislature, Transportation Agency, and counties</li> <li>• Maintain non-advocacy posture</li> </ul>	<ul style="list-style-type: none"> <li>• By July 1, 2026: Identify and formally adopt Phase 1 early action strategies</li> <li>• In Phase 2: Adopt board-approved implementation plans</li> <li>• Balance financial efficiency, service, and safety</li> </ul>

# Consultant Introduction: Nelson\Nygaard

**Thomas Brennan**  
Principal-in-Charge

**Amy Pettine**  
Project Manager

**Stephen Newhouse**  
Deputy Project Manager

## Cost Saving Measures

*Task 2*

**Tim Payne**  
Sr. Advisor, Efficiency

## Early Action Strategies

*Task 3*

**Thomas Wittmann**  
Sr. Advisor, Strategic Planning

## Real Property Asset Analysis

*Task 4*

**Dena Belzer**  
Sr. Advisor, Real Estate  
(Strategic Economics)

## Draft and Final Report

*Tasks 5, 6*

**Amy Pettine**  
**Stephen Newhouse**  
**Kathleen Kelly**  
Sr. Advisor, Governance  
(Kathleen Kelly Consulting)

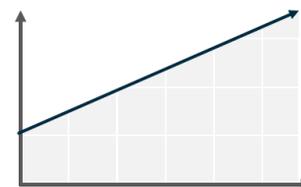
# Recent Cost-Savings Measures

## Methodology for identifying recent cost-savings

- ▶ **Gather** information about recent cost-savings from agency staff and agency records
- ▶ **Categorize** by type (e.g. operating, capital) and duration (e.g. one-time vs ongoing) with input from agency staff
- ▶ **Summarize** cost-savings

## Initial findings

Agencies have reduced costs and generated new revenues. However, we must be mindful of one-time savings and deferrals that ultimately increase costs.



**Existing conditions.** Cost increasing.



**Deferral.** Manage cashflows by deferring costs until funds are available. Incur same costs at a later year (e.g. delaying capital projects or fleet procurement by one or more years)



**Ongoing.** Bend the curve by reducing recurring costs or increasing efficiencies



**Short-term reprieve.** Reduce costs for a short time before returning to anticipated costs (e.g. off-setting costs with short-term funding)



**Short-term savings with long-term cost.** Defer near-term costs, incur long-term expenses (e.g. deferred maintenance, loss of institutional knowledge)



**Short-term costs with long-term savings.** Advance costs to achieve future savings (e.g. transit priority measures)

# Early Action Strategies

We are identifying actions that agencies can commit to implementing within **1 – 3 years** which will **increase or improve service, enhance customer experience** within existing resources.

