

**Metropolitan Transportation Commission
Policy Advisory Council**

Packet Contents

Subject:

The Policy Advisory Council (Council) and Council Equity & Access Subcommittee meetings scheduled for November 17, 2023, are canceled due to the Asia-Pacific Economic Cooperation (APEC) meeting with several heads of state in attendance. This email contains the packet information that would have been presented, and staff requests your feedback. Comments received will be distributed to the appropriate staff for input and added to the December Council packet.

Issues:

None identified.

Recommendations:

Information.

Attachments:

- Attachment A: Regional Transportation Revenue Measure Update
- Attachment B: Bay Area Near-Term Transit Shortfalls, Funding, and Accountability

Regional Transportation Revenue Measure Update

Subject:

Update on the enabling legislation for a potential 2026 regional transportation revenue measure, including proposed goals, guiding principles, expenditure priorities, and revenue options, as well as next steps toward authorizing legislation in 2024.

Background:

This report was presented to the Joint MTC ABAG Legislation Committee meeting on November 3, 2023.

The Council's input is requested.

Issues:

None identified.

Recommendations:

Information.

Attachments:

- Attachment A: Agenda Item 3a from November 3, 2023, Joint MTC ABAG Legislation Committee meeting.

J:

November 1, 2023

David Canepa, Chair, Joint MTC ABAG Legislation Committee
Metropolitan Transportation Commission
Bay Area Metro Center
375 Beale St., Suite 800
San Francisco, CA 94105-2066

Dear Commissioner Canepa:

On behalf of the region's public transit agencies, we are writing with regard to agenda item **3a** for the November 3rd Joint MTC ABAG Legislation Committee meeting, entitled Regional Transportation Measure Update.

As detailed in the staff report, the transit operating funding secured in the FY 23-24 State Budget will extend the lifeline that federal relief funds have provided to Bay Area transit agencies. As a result of these funds, critical service provided by the region's transit systems will be preserved in the face of the persistent ridership and revenue losses stemming from the pandemic. Funding continues to be critical to sustaining the Bay Area's transit system that provides mobility for our region's most transit dependent populations, plays a key role in the Bay Area's economic engine and is an integral component to achieve our climate goals.

While those actions have bought time, more is needed. Our projections show that the region's transit operating shortfall will reach \$750 million per year beginning in FY26-27. In addition, funding is needed to successfully advance the transformation of the system outlined in the Bay Area Transit Transformation Action Plan that we are eager to advance.

To that end, we appreciate and support MTC staff's development of a framework for enabling legislation as outlined in the staff report and presentation as we take this important first step toward a 2026 regional transportation ballot measure.

Sincerely,



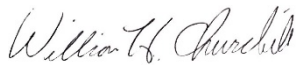
Michael Hursh
General Manager,
Alameda-Contra Costa
Transit District (AC Transit)



Robert Powers
General Manager,
San Francisco Bay Area Rapid
Transit District (BART)



Michelle Bouchard
Executive Director, Caltrain



Bill Churchill
General Manager,
County Connection



Jeffrey Tumlin
Director of Transportation
San Francisco Municipal
Transportation Agency (SFMTA)



Denis Mulligan
General Manager,
Golden Gate Bridge,
Highway & Transportation
District



April Chan
General Manager/CEO,
San Mateo County Transit
District (SamTrans)



Beth Kranda
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(VTA)



Seamus Murphy
Executive Director,
Water Emergency Transportation
Authority (WETA)



Rob Thompson
General Manager,
Western Contra Costa
Transit Authority
(WestCAT)



Christy Wegener
Executive Director,
Livermore Amador Valley
Transit Authority (LAVTA)

cc: MTC Commissioners

From: [Martha Silver](#)
To: [Martha Silver](#)
Subject: FW: 11/3/23 Joint MTC ABAG Legislation Committee -- Agenda Item #3a
Date: Thursday, November 2, 2023 4:21:56 PM

From: William Goodman <WGoodman@stradasf.com>
Sent: Thursday, November 2, 2023 4:09:36 PM
To: MTC-ABAG Info <info@bayareametro.gov>
Subject: 11/3/23 Joint MTC ABAG Legislation Committee -- Agenda Item #3a

External Email

Dear Joint MTC ABAG Legislation Committee:

I am submitting comment on Item #3a on the 11/3/23 Legislation Committee agenda, the Regional Transportation Measure Update. My firm, Strada Investment Group, is a developer and investor in large-scale, transit-oriented development projects throughout the Bay Area. We applaud the Committee's support of regional initiatives to produce much needed housing in the Bay Area. Strada is helping to realize the vision of Plan Bay Area 2050 through development of affordable and market-rate housing in urban infill locations, often in partnership with public agencies like BART.

