

SB 63 Financial Efficiency Review Independent Oversight Committee

May 22, 2026

Agenda Item 4a - 26-0635

Adoption of Final Phase One Financial Efficiency Review

Subject:

Adoption of the Final Phase One Financial Efficiency Review as required by Senate Bill (SB) 63 (Wiener/Arreguín). The Financial Efficiency Review Independent Oversight Committee (IOC) will review and consider adoption of the Final Phase One analysis that was revised to incorporate feedback from the IOC and members of the public. Staff recommends that the IOC adopt the Final Phase One analysis.

Background:

The Legislature passed SB 63 in 2025. Also known as the Connect Bay Area Act, the bill established the Public Transit Revenue Measure District (the “District”), with a jurisdiction covering Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties and authorized placement of a regional sales tax measure on the November 2026 ballot in these counties to raise new revenue for public transit. An independent signature-gathering effort is underway to place the measure on the November 2026 ballot via a petition.

If the proposed measure qualifies for the ballot and is approved by voters, proceeds from the sales tax would be transferred to the District. The District would then allocate approximately 63% of the revenue to transit agencies within the District for transit operating purposes. The measure is focused on preventing major service cuts on AC Transit, BART, Caltrain, and SF Muni, which are facing combined budget deficits of more than \$800 million per year starting in fiscal year 2026–27. It would also fund transit service provided by some smaller transit agencies, improvements to the transit rider experience and support local transportation improvements identified by county transportation agencies. (See Attachment A for SB 63 fact sheet).

SB 63 includes provisions aimed at ensuring accountability to taxpayers, transit riders, and local government partners through various mechanisms including the establishment of the IOC appointed by MTC and comprised of independent experts, transit agency board members and an MTC Commissioner (either the chair or their designee). The IOC is charged with overseeing a

two-phase Financial Efficiency Review of AC Transit, BART, Caltrain, and SF Muni (hereafter “subject operators”) which would be funded by a potential SB 63-enabled measure.

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Responsibilities of the Metropolitan Transportation Commission (“Commission”) The Commission is tasked with contracting with and managing a third-party consultant to conduct the financial efficiency review of subject operators and nominating four independent experts to this body. The Commission is also charged with transmitting the Final Phase One analysis report to the subject transit operators, the Legislature, the California State Transportation Agency, and each participating county transportation agency, following the IOC’s adoption.

Financial Efficiency Review Scope of Work Subject operators must undergo a two-phase, third-party financial efficiency review (FER) overseen by the IOC. Phase One must be completed by summer 2026, and includes the requirement that the subject operators named above must identify the specific strategies in the adopted Final Phase One analysis that they commit to implementing. The operators must then each identify specific strategies that they commit to implementing and adopt those strategies as formal policy or budget actions, as applicable, by July 1, 2026. Phase Two of the analysis would only be completed in the event of a voter-approved measure.

Phase One requires identification of cost savings measures implemented by the operators 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 assets and analysis of potential redevelopment opportunities. Phase Two is more comprehensive and is expected to be completed in spring 2028, contingent upon voter approval of the revenue measure. It requires identification of a menu of cost-saving measures that, if implemented, would reduce one-time and ongoing fixed and variable costs, as well as a comprehensive regional assessment of development and financing strategies to maximize the value of each operator’s real property assets.

Project Timeline The consultant [transmitted the Draft Phase One analysis](#) prior to April 1. The IOC provided feedback on the draft report at the [their meeting on April 17, 2026](#). The consultant then revised the report to incorporate feedback from the IOC and members of the public. The

purpose of this meeting of the IOC is to review the proposed Final Phase One analysis, and consider its adoption. MTC will then transmit the adopted analysis to the subject operators, the Legislature, the California State Transportation Agency and the counties required pursuant to SB 63. Governing boards of each subject operator will have until July 1, 2026 to identify and adopt measures listed in the Final Phase One report for implementation.

Findings from Phase One Analysis The proposed Final Phase One FER report details a total of more than \$1 billion in operating cost savings achieved by SFMTA, BART, AC Transit and Caltrain collectively since FY2019-2020, largely through workforce adjustments, service optimization, procurement and contract savings and other cost-containment actions. The proposed report also recommends several near-term strategies for delivering increased or improved service and enhanced customer experiences with existing resources, including providing faster and more reliable transit operating speeds to reduce operating costs, boosting non-farebox revenues such as parking fees or lease revenues, reducing barriers to fare payment for new customers by augmenting employer- and institution-sponsored transit pass programs, and assessing scheduling efficiencies.

Revisions to Final Phase One Analysis The proposed Final Phase One FER incorporates feedback from the IOC and members of the public. Below is a summary of changes made to the proposed Final Phase One analysis in response to feedback received.

- Expanded description of existing cost savings achieved by transit agencies to provide greater clarity and transparency.
- Added more details and context on efforts to reduce transit agency labor costs by reducing absenteeism and overtime, labor force size, and amount of service delivered.
- Expanded details on revenue increasing strategies in consultation with transit agencies.
- Provided more specific and complete suggestions for early action strategies, including a discussion of strategies that may apply to multiple transit agencies.
- Added more details to the analysis of real estate assets including discussion of regulatory and financial barriers and best practices for transit-oriented development.

Next Steps

Following this body's adoption of the Final Phase One analysis, the subject operators have until July 1, 2026 to identify and adopt specific early action strategies through formal policy or budget actions.

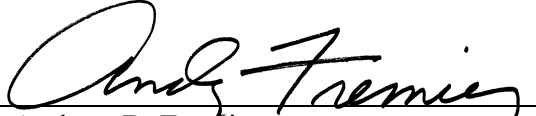
The Commission will undertake the Phase Two analysis if voters approve an SB 63-enabled measure in November. This multi-year Phase Two analysis requires a deeper evaluation of cost structures and strategies to support long-term financial sustainability. The Phase Two analysis would also be subject to review and approval by the IOC.

Recommendations:

Staff recommend that the IOC adopt the Final Phase One Financial Efficiency Review.

Attachments:

- Attachment A: SB 63 Fact [Sheet](#)
- Attachment B: Final Phase One Financial Efficiency Review May 2026
- Attachment C: Presentation
- Attachment D: Comments Received


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