


Presentation of Draft Phase One Financial Efficiency Review

Independent Oversight Committee –
April 17, 2026

METROPOLITAN TRANSPORTATION COMMISSION

Purpose and Objectives

- Review key findings from Draft Phase One Financial Efficiency Review
- Discuss Early Action Strategies
- Gather Independent Oversight Committee (IOC) input ahead of finalizing report in May
- Outline next steps

Financial Efficiency Review Scope

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

Phase One (2026)

- Cost-saving measures implemented in FY2019-20 through FY2024-25
- Early Action Strategies for increasing or improving service and enhancing customer experience with existing resources in next one to three years
- 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

Phase One Timeline

January 2026

Nelson\Nygaard (third party consultant) brought onboard to conduct review

January–March 2026

Working Group engagement

April–May 2026

Reports (Draft → Final)

By July 1, 2026

Operators must adopt Early Action Strategies

Phase Two 2027–2028

(*if measure approved*)

October 2025

MTC begins collaborating with operators to launch FER

Early Action Strategies Implementation 2027–2029

Activities Since March 6 IOC Meeting

Consultant completed analysis across four operators

Working Group engagement

- Regular contact with transit operator staff through individual and working group meetings
- Iterative review to incorporate operator and MTC staff input

April 1 Milestone

Draft Phase One Report delivered to Independent Oversight Committee and public

What We Need From the IOC

- Comments on the Draft Phase One Report
- Direction to Finalize the Analysis
- Input on Early Action Strategies for Board Review

Report Overview

This is a high-level summary of a more detailed report

The report is organized into five chapters:

Context sets the stage for the work conducted under SB 63 and Phase One

Cost savings measures implemented since FY 19-20

Early-action strategies to increase or improve service and provide enhanced customer experience with existing resources

Redevelopment opportunity amongst existing property holdings

Conclusion/Next Steps for MTC and transit agencies to consider after Phase One

Map of Bay Area Transit Service Area

Since FY 19-20, transit agencies have reduced operating costs by more than $1 billion, combined

Transit agencies have undertaken numerous cost saving and revenue enhancing measures in response to economic pressures and shifts in travel demand during and after the COVID-19 pandemic.

Between 2019-2025, they reduced operating costs by:

Almost $200 million
through service adjustments and management of variable operating costs.

More than $516 million
through service reductions, workforce controls, and operational efficiencies.

More than $76 million
through workforce controls, service optimization, and operating efficiencies.

Almost $302 million
through workforce reductions, adjustments to service levels, and deferred or scaled-back capital investments.

Methodology

Costs and Revenues reflect actual costs and revenues reported by agencies, expressed in current dollars.

Cost-Saving Actions are operating or capital cost-saving measures and revenue-generating actions undertaken by each agency. We do not include or report on actual capital costs and expenditures due to differences in how agencies define, track, and report capital costs over time.

Estimated savings are an assessment of operating cost trends by each agency, including the effects of inflation and cost-saving actions.

Validation: Costs and revenues were gathered from publicly available sources. Transit agencies provided cost-saving actions and estimated savings by year. We validated by comparing against publicly available documents like annual budgets and board reports.

Costs

Capital Costs

Long-term investments in physical assets and systems like vehicles, buildings, tracks, stations, etc.

Operating Costs

Recurring expenses required to provide service like wages, fuel / power, maintenance, administration, etc.

Revenues

Public Funds

Federal, state, and local taxes

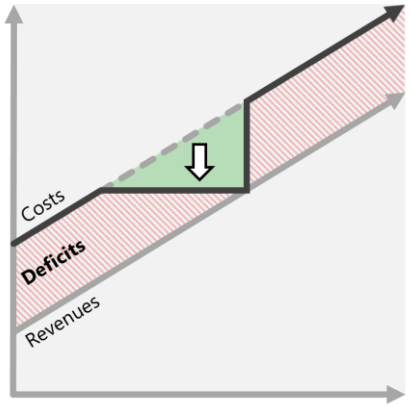
Fares

Revenue collected from transit riders, including individual fares and passes

All Other Revenue

All other money generated outside of fares, e.g. advertising, parking fees, leases to retailers, etc.

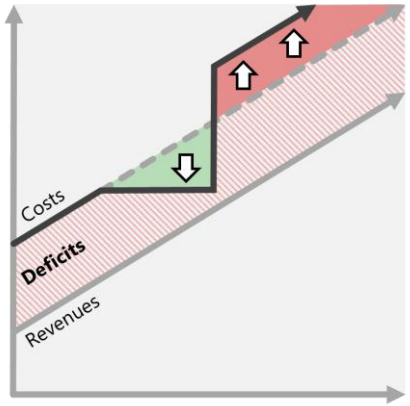
Categories of Cost-Savings / Deficit -Reduction



One-time Cost Reductions

Temporary reductions in costs that are expected to revert in a subsequent year

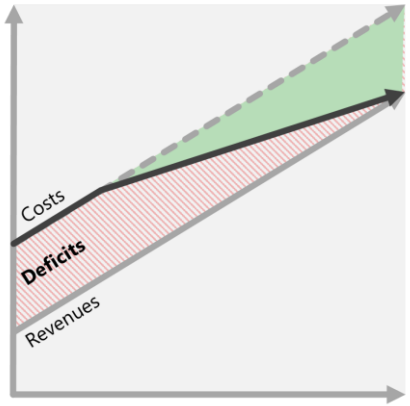
Example: temporary operating cost relief



Cost Deferral

Delaying a cost to a future year to balance budgetary pressures, while accepting risks that deferral may yield higher future costs