The success of new housing development will depend on access to a high-quality, multi-modal transit system that connects housing, jobs, and public amenities. We hope you will continue to advance funding measures that enhance the region's transit service. Such measures will be essential for housing in our communities and for the promise of Plan Bay Area 2050.

Thank you,
William Goodman

William Goodman
Principal
Office/Mobile: 314.276.0707
Email: wgoodman@stradasf.com

Strada Investment Group
201 Spear Street, Suite 1650
San Francisco, CA 94105
stradasf.com



Nov 2, 2023

MTC/ABAG Legislation Committee Agenda #3A

Honorable Committee Members,

Thank you for considering the proposed framework for a regional transportation funding measure.

Sustaining and improving public transportation is essential for our region's mobility, including for people who fully depend on transit, for economic vitality, climate and housing goals. Polling shows that the public wants to see the public transportation sustained and transformed to be more convenient, affordable, accessible, efficient, safe and clean. Given the impacts of the pandemic on the financial health of the public transportation system, and the steady and gradual regrowth of ridership and revenue, public operating funding is essential to maintain and improve the system.

Our groups support a regional funding measure with **sufficient funding to not only sustain existing transit service levels, but to transform transit.** To this end, the authorizing legislation should enable raising between \$1 and \$2 billion annually, while allowing a final decision on measure capacity to be made incorporating information about voter sentiment, updated financial needs, and the state of California's long term approach to transit funding.

In addition, **our groups support the staff recommendation of authorizing multiple revenue options.**

The staff report asks whether specific policy reforms should accompany enabling legislation, citing past interest from the Commission in supporting a more integrated, reliable, efficient transit network.

Please support the inclusion of policy reforms that strengthen network management with enabling legislation. The Transit Transformation Action Plan lays out the vision and blueprint for the future public transit system that the Bay Area needs to create to attract large numbers of new riders -

"Design, adequately invest in and effectively manage a public transit network that is equitable, inclusive, frequent, affordable, accessible and reliable; [with] unified service, fares, schedules, customer information and identity."

Realizing this vision of transformation - which is overwhelmingly popular with voters - requires that funding from a regional measure be associated with clear standards and plans set at a regional scale by a Regional Network Manager.

This requires that MTC evolve and empower a Network Manager to take on the role of developing standards and plans, and that funding allocations to transit agencies be tied to compliance with regional programs - including, but not limited to, fare integration policies, service standards, transit priority standards, accessibility standards, and customer experience and wayfinding standards. Strengthening network management creates opportunities for efficiencies, advancing transit priority measures that allow a given amount of operating funding to deliver more service to riders, and streamlining customer experience work that is currently replicated in multiple agencies.

In addition to tying regional measure funding for transit to policy compliance, enabling legislation must also advance the governance and organizational changes needed to evolve the existing preliminary network management structure into a fully realized Regional Network Manager. This includes expanding staffing and resourcing of the RNM as well as evolving the policy layer of RNM governance to ensure that it is aligned with and representative of the interests of the region's transit customers.

These policy reforms are critical to making the case for more funding for transit. We must provide a clear plan for how new funding will be held to a higher standard.

Our groups look forward to working with MTC staff, legislators, and transit agencies on the policy reforms that need to be associated with enabling legislation that will deliver a more integrated system for the public.

Thank you for your consideration,

Ian Griffiths
Policy Director, Seamless Bay Area

Sebastian Petty
Transportation Policy Manager, SPUR

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

November 3, 2023

Agenda Item 3a

Regional Transportation Revenue Measure Update

Subject:

Update on the enabling legislation for a potential 2026 regional transportation revenue measure, including proposed goals, guiding principles, expenditure priorities, and revenue options, as well as next steps toward authorizing legislation in 2024.

