

**Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC ABAG Legislation Committee**

December 8, 2023

Agenda Item 3b

Regional Transportation Revenue Measure Update

Subject:

Update on a potential 2026 regional transportation revenue measure, including background on potential reform concepts that could accompany enabling legislation.

Background:

At last month's Joint Legislation Committee meeting, Commission leadership and multiple committee members requested staff identify some "reform" concepts that could be paired with a transportation measure enabling legislation to deliver maximum benefit, such as helping to create a fully integrated transit system that provides a safe and seamless transit experience for Bay Area transit riders and implements the suite of actions recommended in the Bay Area Transit Transformation Action Plan.

Overview:

This memo first clarifies the measure's goals regarding the outcomes it seeks to achieve to better inform consideration of policy reforms. It then provides background on a spectrum of reforms that the enabling legislation could include to deliver customer-facing outcomes in an accelerated manner – from strengthening MTC's coordination authority to advancing functional or institutional governance changes.

As a reminder, MTC has an existing coordination authority that it is using to implement regional transit network management (see Attachment A for a summary of state provisions related to MTC's current transit coordination authority). The Commission has also led studies that examined the benefits of potential governance changes to deliver a more coordinated and cost-effective transit system, including the [Transit Sustainability Project](#), a two-year effort led by MTC from 2011-2012, [the Regional Rail Plan](#) (2007), and the more recent [MTC Rail Partnership Study](#) completed in March 2023.

What is the Regional Transportation Measure Trying to Achieve?

A future regional transportation measure should build upon Plan Bay Area 2050's vision of an "affordable, connected, diverse, healthy and vibrant region for all." As noted last month, staff proposes the measure's central goal be "**a climate-friendly transportation system that is safe, accessible and convenient for all.**" Further, staff continues to propose the following three focus areas for the measure based on need, public feedback, and polling:

1. ***Protect and Enhance Transit Service:*** Protect existing service and enhance it where needed and financially sustainable.
2. ***Make Transit Faster, Safer, and Easier to Use.*** Create a seamless and convenient Bay Area transit system that attracts far more riders by making critical investments to improve public safety on transit and implement the Bay Area Transit Transformation Action Plan.
3. ***Enhance Mobility & Access for All.*** Make it safer and more accessible for people of all ages and abilities to get to where they need to go by enhancing access for people walking, biking, and wheeling, traffic calming, signal timing, pothole repairs, improved truck access, and other needs.

Another important goal for the measure is the financial sustainability of the region's transit system, which requires looking not just at *new* resources but also at using existing ones as effectively as possible. As the Commission embarks on the pursuit of enabling legislation that will ask Bay Area taxpayers to pay more to sustain and improve our transit system, a logical question is whether there are ways the Bay Area's transit system could or should be restructured that would be more efficient in terms of operating costs and/or the delivery of major capital projects.

The "What" and the "How"

Commissioners have challenged staff to ensure we are focusing on "the what" we are trying to achieve, not just the "*the how*." This summary sheet serves as a guideline to clarify and ensure that staff, Commissioners, and stakeholders use agreed-upon terminology for both terms.

- The "**what**" are the **outcomes** we want to see from this measure for the Bay Area traveling public. These outcomes are the goal and three focus areas listed above.

- The "**how**" comprises the **funding** and potential **policy provisions** included in the enabling legislation and the ballot measure itself that are intended to deliver the measure's outcomes.
 - An example of the funding component of the "how" includes the revenue mechanism in the enabling legislation (i.e., the tax options that are allowed to be put before the voters) because, without new revenue, the outcomes cannot be achieved.
 - Examples of policy provisions include "**reform**" ideas, such as strengthening regional transit network management to deliver rider priorities as soon as possible or governance changes that improve schedule coordination, fare integration, and mega-project delivery. Many other policy provisions could accompany the enabling legislation, including travel demand management (TDM) policies to increase the incentive to ride transit.

Bay Area Voters Want a More Integrated Transit System

The pursuit of enabling legislation for a regional transportation measure next year presents a unique opportunity to help implement Bay Area voters' longstanding priorities regarding our transit system. When asked about the types of items that might be included in a regional measure, a whopping 80 percent of voters believe "requiring oversight and accountability to ensure effective and efficient management of public transit" should be a priority of the measure. Bay Area voters continue to strongly support "creating a seamless Bay Area transit network with coordinated fares, routes, schedules and signage" with 73 percent of all voters finding this important, including 83 percent of weekly transit riders. A substantial majority also favor establishing "one regional agency for the Bay Area responsible for setting transit fares, coordinating different service schedules and creating consistent transit maps and signage" at 61 percent of all voters and 71 percent of weekly transit riders. When asked how much they consider a policy to be a "priority for including in a future regional transportation measure, 64 percent prioritize combining the number of bus operators in the region so there is no more than one per county, while 55 percent prioritize merging BART and Caltrain into one integrated rail system. Notably, frequent transit riders and San Francisco and San Mateo residents considered the integration of BART and Caltrain a higher priority than voters overall.