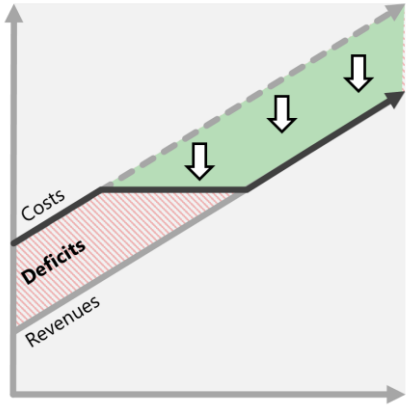
Examples: delaying rail track maintenance, bus engine replacements



On-going cost reductions

Permanent reductions in costs persisting in all future years

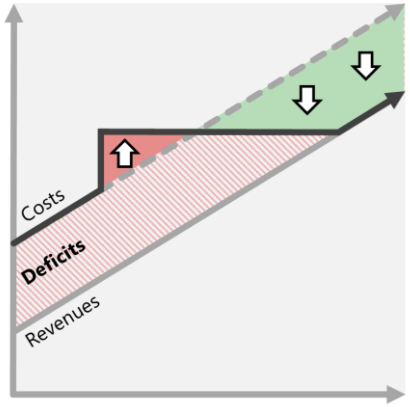
Example: discontinued or restructured services



Cost Avoidance

Actions that prevent foregone costs by modifying planned expenditures to achieve lower future costs

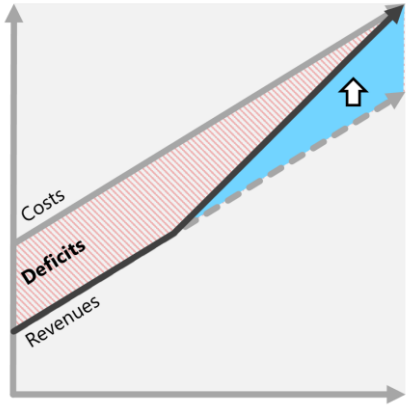
Example: re-scoping a renewal to reduce future contract value



Investments to Reduce Future Costs

Capital or operating investments intended to yield lower operating costs or higher revenues over time

Example: bus priority measures



New revenue

Adjusting levels of existing revenue sources or creating new sources of revenue to offset costs

Example: increasing fares or parking fees

Fixed vs Variable Costs

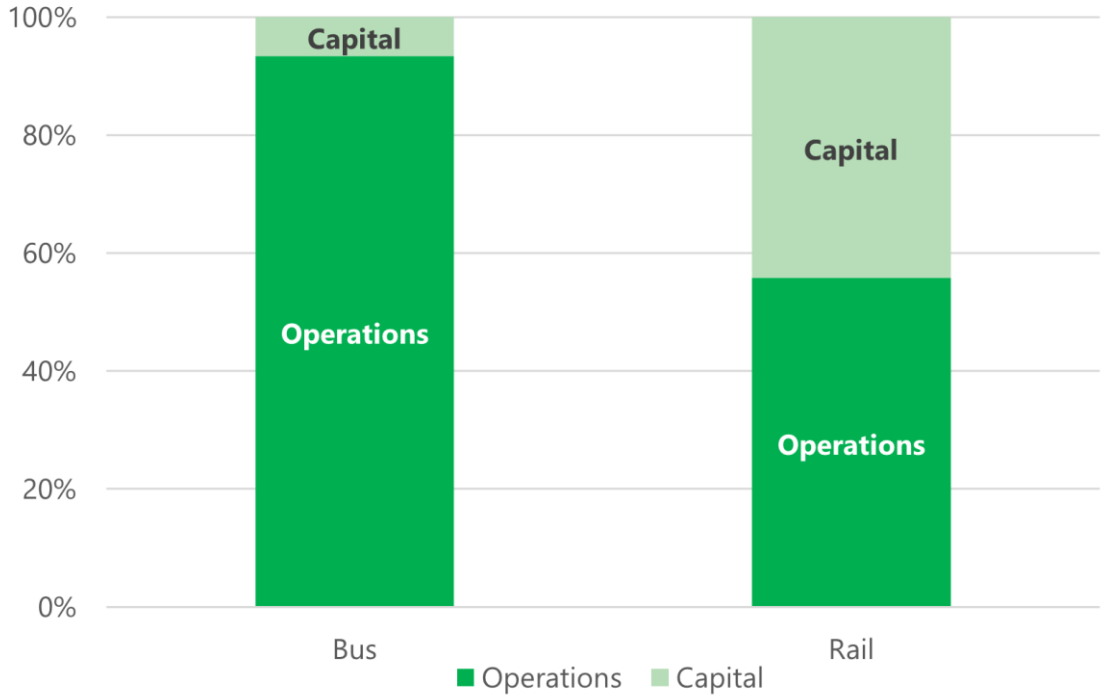
The **proportion** of an agency's budget that is fixed or variable affects its ability to adapt to financial uncertainty

- **Fixed costs** are relatively static regardless of the amount of service provided. These are often associated with **capital costs** such as rail tracks, stations, maintenance facilities
- **Variable costs** change in direct proportion to the amount of service provided. These are often associated with **operating costs** such as wages, fuel, number of vehicles, maintenance.

Rail-based transit requires a higher percentage of fixed costs because they must have tracks, stations, and specialized power, storage, and maintenance facilities to operate service.

