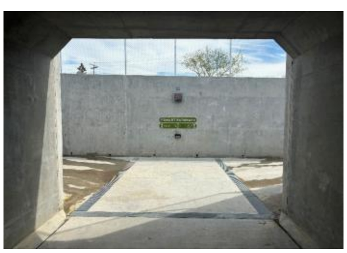
Regional Measure 3 Independent Oversight Committee
Fiscal Year 2024–25 Annual Report – Introduction and Summary

Regional Measure 3 (RM 3) was approved by the State Legislature in 2017 and by Bay Area voters in 2018, to fund projects that would help solve growing congestion problems. The measure's plan, published by MTC in 2018, called for $4.45 billion in financing of 35 specific highway and transit improvements by increasing tolls on the region's seven state-owned toll bridges.

The project funding list includes new BART cars, with extension of service to Silicon Valley, extension of Caltrain to downtown San Francisco, expansion of S.F. Muni's vehicle fleet; improved transbay bus service; freeway improvements; expansions of the freeway express lane network; new ferry services, upgrades to relieve congestion in the Dumbarton Bridge corridor; highway 37 improvements; and extension of the SMART rail system to Windsor and Healdsburg. The RM 3 plan specifies the amounts to be dedicated to each project.

Winning 55% overall approval by voters in the nine Bay Area counties, RM 3 raised tolls in three $1 increments that went into effect on January 1, 2019, January 1, 2022, and January 1, 2025. The 2019 increase marked the first toll hike on the seven state-owned bridges since 2010. However, due to litigation over the percentage of votes needed to authorize the toll increases, proceeds were held in escrow until January 2023. After the challenges were dismissed, the escrow account was terminated, and the Commission began making RM 3 allocations in June 2023.

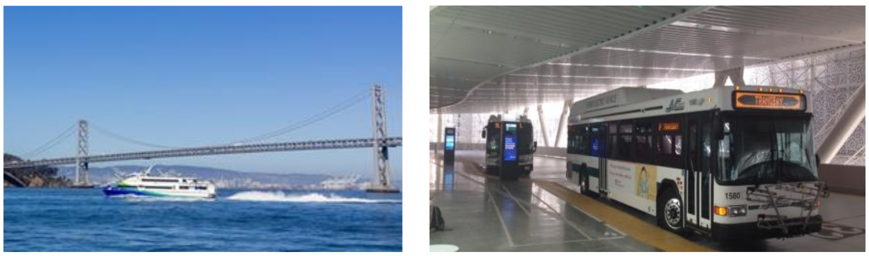
RM 3 requires that an independent committee of citizens to ensure that RM 3 funds are spent according to the requirements of the RM 3 legislation. The independent oversight committee was established after the passage of RM 3 and began meeting regularly after the Commission began allocating RM 3 funds.



Photos of projects completed with RM 3 Capital Funding. Left: SMART Windsor High School Undercrossing, Right: SR-29/Soscol Junction Interchange

Regional Measure 3 (RM 3) Accomplishments During FY 2025

- Second full year of program implementation since final RM 3 legal clearance
- Advanced a variety of capital projects, including completion of the SR-29/Soscol Junction Interchange and SMART Windsor High School Undercrossing and advancement of construction for AC Transit bus improvements and the Eastridge to BART Regional Connector
- Supported the operation of the Salesforce Transit Center, regional express bus, and ferry service



Photos of transit service assisted with RM 3 Operating Funding. Left: SF Bay Ferry, Right: AC Transit Transbay Service

RM 3 IOC MEMBERS

TIM AMBROSE
ALAMEDA COUNTY

STEVE BIRDLEBOUGH
SONOMA COUNTY

KATHY CHANG
CONTRA COSTA COUNTY

KEVIN HAGERTY, CHAIR
MARIN COUNTY

FREDERICK ARN HANSSON
SAN MATEO COUNTY

WILLIAM G. JERRY HAYES
SOLANO COUNTY

PAMELA KINDIG, VICE CHAIR
NAPA COUNTY

JOHN MAITLAND
SONOMA COUNTY

AISHA NASIR
NAPA COUNTY

ANU NATARAJAN
ALAMEDA COUNTY

NAZANIN SHAKERIN
CONTRA COSTA

JOANNE WEBSTER
MARIN COUNTY

About the RM 3 IOC

- Established by RM 3 statute to ensure RM 3 toll revenues are spent following the requirements of the statute
- Comprised of two representatives from each Bay Area county

