MTC Resolution No. 4743, Revised

Subject:

Revision to the Fiscal Year 2025-26 Productivity Improvement Program (PIP) to incorporate the Early Action Strategies adopted by AC Transit, BART, Caltrain, and SFMTA from Phase One of the Senate Bill 63 Financial Efficiency Review.

Senate Bill (SB) 63 Background

The California State Legislature passed SB 63 in 2025 to authorize placement of a new transportation revenue measure for the November 2026 ballot. The measure is intended to prevent major service cuts on BART, Muni, Caltrain, and AC Transit, which are facing combined budget deficits of more than $800 million per year starting in fiscal year 2026–27. It would also fund improvements to the transit rider experience, as well as other county priorities, including transit capital and operating improvements and targeted local road repairs on roads served by scheduled transit. The measure would apply a sales tax for a duration of 14 years, in an amount of 0.5% in Alameda, Contra Costa, San Mateo, and Santa Clara Counties and 1% in the City and County of San Francisco, subject to voter approval at the November 3, 2026, statewide general election.

The bill includes an expenditure plan which details the share of funds to be provided to transit operators providing service in the five counties, to county transportation agencies, and to MTC for specific rider-focused transit improvements prioritized in the Bay Area Transit Transformation Action Plan. Approximately 60 percent of the revenue would be dedicated to transit operating funding for BART, Muni, Caltrain, AC Transit, San Francisco Bay Ferry and other small transit agencies.

SB 63 Financial Efficiency Review (FER)

SB 63 includes provisions aimed at ensuring accountability to taxpayers, transit riders, and local government partners through various mechanisms, including a Financial Efficiency Review (FER). Specifically, BART, Muni, Caltrain, and AC Transit must undergo a two-phase, third-party FER overseen by the SB 63 Financial Efficiency Review Independent Oversight

Committee (IOC).

Phase One of the study required identification of cost savings measures implemented since January 2020, Early Action Strategies to assist operators in delivering enhanced service and customer experience with existing resources, and an inventory of real property holdings and redevelopment opportunities. Phase Two is more comprehensive and is expected to be completed in spring 2028, contingent upon voter approval of the revenue measure. In addition to identifying a menu of cost-saving measures and developing a regional development and financing strategy for transit real property assets, Phase Two would culminate in operator-specific plans that are reviewed by the Independent Oversight Committee, adopted by each operator’s governing board, and become part of the ongoing accountability framework established by SB 63.

The IOC adopted the Final Phase One Financial Efficiency Review in May 2026, including 32 Early Action Strategies split between the four operators, 29 of which were adopted in whole or in part by their governing boards in June 2026. These strategies represent opportunities for near-term actions that are within agencies’ direct control, as well as intermediate steps that can help advance longer-term strategies. They focus on actions that transit agencies can reasonably implement or study within the next one to three years to improve service delivery and enhance customer experience using existing resources. Because the Early Action Strategies have already been adopted by the governing boards of the subject operators, staff recommend incorporating them into the existing Productivity Improvement Program so that implementation progress can be tracked through MTC's established reporting process.

Productivity Improvement Program

In accordance with Transportation Development Act (TDA) legislation, MTC annually adopts a Productivity Improvement Program (PIP), which is a set of projects to be undertaken by transit operators in the region in the near-term to improve productivity and lower operating costs. Prior to allocating TDA or State Transit Assistance (STA) funds to transit operators for Fiscal Year (FY) 2026-27, MTC must approve the FY 2025-26 PIP and affirm that operators have made a reasonable effort to implement their PIP project(s).

MTC adopted Resolution No. 4743 in March 2026 containing PIP projects based on the recommendations from the most recent Triennial TDA Performance Audits conducted for each transit operator, as well as a continuation of the "Participation in Regional Initiatives" project from the FY 2024-25 PIP, as detailed in Appendix 1 of the resolution attachment. This month, staff propose revisions to the FY 2026-27 PIP to incorporate the Early Action Strategies recommended in FER Phase One as adopted by the governing boards of AC Transit, BART, Caltrain, and SFMTA. Each operator would have additional PIP projects for each Early Action Strategy. By incorporating the Early Action Strategies into the existing PIP, MTC can use an established reporting and accountability process rather than creating a separate implementation tracking program for Phase One strategies. This streamlines reporting across both the SB 63 and TDA/STA programs.

Next Steps

Operators will report on PIP progress in their submitted FY 2026-27 TDA/STA Transit Funding Application materials. MTC will assess operator progress toward implementing the PIP projects as part of the FY 2026-27 operating fund allocation process. For operators that have already submitted their FY 2026-27 claim, MTC will request additional materials to report on the new PIP projects for the FER strategies.

Issues:

None.

Recommendations:

Refer MTC Resolution No. 4743, Revised, to the Commission for approval.

Attachments:

- MTC Resolution No. 4743, Revised
    - Attachment A
        - Appendix 1
- Presentation

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