By contrast, **bus-based transit requires a lower percentage of fixed costs** because they tend to have few, if any, dedicated guideways

Example distribution of capital and operating costs for bus and rail agencies



Source: National Transit Database, 2024 Annual Agency Profiles

AC Transit

Service Area Population
1.6 million people

Services Provided
Local Bus, Express Bus, Bus Rapid Transit, Paratransit

Annual Ridership*
40.7 million
(75% of FY19)

Annual Revenue Hours*
1.8 million
(86% of FY19)

Annual Revenue Miles*
17.7 million
(85% of FY19)

*FY24-25

Key Findings

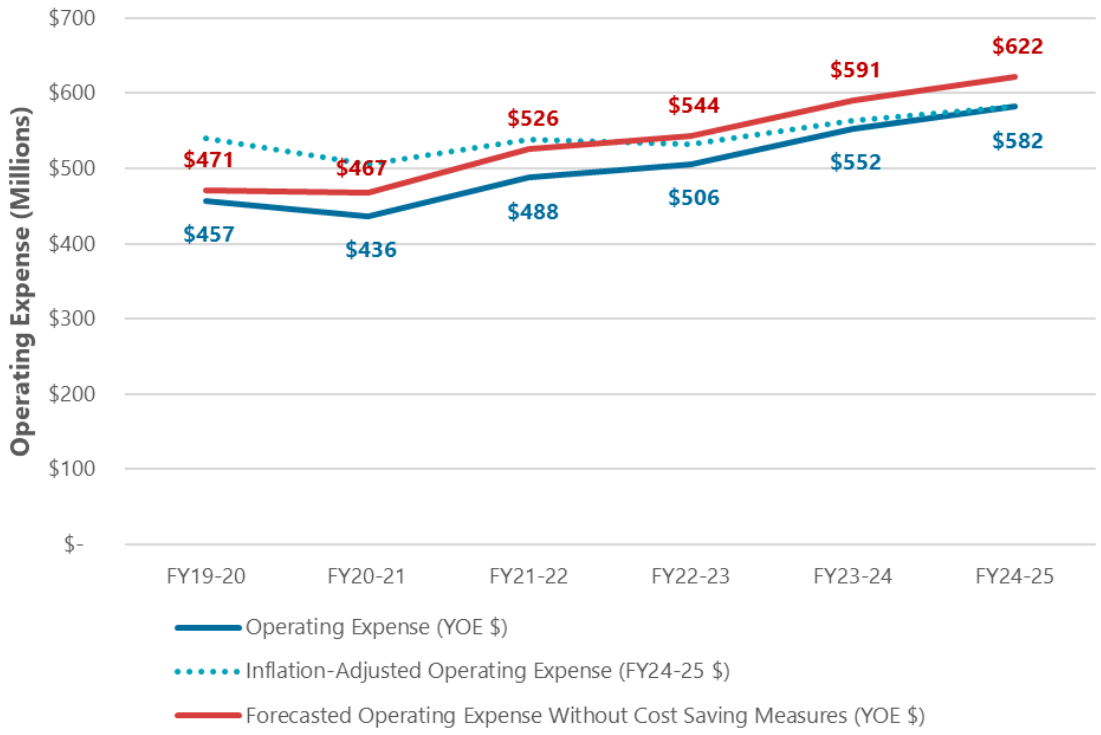
- AC Transit delivered almost $200 million in operating cost savings during the reporting period.
- Cost savings were primarily generated through service adjustments and tighter management of variable operating costs.
- Cost avoidance and deferrals were used strategically to manage near-term financial pressures.
- Cost-saving measures offset a material share of inflationary pressure on operating expenses.

AC Transit

Impacts of Cost-Saving Actions Implemented by Operator During Reporting Period (reported in $ millions, rounded to nearest million)

Fiscal Yearfr	Capital Cost Savings	Operating Cost Savings	Enhanced Revenue
2019-20	Not Collected	$14	$0
2020-21	Not Collected	$31	$0
2021-22	Not Collected	$38	$2
2022-23	Not Collected	$38	$1
2023-24	Not Collected	$39	$1
2024-25	Not Collected	$40	$4
Total	Not Collected	**$199**	**$8**

<u>Operating</u> Savings and Expenditures by Operator by Fiscal Year (reported in $ millions)



BART

Service Area Population
3.5 million people

Services Provided
Heavy Rail, Airport Monorail, Demand Response Paratransit

Annual Ridership*
58.4 million
(46% of FY19)

Annual Revenue Car Hours*
1.9 million
(85% of 2019)

Annual Revenue Car Miles*
73.2 million
(92% of 2019)

*FY24-25

Key Findings

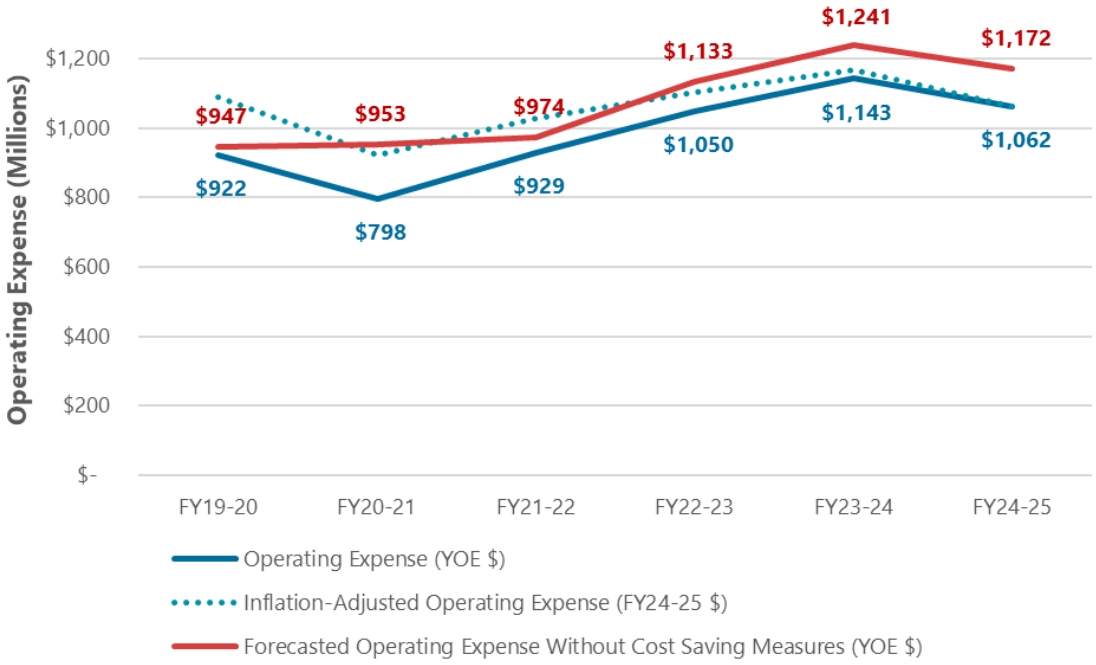
- $516 million in operating cost savings and $549 million in capital savings during reporting period
- Cost savings were achieved through a combination of service reductions, workforce controls, and operational efficiencies
- Cost avoidance and capital savings contributed materially to overall savings
- Cost-saving measures offset a substantial share of inflationary pressure on operating expenses
- Inflation-adjusted operating costs remained relatively stable despite rising nominal costs