RM 3 IOC Accomplishments Supporting FY 2024-25 Report

- Held three meetings to review RM 3 activities
- Evaluated FY 2024-25 expenditures of RM 3 Bridge Toll funds
- Recommended MTC send a letter to county Boards of Supervisors urging appointments to vacant IOC seats
- Developed the RM 3 IOC annual report

RM 3 IOC Plans for FY 2025-26 and Beyond

- Provide input on RM 3 allocation processes
- Continue to refine IOC agendas and information requests to enhance effectiveness and contributions to the RM 3 program
- Provide recommendations on ways to further enhance RM 3 program transparency, reporting, and public engagement

A report of the IOC's findings for FY 2024-25 follows this summary.

Respectfully submitted,

RM 3 Independent Oversight Committee

Regional Measure 3 Independent Oversight Committee Fiscal Year 2024–25 Annual Report

The Regional Measure 3 ("RM 3") Independent Oversight Committee ("IOC") is pleased to provide its Fiscal Year 2024-25 RM 3 IOC annual report. This report summarizes the IOC's findings on the expenditure of RM 3 Bridge Toll funds during the 2024-25 fiscal year.

Background and History of the Independent Oversight Committee

Bay Area voters approved RM 3 on June 5, 2018. Following this, the three $1 increments of the toll increase were applied on January 1, 2019, January 1, 2022, and January 1, 2025. The state legislation that established the RM 3 expenditure plan and the mechanism for the election (Senate Bill 595, 2017) also added the following language requiring establishment of the IOC to the California Streets and Highways Code (SHC), Section 30923:

> If the voters approve a toll increase pursuant to this section, the authority shall establish an independent oversight committee within six months of the effective date of the toll increase to ensure that any toll revenues generated pursuant to this section are expended consistent with the applicable requirements set forth in Section 30914.7.
>
> The oversight committee shall include two representatives from each county within the jurisdiction of the commission. Each representative shall be appointed by the applicable county board of supervisors and serve a four-year term and shall be limited to two terms. The oversight committee shall annually review the expenditure of funds by the authority for the projects and programs specified in Section 30914.7 and prepare and submit a report to the transportation committee of each house of the Legislature summarizing its findings. The oversight committee may request any documents from the authority to assist the committee in performing its functions.

Subsequently, the following requirements were added to statute regarding committee membership:

> A representative appointed to the oversight committee shall not be a member, former member, staff, or former staff of the commission or the authority, shall not be employed by any organization or person that has received or is receiving funding from the commission or the authority, and shall not be a former employee or a person who has contracted with any organization or person that has received or is receiving funding from the commission or the authority within one year of having worked for or contracted with that organization or person.

The Bay Area Toll Authority (BATA) established the RM 3 IOC in June 2019, and populated its roster for the first four-year term as appointees were received from county boards of supervisors (BATA Resolution No. 131, Revised). The current version of this resolution, including the list of IOC members and vacancies by county, is included in Attachment F to Appendix I of this report.

The IOC did not meet during the first term of July 2019-June 2023. During this time, legal challenges to RM 3 were appealed all the way to the California State Supreme Court, which finally resolved the challenges in January 2023. While these legal matters were ongoing, all collected RM 3 funds were held in escrow. In March 2023, BATA released these funds and terminated the escrow agreement, which allowed for the RM 3 funds to start being allocated and spent.

Counties were asked to nominate IOC appointees for a new term from July 2023 through June 2027. Because the committee did not meet during the first term, the 2023-2027 term will be considered the first term for the purposes of fulfilling term limits outlined in state statute.