Regional Network Management Today – A Consensus-Based Model

Since the Blue Ribbon Transit Recovery Task Force concluded, MTC and transit agencies have been focused on delivering a more seamless Bay Area transit system. In February 2023, MTC formalized its commitment to "driving transformative improvements in the customer experience for regional Bay Area transit" through MTC Resolution No. 4564, establishing the Regional Network Management Framework. Since its adoption, MTC has launched the Regional Network Management Committee, the Regional Network Management Council (a formal advisory body comprised of transit agency general managers), and the Regional Network Management Customer Advisory Group. This work builds on MTC's existing statutory authority in state law (summarized in Attachment A and operationalized in MTC Resolution No. 3866) concerning transit coordination (including fares, schedules, transfers, and improved efficiency and coordination). However, under MTC's existing authority, developing and executing Transformation Action Plan priorities continues to take a very long time as MTC's "coordination" authority does not explicitly mandate adherence to MTC policy by the operators. As such, a consensus-based approach has generally been relied upon; this is inherently challenging with over two dozen operators in which a single operator can halt progress, driving up costs and delaying (and sometimes curtailing) benefits to transit riders.

A recent example includes the challenges of reaching an agreement on Phase 2 of Clipper[®] BayPass. Some operators hesitated to move forward with Phase 2 due to concerns about how it could impact their financial bottom line. However, this risk aversion resulted in decisions that could reduce the ridership growth potential of the pilot program, undermining its benefits across multiple operators. While it is rational for operators to want to be held harmless in financial decisions, this impulse can impede bolder action and faster progress toward regional goals. Given the seriousness of the financial challenges facing public transit (with structural annual deficits in the \$600-\$750 million range) and the urgent need to deliver noticeable, customer-facing improvements to attract more riders and build public support toward a regional measure, we need a decision-making structure for key customer-facing elements that delivers what is in the best interest of the *Bay Area public* as opposed to serving the financial needs of each individual transit agency. Appropriate safeguards to protect respective agencies' financial

obligations would also need to be incorporated into a more substantial network management model.

**Regional Network Management Tomorrow – An Empowered Network Manager
Responsible for Advancing Policy to Create a Seamless Bay Area Transit System**

Strengthening regional transit network management will help deliver the measure's outcomes by expediting customer-facing initiatives like fare integration and improving mapping & wayfinding). Over the last four years, legislators proposed a series of bills to expedite delivery-specific initiatives like fare integration and mapping wayfinding, including AB 2057 (2020) and AB 629 (2021) authored by former Assemblymember David Chiu, and more recently, SB 917 (2022), authored by Senator Josh Becker. The enabling legislation for the regional transportation measure could build upon those efforts and the new network management structure by designating MTC with responsibility for setting policies that are essential to the user experience of a seamless transit system and conditioning receipt of transportation funds on compliance with standards related to:

- Fare payment (how fares are paid)
- Fare integration (fare transfers, discounts, passes, etc.).
- Schedule coordination
- Mapping & wayfinding (includes directional signage and harmonious transit branding to make transit more accessible and recognizable across the region)
- Real time information (setting standards and mandating compliance so customers have at least as good info as with competing private mobility options like Uber and Lyft)
- Other customer-facing operating investments would benefit from a regional approach, such as ambassadors to assist riders and support a safe atmosphere.

Notably, statutes related to MTC's existing transit coordination role already require establishing a "regional transit coordinating council," so the newly established Regional Network Management Council could be recognized to have a formal advisory role concerning key decisions MTC would make as a regional network manager.

Recap of Governance-Related Findings from the Transit Sustainability Project, Regional Rail Plan & Rail Partnership Study

Regarding transit governance, MTC has undertaken several studies over the past two decades, notably the Transit Sustainability Project, the Regional Rail Study, and the Rail Partnership Study. These studies have been motivated by two core questions: 1) Could transit integration reduce growth in the cost of major capital projects and the cost of operating the region's transit system? and 2) Could transit integration improve the quality of service provided? Note that "transit integration" is on a continuum, ranging from functional consolidation (retaining independent agencies but consolidating essential functions, such as the construction of mega-projects, administrative/support functions, or procurement) to institutional consolidation (i.e., combining organizations). Overall, the studies concluded that the answer to these questions is yes. However, these topics have many nuances, and further analysis would be required before recommending a specific new structure for Bay Area transit governance.