BART

Impacts of Cost-Saving Actions Implemented by Operator During Reporting Period (reported in $ millions, rounded to nearest million)

Fiscal Year	Capital Cost Savings	Operating Cost Savings	Enhanced Revenue
2019-20	$0	$25	$1.0
2020-21	$79	$155	$4.1
2021-22	$6	$45	$12
2022-23	$3	$83	$17
2023-24	$398	$98	$25
2024-25	$62	$110	$40
Total	**$549**	**$516**	**$99**

Operating Savings and Expenditures by Operator by Fiscal Year (reported in $ millions)



Caltrain

Service Area Population
3.6 million people

Annual Ridership*
11.0 million
(60% of FY19)

Services Provided
Regional rail

Annual Revenue Car Hours*
279 thousand
(129% of 2019)

Annual Revenue Car Miles*
10.4 million
(144% of 2019)

*FY24-25

Key Findings

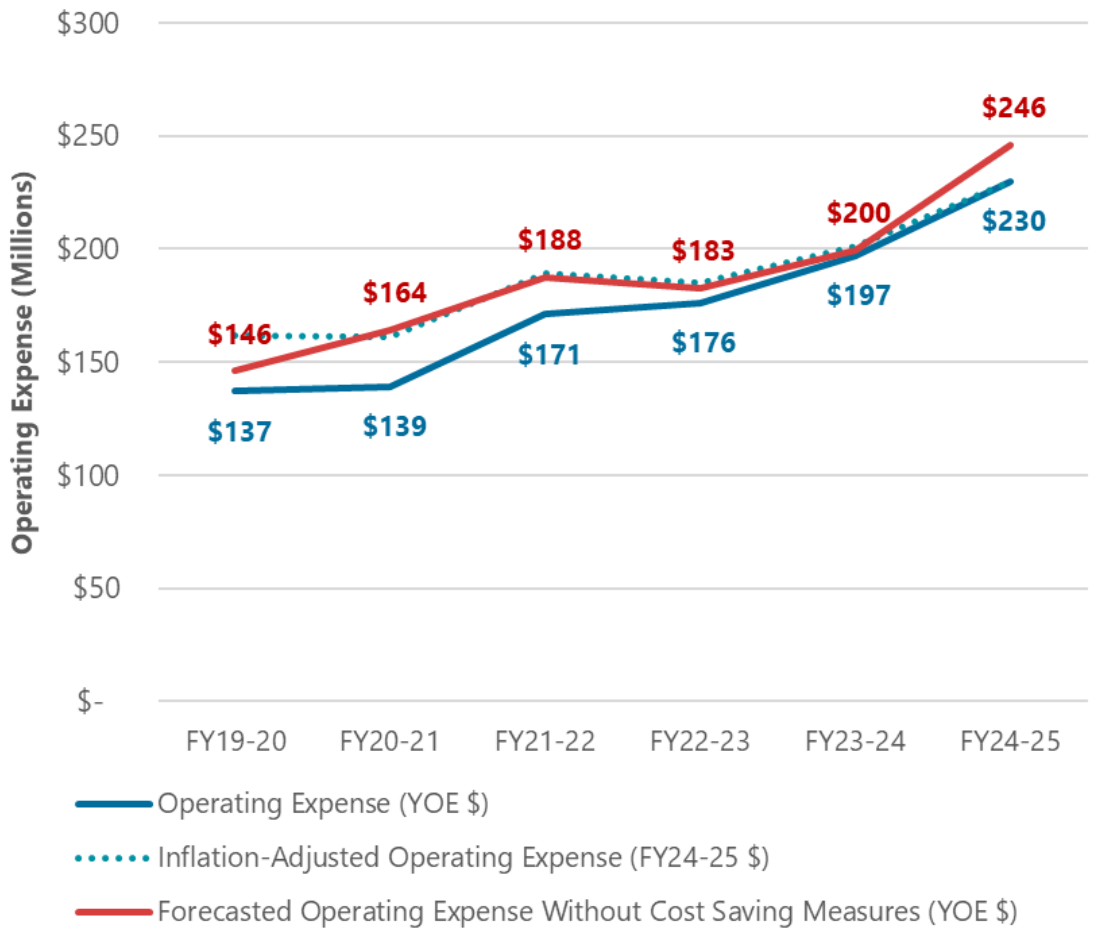
- Caltrain realized $76 million in operating cost savings during the reporting period.
- Cost savings were primarily achieved through workforce controls, service optimization, and operating efficiencies.
- Cost-avoidance and deferral measures helped limit exposure to future operating and contract cost growth.
- Caltrain achieved meaningful cost savings while simultaneously delivering a transformational capital program.
- Cost-saving measures slowed the pace of operating cost growth and offset a material share of inflationary pressure.