FY 2024-25 IOC Activities and Accomplishments

The IOC meets three to four times per calendar year to review RM 3 expenditures. During review of FY 2025-25 expenses, the committee also discussed additional topics, including requesting that MTC staff provide additional information about MTC's independent auditor's review of RM 3 expenditures and MTC's investment policies, and a request for MTC to reach out to counties with IOC member vacancies.

At the August 4, 2025 meeting the committee selected three members to form an ad-hoc committee to prepare a draft of the IOC Annual Report summarizing its findings to submit to the state legislature. On November 7th, 2025 the full committee reviewed and approved the report for submission to the Legislature.

Bridge Toll Fund Management

The IOC obtained and has reviewed the following information from MTC staff about bridge toll revenue collection and fund management, and finds it worthwhile to include in this report.

Bridge Toll Revenues

Bridge toll revenues, including those provided by RM 3, are administered by BATA and fund a variety of obligations, including the projects in the RM 3 expenditure plan. Funds are maintained in BATA accounts and invoices are paid from these funds. BATA also leverages toll revenue by issuing toll bridge revenue bonds to finance the projects outlined in the RM 3 expenditure plan.

While the lawsuits challenging RM 3 were in progress, RM 3 toll revenue was collected but held in an escrow account managed by a bank trust officer. After the litigation was resolved, the BATA Board terminated the escrow and the funds were released for use by BATA to fund the RM 3 expenditure plan and other expenses as authorized by RM 3. As of June 30, 2025, BATA has collected $1.144 billion in toll revenue generated by RM 3.

Use of Bond Financing

To date, tolls approved under RM 3 have generated more revenue than BATA has spent on RM 3 operating costs, capital projects, and administrative expenses. However, with $4.45 billion of planned RM 3 capital projects, total RM 3 expenditures are expected to exceed related toll revenue collections on a cash flow basis in future years. This trend would reverse once the major RM 3 capital projects have been completed and spending decreases. Therefore, bond financing will play a crucial role in funding the RM 3 capital program in periods when expenses surpass toll revenues approved under RM 3.

The availability and cost of funding in the municipal market varies over time. For this reason, it is important to maintain healthy levels of liquid funds by accessing the bond market when it is cost effective. Recent years have been a relatively advantageous time to issue tax-exempt debt. The overall net cost of borrowing has been nominal when taking into consideration the overall financial position of BATA and the RM 3 program.

RM 3 Related Debt

All toll revenue secures and pays debt service on all toll bridge revenue bonds. BATA is tracking the collection and expenditure of toll revenues generated by the toll increases approved by RM 3. In addition, when BATA issues bonds, it is tracking which bond proceeds are applied to RM 3 projects and the associated debt service on those bonds. This information is being tracked to provide insight into the way in which funds generated by the toll increases approved by RM 3 are being used to meet the needs of the RM 3 Expenditure Plan over time.

As of June 30, 2025, BATA has issued two series of bonds to fund RM 3 projects. The $250 million BATA San Francisco Bay Area Toll Bridge Revenue Bonds, 2024 Series F-2 (Green Bonds – Climate Bond Certified) (the "2024F2 Bonds") were issued on June 26, 2024 and the $400 million BATA San Francisco Bay Area Toll Bridge Revenue Bonds, 2025 Series F-2 (Green Bonds – Climate Bond Certified) (the "2025F2 Bonds") were issued on June 18, 2025. The Bonds were issued as fixed rate tax-exempt senior lien bonds. Together these two series of bonds provided $716 million in funds for RM 3 projects.

As of June 30, 2025, $550 million has been reimbursed to project sponsors for RM 3 capital projects, all of which has been or will be reimbursed from bond proceeds.

