

SB 63 Overview

- ▶ Authorizes placement of a November 2026 ballot measure in the counties of Alameda, Contra Costa, San Mateo, San Francisco and Santa Clara counties to prevent major service cuts on AC Transit, BART, Caltrain, and SF Muni
- ▶ Revenue Mechanism: 14-year sales tax
 - ▶ Generating about \$980 M/year in FY2026-27
 - ▶ Alameda, Contra Costa, San Mateo and Santa Clara: **0.5% rate**
 - ▶ San Francisco: **1% rate**

Also provides:

- **Flexible transit operating and capital funding**, plus targeted road repair funds in Alameda, Contra Costa, San Mateo and Santa Clara counties.
- **Funding to improve the transit rider experience** (e.g., Clipper START, free and discounted transfers, accessibility improvements, mapping & wayfinding and transit priority).

Preventing Major Transit Service Cuts

- ▶ BART, Muni, Caltrain and AC Transit collectively face an annual operating deficit of more than \$800 million in FY 2026-27 and growing thereafter according to MGO Analysis in 2024.
- ▶ **These four operators would receive 60% of annual funding in measure and 95% of the dedicated transit operating funding in expenditure plan.** Measure is not expected to fully close deficit for BART or Muni, necessitating further cost savings by operators.

Agency	SB 63 Measure Annual Amount in millions* (Based on FY 2027-28 forecast)
BART	\$310
Muni	\$155
Caltrain	\$70
AC Transit	\$50

* Note: Amounts shown do not reflect one-time costs of unknown amounts that are anticipated to be incurred by MTC and new Public Transit Revenue Measure District in event of passage, including election-related costs.

MTC Responsibilities under SB63

Allocating Funding to Transit Agencies & Rider-Focused Programs

- ▶ To specified transit agencies: AC Transit, BART, Caltrain, SF Muni, SF Bay Ferry, Golden Gate Transit.
- ▶ To Alameda County Transportation Commission and Contra Costa Transportation Authority for them to allocate funds to small bus operators in their counties.
- ▶ To rider-focused improvements – Clipper START, free/reduced transfers, accessibility, transit priority & mapping and wayfinding.

Ridership Study

- ▶ Forecast of ridership impact on AC Transit, Caltrain, BART and SF Muni from planned projects and strategies in adopted long-range plan (Plan Bay Area 2050+) – due March 31, 2026.

Financial Efficiency Review

- ▶ Phase 1 – Spring/Summer 2026
- ▶ Phase 2 – Post-election – due approximately April 2028

Operator Compliance Oversight

- ▶ Ongoing, as condition of allocating funds

Financial Efficiency Review Scope

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

Phase One (2026)

- ▶ Cost-saving measures taken since 2020
- ▶ Early action strategies for increasing or improving service and enhancing customer experience with existing resources
- ▶ 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

Financial Efficiency Review Responsibilities

Consultant <i>Role: Conduct the Analysis</i>	Oversight Committee <i>Role: Review, Direct Revisions, Adopt</i>	MTC Commission <i>Role: Governance, Transmission</i>	Operator Boards <i>Role: Policy Adoption, Implementation</i>
<ul style="list-style-type: none"> • Perform Phase 1 and (if measure passes) Phase 2 analyses in consultation with MTC and operator staff • Incorporate revisions directed by the Oversight Committee • Deliver reports by statutory deadlines 	<ul style="list-style-type: none"> • Review consultant deliverables • Direct revisions as needed • Adopt final Phase 1 and Phase 2 reports • In Phase 2, review and act on operator implementation plans 	<ul style="list-style-type: none"> • Appoint independent experts • Contract with and manage the consultant • Transmit adopted reports to Legislature, Transportation Agency, and counties • Maintain non-advocacy posture 	<ul style="list-style-type: none"> • By July 1, 2026: Identify and formally adopt Phase 1 early action strategies • In Phase 2: Adopt board-approved implementation plans • Balance financial efficiency, service, and safety


