

AB 117 – State Transit Operating Loans

MTC Resolution No. 4782

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Summary of Resolution No. 4782

Resolution Approval Purpose

The resolution seeks formal approval of loan and sub-loan agreements critical to stabilizing Bay Area transit funding.

Interconnected Agreements

This resolution approves a Loan Agreement with the State and Sub-Loan Agreements with AC Transit, BART, Caltrain, and SFMTA.

Execution Authority Delegation

The resolution authorizes the Executive Director to execute final agreements and achieve closing by the July 1 statutory deadline for State funding of the Loan.

Background: Near-term Transit Funding Challenge and SB63

Near-Term Fiscal Challenges

AC Transit, BART, Caltrain and SF Muni are projecting combined deficits of more than \$800 million per year starting in FY 2026–2027.

Legislative Background of SB 63

SB 63 authorized placement of a regional sales tax measure on the November 2026 ballot in Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara counties. The measure focused on preventing major service cuts on AC Transit, BART, Caltrain, and SF Muni.

An independent signature-gathering effort is underway to place the measure on the November 2026 ballot via a petition.

AB 117 Loan Authority

Legislative Loan Authority

AB 117 authorizes a \$590 million loan from CalSTA to MTC for on-lending to the operators solely for operating costs.

Loan Distribution Structure

Funds are distributed in four tranches linked to Sub-Loan Agreements:

- AC Transit - \$55 million
- BART - \$285 million
- Caltrain - \$50 million
- SFMTA - \$200 million

Security and Repayment

Each Sub-Loan is secured by that operator's STA revenue share, ensuring repayment responsibility is individual and clear.

Financing Structure

Collaboratively Developed

MTC Staff worked collaboratively with CalSTA, the California State Department of Finance, and the four operators to develop the Loan Agreement and the Sub-Loan agreements.

Risk Allocation

MTC's contractual obligations on the State loan are matched by the Operator loans, ensuring MTC assumes no independent exposure.

Security and Repayment

Each Sub-Loan is secured by that operator's STA revenue share, ensuring repayment responsibility is individual and clear.

Variable Interest Rates

Loan and Sub-Loan Agreements use a matched variable interest rate to prevent structural imbalance among the agreements.

Repayment Terms and MTC Responsibilities

Investment and Interest Earnings

MTC will make two distributions of funds to the operators – one immediately, and one in January 2027; interest earned on the invested amounts will be credited against payments due from the operators, balancing risks.

Loan Repayment Structure

Loans start as interest-only for two years, then shift to a ten-year amortization, with final repayment by June 2038.

Prepayment Flexibility

All loans can be prepaid early without penalties, allowing operators to retire debt at their option.

MTC Administrative Role

MTC administers sub-loans, tracks payments, coordinates with CalSTA, and ensures compliance