RM 3 Associated Funds[1]

Through June 30, 2025, incoming funds to the RM 3 program include:

- $1.144 billion provided by toll revenues approved under RM 3
- $109 million investment earnings
- $716 million bond proceeds

Expenditures include:

- $550 million RM 3 capital expenditures
- $80 million operating transfers
- $24 million administrative and overhead expenses
- $10 million debt service on 2024F2 and 2025F2 Bonds

Unexpended balances include:

- $212 million accrued, but not yet paid RM 3 capital expenditure reimbursements
- $87 million restricted WETA operating reserve
- Approximately $1 billion unexpended balance

The BATA Budget included in the Bay Area Metro Budget Book, Fiscal Year 2025-26[2], budgets $338 million in toll revenue generated by the toll increases approved under RM 3. Amounts in excess of that needed for debt service, the operating transfers in the RM 3 expenditure plan, and RM 3-related administration and overhead are expected to be available for the capital portion of the RM 3 expenditure plan.

[1] All figures rounded. Totals may not sum due to rounding.
[2] https://mtc.ca.gov/sites/default/files/documents/2025-07/Fiscal_Year_2025-26_Bay_Area_Metro_Budget_Book.pdf

Investment of Funds

MTC's Investment Policy (included as Attachment II) states that all funds over which MTC is administratively responsible, which includes BATA funds (including toll revenue associated with RM 3), shall be managed under the "prudent investor standard" which requires all agencies investing public funds to be trustees of those funds, and therefore fiduciaries subject to the prudent investor standard. All funds shall be invested with the objectives of, in order of priority, safety, liquidity, and yield. MTC's investment policy is compliant with the California Government Code Section 53600 et seq., ensuring adherence to all statutory requirements governing public agency investments.

Summary of MTC and BATA RM 3 Activities

RM 3 Policies and Procedures and Allocation Process

The RM 3 expenditure plan lists specific amounts available for capital projects, and percentage-based amounts available for operating projects. The Commission has adopted the Regional Measure 3 Policies and Procedures (MTC Resolution No. 4404, Revised; included as Attachment G to Appendix I of this report) to govern the implementation of both the capital and operating programs. These processes are summarized at a high level in the following paragraphs.

For the capital program, eligible project sponsors must follow the Policies and Procedures to request an allocation of funds, including the completion of an initial project report, an allocation request, and a board resolution. Staff reviews the request and prepares allocation recommendations in the form of resolutions for the Commission's consideration. These resolutions include reference to the specific line of the expenditure plan from which the allocation request is being made, a description of the scope of the allocation request, and additional information such as project schedule and funding plan. Payments to project sponsors for eligible expenses are made on a reimbursement basis. Capital projects may only receive the amount listed in the expenditure plan; per statute, BATA may fund the projects by transfers or bonding.

For the operating program, eligible project sponsors must likewise follow the Policies and Procedures to request allocations of funding. Statute establishes that not more than 16 percent, up to $60 million of RM 3 revenues generated each year, are available for operating assistance. Of that annual amount, 8 percent is made available for the Transbay Terminal (Salesforce Transit Center), not to exceed $5 million, 34 percent is made available for regional express bus services, not to exceed $20 million; and 58% is made available for expanded ferry service, not to exceed $35 million. To receive funds, recipients must execute an operating agreement with MTC that meets statutory requirements, and prepare an allocation application package including a cover letter, board resolution, operating agreement, and fiscal audit. The Commission annually approves programming and allocations of amounts, and in the case of the regional express bus program, recipients. Payments to project sponsors for eligible expenses are made on a reimbursement basis. Allocated amounts will be reduced if necessary to stay within statutory mandates.

RM 3 Letters of No Prejudice

The RM 3 Policies and Procedures include an option for MTC to approve Letters of No Prejudice (LONPs) to allow project sponsors to move projects forward with alternate funds, at-risk, while maintaining RM 3 eligibility if and when RM 3 funds became available. On March 25, 2020, MTC approved Resolution No. 4412, which enables MTC to issue LONPs for RM 3 projects. LONPs are issued at the request of project sponsors and specify the amount and scope for which RM 3 eligibility will be preserved and the alternate funding source to be used in place of RM 3 funds. The first LONP was approved in March 2020. A total of 21 LONPs have been issued totaling approximately $602 million, the last in May 2023 prior to the start of allocations. Since then, allocations have been made toward the vast majority of LONPs issued. MTC Resolution No. 4412, Revised, contains a description of every project with an LONP. This resolution is included in BATA's 2023 RM 3 Annual Report and has not been revised since then.