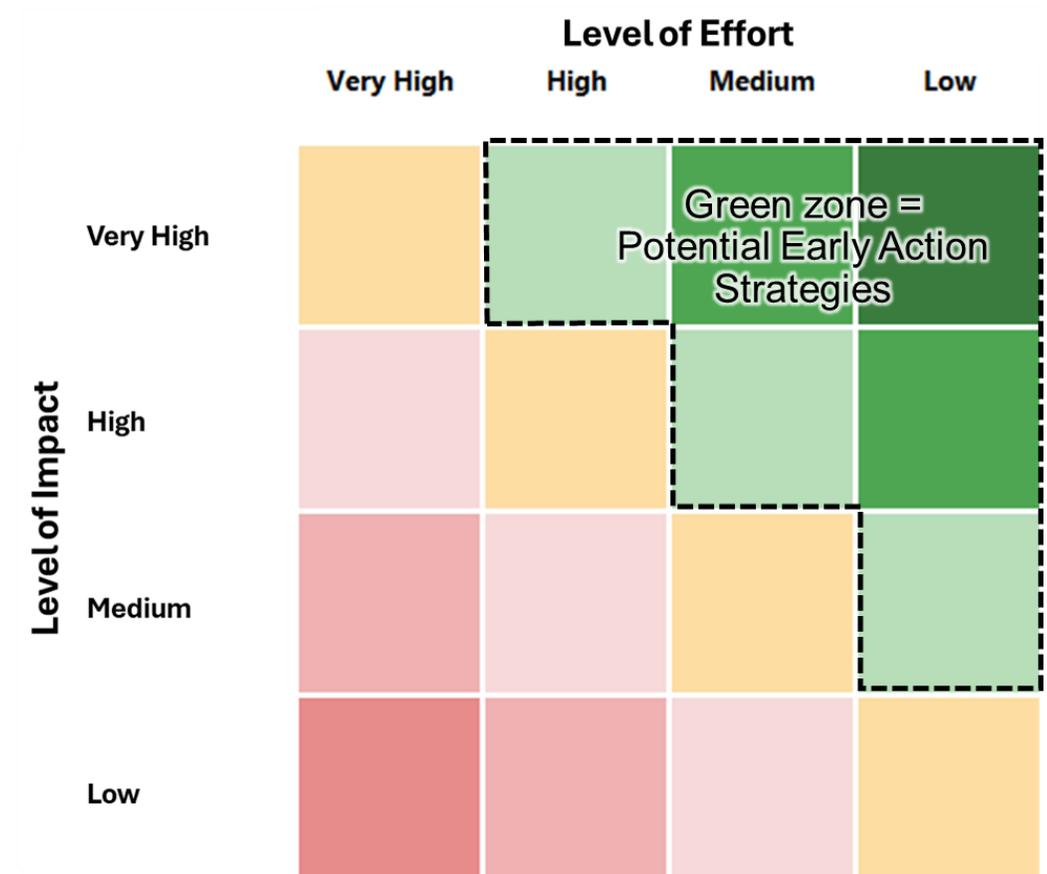
- ▶ **Improvement areas** based on desired outcomes identified in the legislation
- ▶ **Metrics** as measurable outputs in service of desired outcomes

Improvement Areas	Metrics
<p><b>Increased or Improved Service</b> Increasing the amount of service hours or service miles provided within existing resources. Necessarily requires some efficiencies.</p>	<p>Span</p> <p>Frequency</p> <p>Travel Time</p> <p>Reliability</p>
<p><b>Enhanced Customer Experience</b> Improve the customer experience of using transit</p>	<p>Safety &amp; Security</p> <p>Cleanliness</p> <p>Comfort</p> <p>Convenience</p> <p>Confidence</p>
<p><b>Existing Resources</b> Increasing or reallocating resources to enable the improvements listed above</p>	<p>Revenue</p> <p>Costs</p>

# Early Action Strategies

## Methodology for identifying early action strategies

- **Identify** strategies based on previous studies, interviews with agency staff, and professional experience
- **Categorize** resulting list of strategies based on a qualitative assessment of Effort and Impact
  - **Effort**, e.g. number of internal and external stakeholders involved, the complexity of the work, etc.
  - **Impact**, e.g. value to customers, the value to the agency, and the share of customers benefitting.
- **Review** strategies and categorization with Working Group
- **Focus** on strategies with relatively high impact for effort (in the “Green Zone”) as potential “Early Action Strategies”



# Real Property Assessment

We are developing a real property assessment, including:

## How transit agencies use real property

- ▶ e.g. Transit operations, development to generate ridership and/or revenue for transit agencies

## Joint development/TOD

- ▶ Definition & challenges

## Real property inventory by transit agency

- ▶ Difference in terms of their real property holdings and their policies regarding joint development
- ▶ Summary of real property five-year revenue trends
- ▶ Real property inventory and assessment by transit agency
- ▶ For each transit agency:
  - ▶ Overview of total real property holdings
  - ▶ Joint development site evaluation
  - ▶ Key findings
    - Future opportunities, e.g. development, ridership, revenue
    - Potential future constraints
    - Other considerations

# Next Steps

- ▶ Nelson/Nygaard to transmit analysis to Oversight Committee by April 1, 2026
- ▶ Next Oversight Committee meeting will be around mid-April 2026
  - ▶ Opportunity to present the report and for the Oversight Committee to ask questions and provide preliminary feedback