Caltrain

Impacts of Cost-Saving Actions Implemented by Operator During Reporting Period (reported in $ millions, rounded to nearest million)

Fiscal Year	Capital Cost Savings	Operating Cost Savings	Enhanced Revenue
2019-20	Not Collected	$9.0	$0
2020-21	Not Collected	$25	$0
2021-22	Not Collected	$17	$0
2022-23	Not Collected	$6.9	$0
2023-24	Not Collected	$2.6	$0
2024-25	Not Collected	$16	$2.5
Total	Not Collected	**$76**	**$2.5**

<u>Operating</u> Savings and Expenditures by Operator by Fiscal Year (reported in $ millions)



SFMTA

Service Area Population
0.8 million people

Services Provided
Bus & Trolley Bus, Light Rail (Muni Metro), Demand Response Paratransit, Historic Streetcar (F Market), Cable Car

Annual Ridership*
168.4 million
(75% of FY19)

Annual Revenue Hours*
3.3 million
(99% of FY19)

Annual Revenue Miles*
25.4 million
(96% of FY19)

*FY24-25

Key Findings

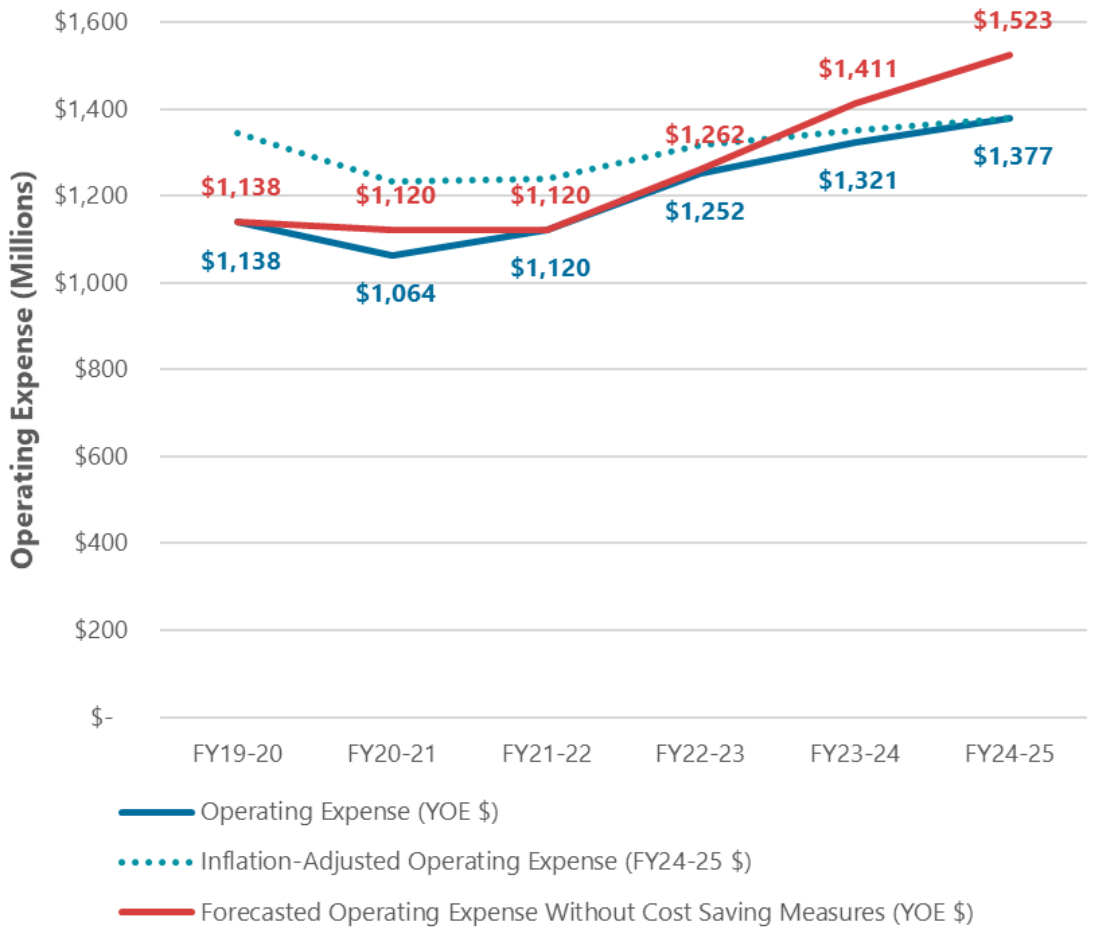
- $302 million in operating cost savings, and $389 million in capital savings during the reporting period.
- Combination of workforce reductions, service redesign, and deferred or scaled-back capital investments.
- Cost-saving measures materially slowed operating cost growth and offset inflationary pressures.
- Service output rebounded strongly and outpaced operating cost growth, improving productivity.
- Long-term capital investments have supported ongoing operating efficiencies and service improvements.
- Most efficiency gains are structural and position the agency to address future fiscal challenges.

SFMTA

Impacts of Cost-Saving Actions Implemented by Operator During Reporting Period (reported in $ millions, rounded to nearest million)

Fiscal Year	Capital Cost Savings	Operating Cost Savings	Enhanced Revenue
2019-20	NA	$0	$0
2020-21	$194	$56	$0
2021-22	NA	$0	$0
2022-23	$61	$10	$0
2023-24	$14	$90	$0
2024-25	$120	$145	$37
Total	**$389**	**$302**	**$37**

<u>Operating</u> Savings and Expenditures by Operator by Fiscal Year (reported in $ millions)



Questions?

Early Action Strategies

Not all early action strategies are applicable to all transit agencies. This analysis examined a range of strategies for each individual transit agency and identified those that are feasible and impactful.

- **Delaying zero-emission bus transition plan is the most impactful cost-savings strategy,** although these savings would not be realized in the next three years.

Biggest opportunities to increase ridership, revenue, or customer experience are:

- **Reducing barriers to fare payment**—e.g., expanded pass programs
- **Scheduling efficiencies to run service using fewer resources**. Specific opportunities vary by agency.
- **Provide faster and more reliable transit operating speeds to reduce operating costs**. Leverage capital investments to reduce operating costs for SFMTA and AC Transit.
- **Increase revenue to reinvest**, e.g., parking fees, leasing fiber and other communications assets, and capturing regenerative braking credits. Many require external coordination. Some of that is underway.