What the Final Phase One Analysis Delivers



Identifies cost savings achieved by operators to date



Examines real estate assets and analyzes potential redevelopment opportunities



Proposes early action strategies to deliver enhanced customer experience with existing resources



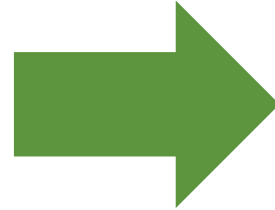
Lays a foundation for potential Phase Two analysis



Next Steps Required by SB 63

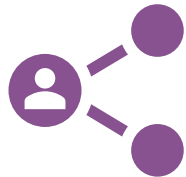
Following committee adoption MTC transmits the Final Phase One Financial Efficiency Review

- Transit operators
- California Legislature
- CalSTA
- County transportation authorities

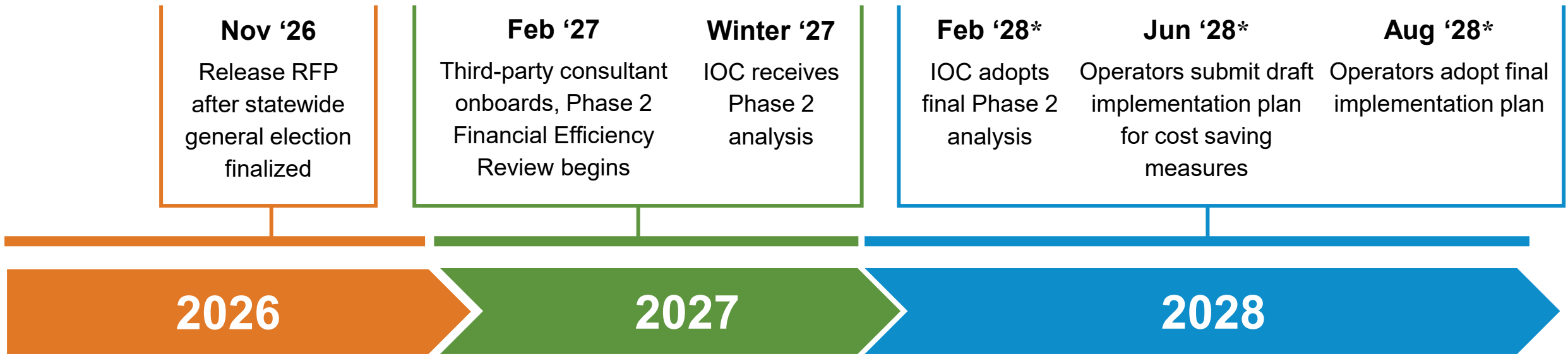


By the July 1, 2026 deadline, Operator Boards must:

- Select Early Action Strategies identified in Phase One
- Adopt them as policy or budget actions