Transit Sustainability Project (TSP) Findings

Key findings of the TSP from 2011-2012 include:

- The Bay Area had 228 transit decision-makers at the governing board level, including 11 service providers governed by local city councils or county board of supervisors, 15 districts/authorities/agencies with appointed members, and two directly elected boards.
- Bay Area operators were dedicating a higher percentage of operating budgets to administrative costs than peers (20 percent vs. 14% among peers), owing in part to the existence of multiple operators serving a metropolitan region of this size. Potential savings (in 2012 dollars) were estimated at \$90 million annually, equivalent to about \$120 million per year today.
- In addition to administrative costs, possible savings could be found in changes to work rules and fringe benefits.
- Institutional consolidation of smaller operators is more likely to be cost-effective than merging a larger and smaller operator because the cost structure of a consolidated agency gravitates to the highest rather than the lowest cost. On the other hand, eliminating *functional* redundancies among transit agencies may offer opportunities for efficiency.

In the final report, the TSP concluded that transit's success depends on its ability to improve 1) its financial position (through lower costs and securing reliable streams of public funding) and 2) on improving service to the customer and attracting new riders. Key TSP recommendations related to transit integration include:

- Integrate bus/rail scheduling software to facilitate schedule coordination and customer travel planning. Establish a regional schedule change calendar. (Incomplete)
- Integrated transportation policy decision-making, across jurisdictions and across modes (transit, arterial management, parking, etc.) can lead to more effective investment and service decisions. (Incomplete)
- Complete service consolidations for SolTrans and ferry services (Done for Soltrans and several separate ferry services under WETA)
- Joint procurement of services and equipment (Partial)
- Pursue functional and institutional consolidation among smaller operators, focusing on Marin/Sonoma and Solano to continue to improve coordination and evaluate the benefits of additional operational and/or institutional consolidation to improve the financial stability and service for the customer. (Partial)
- A consistent fare structure across multiple transit systems (Progress being made with Clipper BayPass and "no and reduced fare" transfer pilot programs, initiatives resulting from the 2021 Transit Fare Coordination and Integration Study)

MTC Regional Rail Study & Rail Partnership Study Findings

The Regional Rail Study was completed in 2007 and included a review of different governance structures that could have applicability in Northern California, including a regional rail federation in which the underlying entities remain separate, but an umbrella organization delivers joint initiatives, a regional rail authority in which there is functional consolidation and a consolidated regional rail agency. The following potential benefits were identified with moving toward a more centralized form of regional rail governance:

- Schedule Coordination
- Centralized Operations
- Uniform Fare Structure and Collection

- Railroad Negotiations
- Procurement Economies of Scale
- Improved Customer Service
- Streamlined Administration

Potential risks were identified as follows:

- Reduced Local Accountability and/or Autonomy, perceived or real
- Potential for Higher Labor Costs
- Potential for Work Stoppages

The study recommended that MTC and Bay Area rail operators fully deploy initiatives to improve the rail customer experience as an integrated system through coordinated joint efforts involving the operators under the direction of MTC. Furthermore, the study noted that greater integration of project development, planning, and initiatives aimed at further integrating and enhancing the customer experience could be gained by formalizing relationships between planning, funding, construction, as well as maintenance and operations of rail services through a "federation" of Northern California entities and that near term steps be taken to formalize a rail federation.

The MTC Regional Rail Partnership Study was conducted from December 2021 to December 2022 to explore short-term and longer-term opportunities and challenges related to 'increased regionalization' in the Bay Area passenger rail system. The study examined how decisions are made today across the region's distinct passenger rail organizations, including operational decisions, such as fare policy, and delivering passenger rail mega projects. The study found that a key deficiency facing the region is the absence of a central entity to oversee the delivery of the region's ambitious \$69 billion rail capital portfolio (Plan Bay Area 2050), noting "The lack of this 'whole portfolio view' in the current model is suboptimal from a delivery perspective." The study further concluded that "as projects vie for similar resources (financial and technical) and have regional benefits and impacts, a regional view may enable risk mitigation and enhance successful delivery of the whole portfolio."

The study concluded that the region would benefit from rail regionalization with respect to prioritizing future capital projects, developing new funds for regional projects and programs, mega project design and delivery, long-range planning and network policies, and procurement. (The study defined regionalization as "redistribution of authority, accountability, or responsibility of roles within the Bay Area passenger rail system at a 'regional level.'") See Attachment B for a summary of the findings.

Conclusion

The enabling legislation poses an opportunity to include provisions to implement the seamless Bay Area transit network with coordinated fares, schedules, and signage that 73 percent of Bay Area voters think is a priority for a future measure. Staff seeks the Committee's feedback on whether strengthened authority around network management for MTC and/or transit governance changes, including transitioning to a system with fewer separate operators, should accompany the legislation with the goal of delivering a more customer-focused, efficient, and regionally integrated system.

Issues:

None identified.

Recommendations:

Information.

Attachments:

- Attachment A: Statutes related to MTC Transit Coordination
- Attachment B: Regional Rail Partnership Findings


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