Methodology

We examined financial trends, cost drivers, service performance, and operational practices to:

- Understand how resources are currently deployed
- Identify resource gaps and opportunities to improve efficiency, reliability, and customer experience

Metric	What it Reflects	Example Strategies
Operating Cost per Revenue-Hour	Underlying cost structure of service delivery	• Workforce strategies; • Administrative efficiencies; • Maintenance practices
Operating Cost per Passenger	Overall system efficiency	• Increase ridership; • Adjust service levels; • Improve productivity
Passengers per Revenue-Hour	Service productivity	• Network redesign; • Frequency adjustments; • Stop optimization and spacing; • Reliability improvements
Farebox Recovery Ratio	Effectiveness of fare policy, collection and enforcement	• Fare policy updates; • Fare enforcement; • Fare technology improvements; • Expanded fare partnerships and pass programs
On-time Performance	Service quality and reliability	• Scheduling adjustments; • Transit priority investments; • Operational changes

Methodology

We identified "early action strategies" as those that are
(1) almost or entirely within a transit agencies' control
(2) generate high value relative to effort
(3) can be implemented within the next one to three years

Strategies are intended to enhance services and customer experience using existing resources and are focused on decisions related to workforce levels, service levels, and fares & other revenues.

Overview of Early Action Strategies by Agency

General Categories of Early Action Strategies Considered	Transit Agency			
	AC Transit	BART	Caltrain	SFMTA
Scheduling and operational efficiencies that don't impact service to the rider	X	X		X
Travel time and reliability improvements that can yield savings or be reinvested into service	X			X
Revenue generation opportunities	X	X	X	X
Other programs to save costs or improve efficiency	X	X	X	X

Most agencies identified some strategies in each category. All agencies identified expansion of Clipper BayPass or other pass programs as an opportunity to generate new revenue.

AC Transit

Scheduling and Operating Efficiencies

- Pursue scheduling efficiencies that do not impact service to the rider

Travel Time and Reliability

- Identify opportunities to improve transit travel time and reliability
- Incentivize attendance and reduce absenteeism to improve reliability

New Revenue

- Expand EasyPass and/or Clipper BayPass with more institutions and employers

Other Programs

- Evaluate zero-emission bus (ZEB) transition program for cost efficiency

BART

Scheduling and Operating Efficiencies

- Run shorter trains during lower-demand periods

New Revenue

- Expand Clipper BayPass to more institutions and employers
- Continue strategies to enhance parking revenue
- Further monetize fiber and other communications assets
- Optimize fare gate performance to further reduce fare evasion and continue with station hardening program

Other Programs

- Explore terms of the SFO lease payment for possible renegotiation
- Identify opportunities to negotiate contracts

Caltrain

New Revenue

- Expand GoPass and/or Clipper BayPass program with more employers and educational institutions
- Seek strategies to enhance parking revenue
- Further monetize fiber and other communications assets

Other Programs

- Explore efficiencies when procuring and negotiating contracts
- Explore feasibility of energy storage project

SFMTA

Scheduling and Operating Efficiencies

- Pursue scheduling efficiencies that do not impact service to the rider
- Identify more opportunities to run shorter trains during lower-demand periods

Travel Time and Reliability

- Continue to reinvest savings from transit priority treatments back into service

New Revenue

- Improve fare compliance
- Expand Clipper BayPass with more institutions and employers

Other Programs

- Re-evaluate ZEB transition program for cost efficiency
- Identify and capture cost savings in larger contract renewals
- Retire Muni Mobile and use a regional trip planning app

Questions?

Real Property Assessment

Overview

We analyzed transit agencies' real property and identified potential redevelopment opportunities that support ridership growth and generate long-term value. This is a high-level review and not intended to replace or supersede any existing process the agency has applied for identifying joint development. Instead, it provides a general overview of the types of property that could be suitable for joint development based on their physical conditions, existing uses, and the role they play in either current transit operations or future development of the system.

Real Property Assessment

Joint Development

Development or use of transit agency owned property by private or non-profit developer through a long-term lease. Joint developments can generate ongoing revenue for the agency, providing additional riders to the system, and/or amenities for existing riders.

Identifying Joint Development Opportunities

We identified sites suitable for joint development based on the criteria below. Further analysis is required to determine whether joint development is feasible.

- Size – At least ½ acre
- Shape suitable for building
- Vehicular access
- Current use
- Impact to transit operations – No impact or mitigatable impact

Real Property Assessment

Benefits of Joint Development

The primary benefits of joint development are:

- Long-term **revenue** for transit agencies
- Additional **riders**
- Additional **amenities** for new and existing riders

Challenges to Joint Development

There are several major challenges to delivering successful joint development:

- Complex **regulatory environment**
- Conflicting **policy goals** for joint development projects
- Dependent on **market conditions** beyond a transit agency's control
- Properties are often needed for **transit operations**
- Not suitable for development due to **individual parcel's physical attributes**.
- Community **opposition**

Real Property Assessment

Conclusions

- **Long-term opportunity rather than a near-term solution**
  - Operational needs, site conditions, regulatory requirements, and market factors limit the number of properties that are suitable for near-term development
  - Real estate-related revenues generally represent only a small share of operating budgets
- **Successful joint development programs typically require**
  - Clear agency policies,
  - Staff capacity,
  - Supportive local zoning, and
  - Alignment with market conditions.