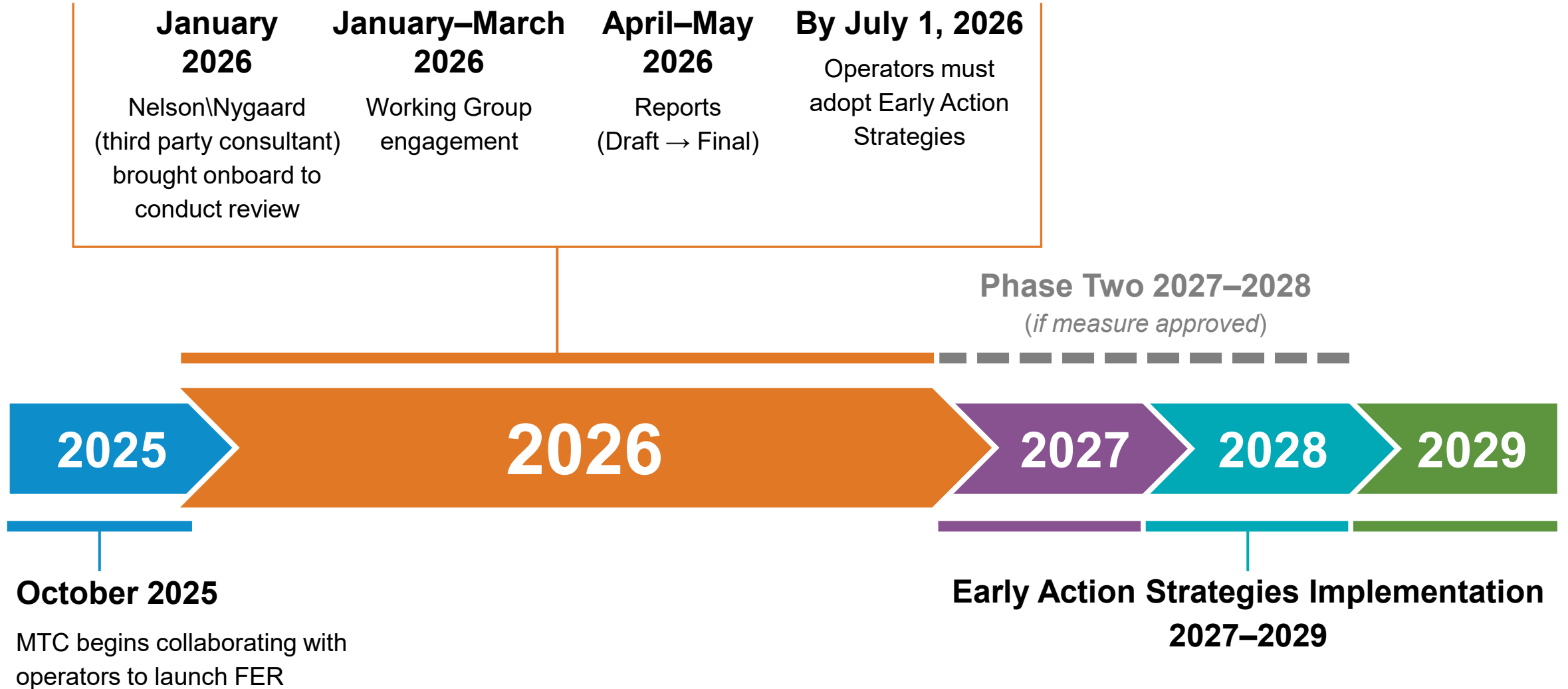
Phase Two Timeline if Measure is Approved



*Statutorily prescribed deadlines under SB 63

Appendix Slides

Phase One Timeline



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 \$300 million through workforce reductions, adjustments to service levels, and deferred or scaled-back capital investments.

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.

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.