RM 3 Expenditure Plan Revisions and Programming

To ensure that RM 3 revenues are expended consistent with the applicable requirements set forth in SHC Section 30914.7, it is important for the IOC to track changes made to the RM 3 Expenditure Plan, which may be made through a public hearing process as outlined in the RM 3 statute (SHC Section 30914.7(e)). One such change was made during this report period. After a public hearing in March 2025, the Commission approved the following change to the RM 3 expenditure plan in April 2025:

- Modify scope of Highway 101-Marin/Sonoma Narrows (RM 3 project #20) to include updating the high occupancy vehicle lane hours signage on Highway 101 between Arata Lane in Windsor and North Bridge Boulevard in Sausalito.

The RM 3 operating projects and funding levels are determined by the RM 3 statute, but each fiscal year, MTC approves programming for the RM 3 operating program that sets the funding amounts for the year based on an estimate of toll revenues. MTC approved the FY25 RM 3 Operating Program on May 22, 2024 and revised the programming on December 18, 2024 to incorporate programming amounts for sponsors of Express Bus operating projects.

In the RM 3 capital program, most projects are named and have a single sponsor and dollar amount assigned in the RM 3 statute, but there are a few projects that have multiple sponsors or are broad categories that require programming by MTC. Since MTC began issuing Letters of No Prejudice in 2020 to allow projects to proceed ahead of allocation of RM 3 funds, MTC has taken action to program funds under the following RM 3 projects:

- Bay Area Corridor Express Lanes
- Goods Movement and Mitigation
- North Bay Transit Access Improvements
- Dumbarton Corridor Improvements

Invoicing and Monitoring

RM 3 funds are provided to project sponsors on a reimbursement basis. After funds are allocated, sponsors may submit invoices for eligible expenditures. MTC staff review these invoices for accuracy and consistency with the allocation and approve payment. Semi-annually, MTC collects progress reports for each ongoing capital project that has received an RM 3 allocation.

In March 2019, MTC issued an RFQ for the purpose of selecting a bench of audit firms to perform various auditing, attestation and consulting engagements. On September 4, 2019, the MTC Administration Committee approved a bench of five audit firms including MGO. In January 2024, MTC entered into a contract with MGO to conduct annual review of RM 3 expenses. The agreed-upon procedures (AUP) performed in the review of the RM 3 expenses were developed by the MTC Finance staff in accordance with the RM 3 Policies and Procedures. The agreed-upon procedures are as follows:

For the annual fiscal year review of RM 3 expenses:

General Procedures:

1. Obtain from MTC a listing of RM 3 recipients of operating programs and capital programs.
2. For each selected recipient, randomly select a minimum of 4 invoices to cover at least 50% of the recipient's project expenses, and apply the applicable procedures below to the selected invoices. For recipients with 4 or fewer invoices, inspect all invoices for review. Amounts less than $5,000 are not to be selected. MTC will review and approve the selected transactions
3. Request supporting documentation electronically from RM 3 recipients for transactions selected for review, and apply the applicable procedures below to the selected transactions.

Capital Programs:

1. Obtain and determine the Allocation Application includes the required materials.
2. Determine whether invoices were submitted to the MTC on a reimbursement basis.
3. Determine whether the expenses included in the invoices were considered eligible expenses, as defined in the Capital Program Guidance section in the Regional Measure 3 Policies and Procedures, dated October 2023.
4. Determine whether the expenses included in the invoices were within the scope of the recipient's Initial Project Report.
5. Verify expenses as reported in the invoices to the recipient's supporting documentation.

Operating Programs:

1. Obtain and determine the Allocation Application includes the required materials:
2. Determine whether the recipient's invoices were exclusive of depreciation/amortization expenses.
3. Reconcile expenses and fare box revenues as reported in the invoices to the recipient's supporting documentation. (This procedure excludes other operating subsidies.)
4. Determine whether the expenses included in the invoices were within the scope of the recipient's Operating Agreement.