Methodology

We examined the property holdings and existing joint developments, policies, and programs to:

(1) understand how agencies use real properties for transit services, development, and non-fare revenue purposes

(2) identify joint development opportunities to increase revenue

Property assets were classified into **four categories**:

Potential Opportunity (Vacant/ Underutilized)	• Vacant or primarily surface parking • Not dedicated to critical operations or capital projects • At least ½ acre in area • Have vehicle access and site configuration suitable for a significant joint development.
Potential Opportunity (with an Existing Use)	• Not dedicated to critical operations or capital projects • At least ½ acre in area • Have vehicle access and site configuration suitable for a significant joint development, but that have an existing transit related use that would need to be either relocated or incorporated into the new development.
Under Review or Needs More Study	• Not dedicated to critical operations or capital projects • May be appropriate for joint development after further study of various factors like irregular configurations, recent changes to developable area, encumbrances, or other factors that may make development challenging
Not Currently Suitable for Joint Development	• Not currently suitable for joint development because they are already dedicated to critical operations or capital projects, are less than ½ acre in size, are irregularly shaped, lack adequate access, or have other encumbrances or challenges.

Real Property Inventory

Transit Agency	Overview of Property Holdings	Existing Joint Development	Joint Development Opportunities	Other Opportunities
AC Transit	16 sites, including administrative offices, maintenance and operational facilities, warehouses, park and ride, and parking lots	• None	• None identified	• None identified
BART	795 sites, 22% are developable surface parking lots and 15% developable vacant sites	• MacArthur Park (24-story tower, over 800 units)	• None identified	• Dispossession of land • Parking Revenue
Caltrain	65 sites, including operational facilities and parking lots	• None	• Hayward Park Station (entitled for multifamily) • Redwood City Statin • Mountain View Station • Diridon Station (entitled for office) • Belmont Station • 4th and King Terminal	• Parking revenue
SFMTA	52 sites, including operational facilities and parking lots and structures; ½ acre in size	• Four affordable housing projects • One hotel on a ground lease • One youth and recreational facility	• Some parking structures and operational facilities	• Parking revenue

AC Transit

Overview of Property Holdings

- 16 sites, including administrative offices, maintenance and operational facilities, warehouses, park and ride, and parking lots

Existing Joint Development

- **None**

Joint Development Opportunities

- **None identified.** Emeryville Bus Yard is the only property that may support development in the near term, but would depend on identifying a feasible alternate location for the bus yard.

Other Opportunities

- **None**

BART

Overview of Property Holdings

- 795 sites, 22% are developable surface parking lots and 15% are developable vacant sites

Existing Joint Development

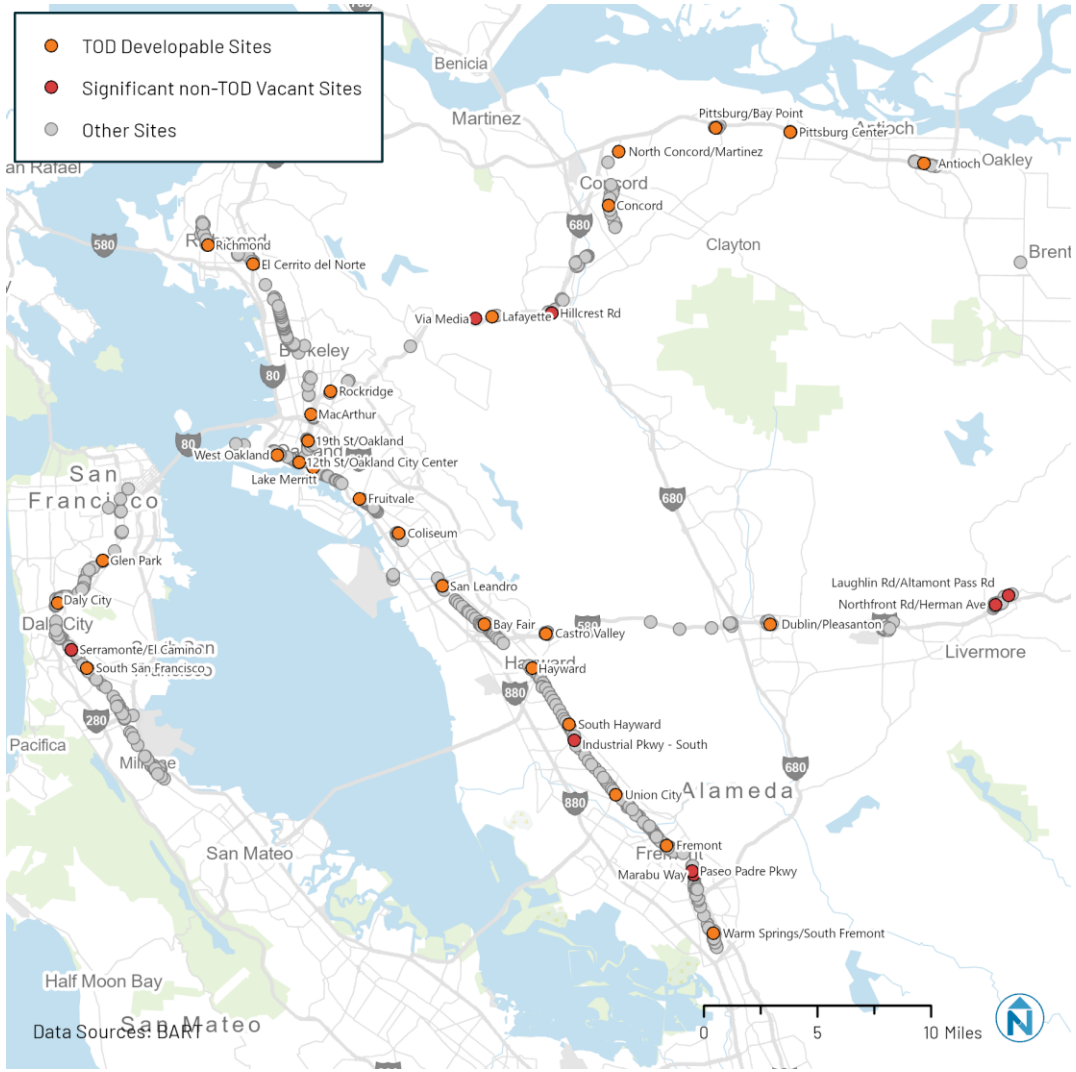
- MacArthur Park (24-story tower, over 800 units)

Joint Development Opportunities

- **None Identified.** This review did not identify any additional opportunities because BART's joint development and TOD process already follows best practice.