SFMTA

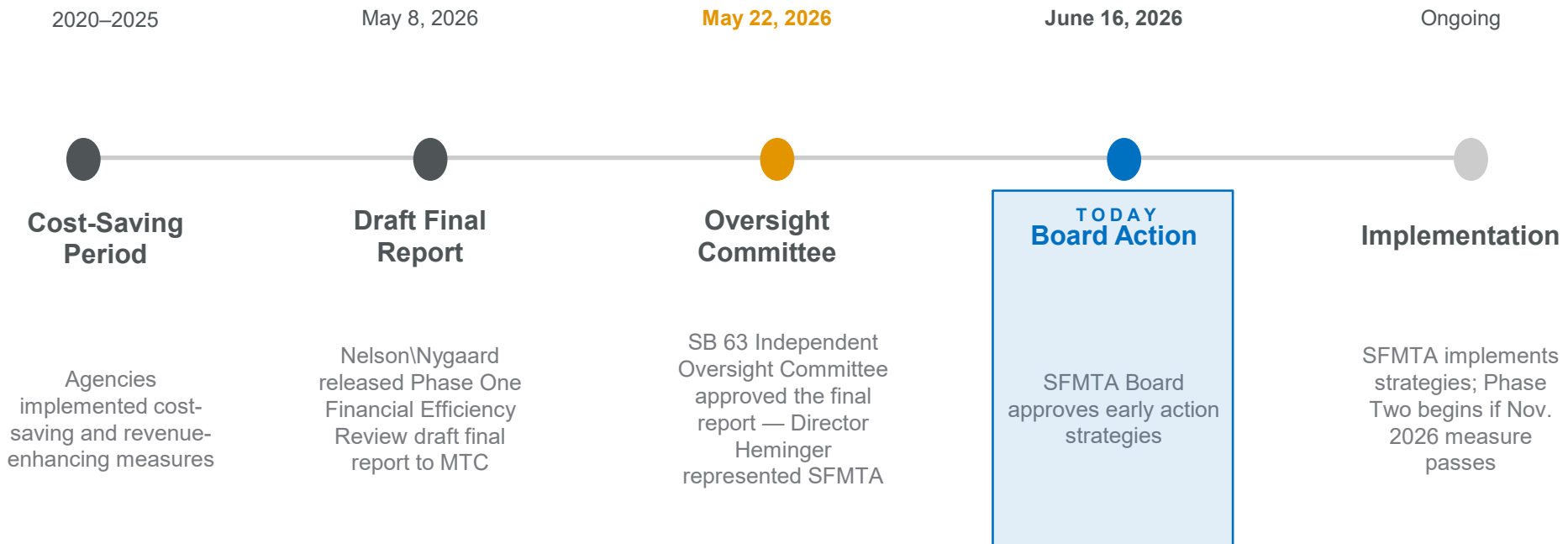
San Francisco Municipal Transportation Agency