MTC also periodically engages an auditor to confirm RM 3 invoices for capital programs to ensure they were submitted in accordance with the RM 3 policies and procedures and check for duplicate charges or other errors. The agreed-upon procedures are as follows:

For periodic reviews of RM 3 Capital invoices, the independent account will:

a. Vouch the invoiced amount to supporting documents accompanying the invoice, as submitted by BATA RM 3 recipients to MTC.
b. Determine whether the invoice includes duplicate charges.
c. Determine the arithmetic accuracy of the invoice.
d. Determine invoiced amounts, including release of retention, are submitted to MTC on a reimbursement basis assuming it is clear on the vendor invoice whether retentions are included in the total or not.
e. Determine whether the recipient's overhead rate exceeds the maximum allowable rate as set in the RM 3 policies and procedures (50 percent of total salaries and benefits).
f. Based on the invoice date, determine if any recipients, excluding MTC, submit more than one invoice per month per project, unless the exception is approved in writing.

IOC Findings

The IOC presents the following findings on BATA and the Metropolitan Transportation Commission (MTC's) expenditure of RM 3 funds.

Capital Allocations

During FY 2025, MTC allocated approximately $200 million to capital projects in the RM 3 expenditure plan. Details of these allocations were reviewed by the IOC at previous meetings and are available in the meeting materials posted to MTC's website.

Capital Allocations made through June 30, 2025 are consistent with the RM 3 statute.

Operating Allocations

In FY 25, MTC approved $49 million in operating allocations consistent with the FY 25 RM 3 Operating Program. Details of these allocations were reviewed by the IOC at previous meetings and are available in the meeting materials posted to MTC's website.

Operating Allocations made through June 30, 2025 are consistent with the RM 3 statute.

Invoicing and Monitoring

The FY 24 AUP review (Appendix III) was completed in November 2024, and no issues were flagged with any FY 24 invoices. The FY 25 AUP review is in progress and findings will be provided to the IOC when available. The most recent AUP review of capital project invoices (Appendix IV) covered the period from March 1, 2024 to January 21, 2025 and no issues were flagged with any invoices during this period. These reviews are available as Appendices II and III to this report.

MTC collects semi-annual reports for all RM 3 capital allocations. In FY 25, summaries of findings were presented to the Commission in December 2024 and June 2025. The June 2025 update is included as Attachment E to Appendix I of this report.

MTC's invoicing and monitoring procedures ensure that funds are expended consistent with the RM 3 statute, allocations, and RM 3 policies and procedures.

Other RM 3 Implementation Issues

IOC Vacancies

The IOC strongly urges counties with IOC position vacancies to fill them with appointees that can actively participate in IOC meetings, so that all counties in the region may be fully represented in the work of the committee.

Discretionary Federal and State Matching Funding

Many RM 3 projects have committed or planned discretionary federal and/or state grants in their funding plans. These grants may in some cases be at risk or delayed due to priority changes by the current federal administration, or other funding pressures at the state level. This is especially concerning for projects relying on such funding as the largest element of a funding plan, such as megaprojects relying on significant federal funding for construction or smaller projects relying on a discretionary federal grant to become reality. RM 3 funds are a flexible source of funding that can help these projects progress while construction funding is uncertain, but allocating RM 3 funds on early phases of projects awaiting discretionary funds for future phases increases the risk that regional investment is being put into projects that may have significant funding and project delivery challenges.

Appendices

Appendix I: Bay Area Toll Authority RM 3 FY 2024-25 Annual Report to the Legislature

Appendix II: MTC Investment Policy (MTC Resolution No. 4563)

Appendix III: Independent Accountant's Report on Applying Agreed-Upon Procedures – Regional Measure 3 Funds – Year Ended June 30, 2024

Appendix IV: Independent Accountant's Report on Agreed-Upon Procedures Applied to Regional Measure 2, 3, and AB1171 Capital Invoices For the period from March 1, 2024 to January 31, 202