Other Opportunities

- **Dispossession of land.** Eight (8) vacant sites totally 175 acres
- **Parking revenue** (as noted in Early Action Strategies)



Caltrain

Overview of Property Holdings

- 65 sites, including operational facilities and parking lots

Existing Joint Development

- **None**

Joint Development Opportunities

- Hayward Park Station (entitled for multifamily)
- Redwood City Station
- Mountain View Station
- Diridon Station (entitled for office)
- Belmont Station
- 4th and King Terminal

Other Opportunities

- Parking revenue (as noted in Early Action Strategies)

SFMTA

Overview of Property Holdings

- 52 sites, including operational facilities and parking lots and structures; ½ acre in size

Existing Joint Development

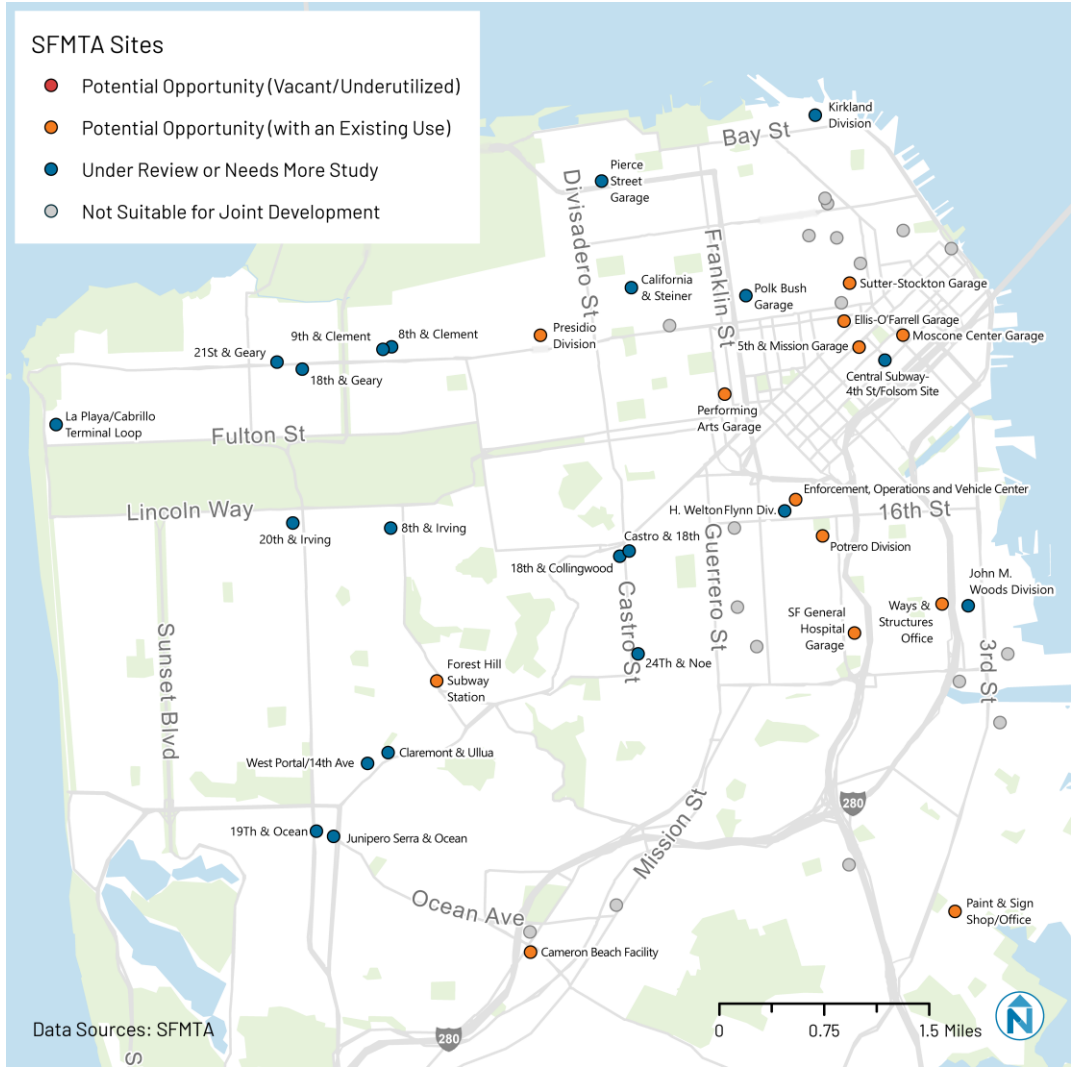
- Four affordable housing projects
- One hotel on a ground lease
- One youth and recreational facility

Joint Development Opportunities

- Some parking structures and operational facilities

Other Opportunities

- Parking revenue (as noted in Early Action Strategies)



Questions?

Next Steps/Path to Final Phase One Analysis

April 1–24

Feedback from IOC and Operators

Mid-May

IOC to adopt Final Phase One Analysis

July 1

Statutory deadline for operators to identify and adopt Early Action Strategies

April 25–May 1

Incorporate feedback into Phase One analysis

May-June

Operators identify and adopt Early Action Strategies

Look Ahead to Phase Two

- Phase Two (Only If Measure is Approved by Voters)
  - Builds on Phase One with a broader, more comprehensive set of cost-saving measures, including deeper structural efficiencies and potential trade-offs
  - Develops a regional development and financing strategy to maximize the value of operator real property assets
  - Introduces a formal implementation and accountability framework, with continued Oversight Committee and operator engagement