SB 63 Financial Efficiency Review Phase 1 Early Action Strategies

SFMTA Board of Directors
June 16, 2026

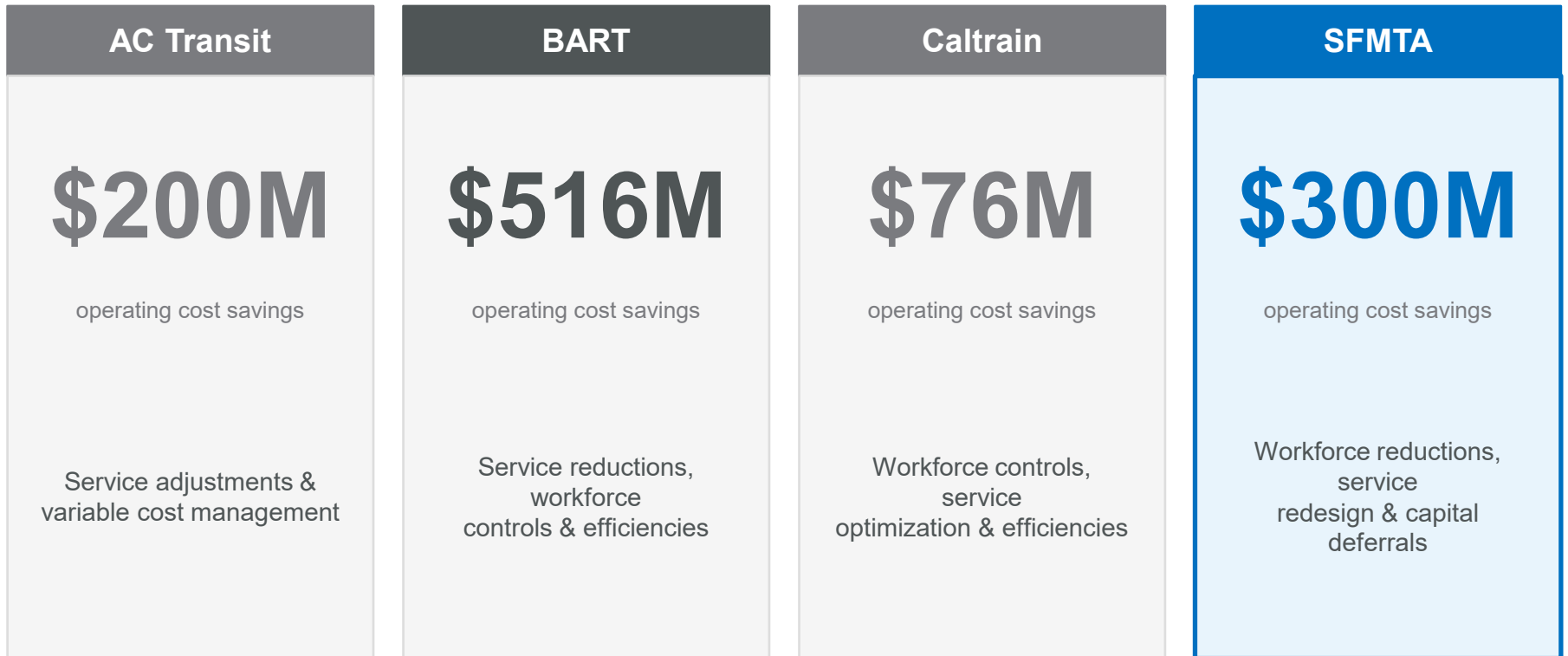
Process & Timeline

From cost-saving actions through Board approval of early action strategies.



Regional Cost Savings, FY2020–2025

Bay Area transit agencies achieved over \$1 billion in combined operating cost savings between FY2019-20 and FY2024-25.



SFMTA Cost-Saving Strategies: Key Findings

Efficiency gains are structural and position the agency to address future fiscal challenges.

Permanently eliminated over 500 vacant positions; workforce stable throughout the period while delivering more service per dollar spent

Prioritized customer experience - Restored service slowly at the pace of operator availability, matching scheduled and delivered hours for the first time — reducing gaps and frustration

Reconfigured routes to a redesigned all-day network rather than returning to pre-2020 peak-oriented patterns

Transit priority upgrades reduced bus travel times on key corridors by up to 20%, generating ~\$10M in annual savings beginning FY2025

Real operating costs held effectively flat despite inflation — inflation-adjusted expenses remained below FY2019–20 levels

\$300M

Operating
Cost Savings

\$389M

Capital
Cost Savings

\$37M

Revenue
Enhancements

SFMTA Cost-Saving Strategies: Key Findings

Of the \$300M in Operating Cost-Savings realized between FY2019-20 and FY2024-25, \$244M were based on efficiency savings.

Category of Savings		Amount (\$M)	Description
Efficiencies	Personnel Cost Savings	\$170	Elimination of 500+ vacant positions, reduced hiring, attrition-based workforce alignment
	Transit Priority & Efficiency Investments	\$30	Travel-time savings reinvested into service delivery
	Other Operational Efficiencies	\$14	Professional services reductions, administrative streamlining, cost controls
Total Efficiency Savings		\$244	
Service Reductions / Redesign		\$56	Pandemic-era service reductions and shift to all-day network
Total Operating Savings		\$300	

Required Board Action

Connect Bay Area Act (Senate Bill 63) language:

"Following the adoption of the final Phase 1 report by the Oversight Committee, MTC will transmit the adopted report to the Legislature, the transit agencies, and the public. By July 1, 2026, each subject operator will identify specific strategies in the final adopted Phase 1 report that it commits to implementing and shall adopt those strategies as formal policy or budget actions, as applicable."

Early Action Strategies

There are 10 recommended early action strategies for SFMTA, which all fall into three categories:



Enhance Revenue

Grow fare, parking, and other agency revenue.



Increase Ridership & Enhance Experience

Grow ridership and improve the rider experience.



Contain Costs

Reduce and control operating costs.

Enhance Revenue & Rider Experience

Strategies to enhance revenue:



Improve Fare Compliance and Enforcement: Conduct a fare compliance and enforcement study to measure compliance, understand reasons for non-compliance, identify the staffing, technology, and administrative resources required to improve it (such as fare validators on rear and middle doors and faster mobile validators), and develop a funding and implementation plan.



Enhance Parking Revenue: Grow parking revenue through measures such as expanded days or hours of paid parking, rate adjustments, increased enforcement, and leasing or permitting parking at under-utilized facilities.


Strategies to increase ridership & enhance experience:



Expand Clipper BayPass with Institutions and Employers: In consultation with MTC, identify the internal resource requirements and supportive policies required or desired to adopt or expand pass programs like Clipper BayPass to more institutions and employers.

Contain Costs

Strategies to contain and reduce operating costs:

-  **Examine Schedules for Efficiencies:** Identify and enact scheduling efficiencies that do not impact service to the rider, including adjusting how operator shifts are structured and balancing scheduling practices to maintain reliability while controlling operating costs.
-  **Improve Speed and Reliability of Service:**
 - Conduct a bus stop optimization study to identify where stop spacing or location slows service, quantify the benefits of optimizing stops, and develop a funding and implementation plan.
 - Continue reinvestment of transit priority savings into service.
-  **Right-Size Fleet to Match Demand:** Run shorter trains during lower-demand periods to better match the cost of delivering service to the fare revenue generated at different times.
-  **Identify and Capture Cost Savings in Larger Contract Renewals:** Review high-spend contracts to determine whether the services can be provided at lower cost.
-  **Offer Incentives to Improve Attendance:** Offer incentives for attendance on high-priority routes.
-  **Evaluate Zero-Emission Bus (ZEB) Transition Program for Cost Efficiency:** Coordinate with peer agencies in the Bay Area to seek deferral of ZEB transition requirements.

Highlights of SFMTA Work-To-Date



Improve Fare Compliance and Enforcement

Conduct a fare compliance and enforcement study to measure compliance, understand reasons for non-compliance, identify the staffing, technology, and administrative resources required to improve it (such as fare validators on rear and middle doors and faster mobile validators), and develop a funding and implementation plan.

Fares for Our Future Campaign

- Public education campaign launched May 5, reminding riders it is cheaper to pay the fare than to pay a fine
- Growing Transit Fare Inspectors by 30%
- Moving away from invisible forms of payment that don't require riders to tap
- Helping people learn about and enroll in free and reduced fare programs

Results: Transit fare revenue is increasing — as of 9-month Financial Report projected to exceed budgeted levels by \$14M in FY2026, approximately \$5M of which is attributed to fare compliance efforts.

Highlights of SFMTA Work-To-Date



Enhance Parking Revenue

Grow parking revenue through measures such as expanded days or hours of paid parking, rate adjustments, increased enforcement, and leasing or permitting parking at under-utilized facilities.

FY26-27 & FY27-28 Budget Revenue Enhancements

Parking revenue enhancements were incorporated into the adopted two-year budget, including:

- Increases citation late penalties
- Increases meter rates
- Increases meter recovery for construction/temp no-parking permits
- Passes through online credit card fees

Results: Parking revenue is increasing — as of 9-month Financial Report projected to exceed budgeted levels by \$14M in FY2026, primarily driven by meter and neighborhood garage revenue.

Highlights of SFMTA Work-To-Date



Improve Speed and Reliability of Service

Conduct a bus stop optimization study to identify where stop spacing or location slows service, quantify the benefits of optimizing stops, and develop a funding and implementation plan.

Continue reinvestment of transit priority savings into service.

Muni Forward Program

- Built 100 miles of transit improvements, including 75 miles of transit lanes, enhanced bus stops, and transit-priority traffic signals
- Directly benefits lines serving 93% of all Muni riders and Service Equity Strategy lines
- Continue Muni Forward projects to improve reliability and service efficiency

Results:

- Up to 35% faster travel times
- Up to 51% more reliable transit service
- 50%+ reduction in injury collisions on multiple Muni Forward corridors

Board Action Requested: Approval of SFMTA's Early Action Strategies

May 22, 2026: Oversight Committee approved the Phase One Financial Efficiency Review report

June 16, 2026: SFMTA Board approves early action strategies

Ongoing: SFMTA implements approved strategies and reports progress back to the Board

November 2026: Bay Area voters consider the regional transit sales tax. If passed, Phase Two of the FER begins