Background:

At the Commission's direction, MTC staff over the past years have conducted multiple rounds of stakeholder engagement, completed an initial round of public polling on Bay Area voters' priorities concerning transportation, and conducted public engagement activities in all nine counties of the San Francisco Bay Area, as part of Plan Bay Area 2050+ outreach, that included activities to learn about Bay Area residents' priorities for a future transportation measure. A regional transportation funding measure is one component of a suite of strategies to advance Plan Bay Area 2050's (Plan) vision of a more affordable, connected, diverse, healthy, and vibrant region for all residents. To help achieve this vision, the Bay Area needs **a climate-friendly transportation system that is safe, accessible and convenient for all**. Staff are proposing this as the central goal of the regional transportation measure. Further, based on regional needs and feedback from the public and key stakeholders over the summer and fall, as well as polling results, staff are proposing three focus areas for the measure:

1. Protect and enhance transit service
2. Make transit faster, safer, and easier to use
3. Enhance mobility and access for all

Draft Guiding Principles:

Staff recommend the Commission adopt a set of guiding principles to keep in focus for the entirety of the legislative process to authorize the measure (i.e., the enabling legislation). Draft guiding principles are below; staff anticipates seeking Commission approval of guiding principles as part of the enabling legislation item that will be brought to the Commission in December.

- Each funding category should advance **equity** for residents of Equity Priority Communities and other marginalized groups, such as older adults and persons with disabilities.
- Each funding category should be **climate**-friendly and help advance the state's goal of carbon neutrality (net zero emissions) by 2045. The expenditure plan should meaningfully reduce greenhouse gas (GHG) emissions from the transportation sector.
- Each funding category should be **adaptable**, recognizing the region's future remains highly uncertain.
- The measure should be **cohesive** and easy to communicate to the public.

Expenditure Priorities:

Throughout the summer and fall, staff received considerable feedback from stakeholders on potential expenditure priorities. Based on that feedback, staff are proposing the following four expenditure categories:

- Transit transformation
- Safe streets
- Connectivity
- Climate resilience

Transit Transformation Sustaining public transit service, especially for those who depend upon it, and investing in improvements, such as implementation of the Bay Area Transit Transformation Plan, are a high priority among Bay Area voters, stakeholders and the general public and are vital to advancing the Plan's goals. The Bay Area's anticipated transit operating shortfall is formidable (transit operator continue to forecast shortfalls in excess of \$700 million per year starting in FY 2025-26). Transit operators and advocates are looking to the regional measure to not just close the gap but also provide funding to *expand* service. Transit advocates and the public are also eager for transit to offer a better customer experience, especially with respect to safety and cleanliness. Recognizing that you can't make significant improvements to transit if it doesn't have a reliable source of operating funding, staff have combined what were earlier two categories (transit operating and transit transformation) into simply "transit transformation."

While it's difficult to predict how much new funding will be needed in FY 2026-27 and beyond to provide the level of transit service needed in the region to achieve the Plan's goals, there's no question that doing so will require a massive infusion of new, dedicated funding from somewhere. Whether the regional measure should aim to *fully* close this gap is a key policy question that will need to be explored by MTC, Bay Area legislators, operators and other stakeholders over the coming months. The extent to which the regional measure aims to address this need will drive the measure's size (i.e., tax rate) and how much funding is available to address other priorities – key considerations that will affect its viability at the polls.

Safe Streets & Connectivity Beyond transit, public engagement this summer found significant interest in funds prioritizing Main Streets (which staff have since rebranded as “Safe Streets”). Conversely, there was less interest in investing in large-scale “priority projects” which were often the focus of past regional revenue measures, such as rail extensions and express lanes. Given the relatively low level of support for a “priority project” category, along with concerns that its name invites an earmarking approach to the enabling legislation that raises a number of concerns, staff are recommending the new “Connectivity” funding category that could fund an array of multimodal projects that advance Plan Bay Area 2050 and align with the proposed guiding principles.

Climate resilience Climate resilience is a funding category that would be available to fund planning, design and/or construction activities that protect transportation infrastructure from climate impacts, such as rising sea levels, flooding, wildfires, and extreme heat. The region's transportation system is highly vulnerable to sea level rise and other climate risks, but these risks can largely be mitigated if the appropriate planning, design and infrastructure investments are made. The measure could help fund critical climate adaptation work to protect the Bay Area's transportation infrastructure. (See Attachment A for draft eligible expenditures within each category.)

Structure of the Legislation:

While staff are seeking your input on the measure's central goal, focus areas and funding categories, we are also seeking feedback on two distinct approaches to the legislation, both of which have precedent in California and nationally.

1. ***Legislatively Determined Expenditure Plan*** A clearly defined authorization for MTC to place a measure on the ballot to implement an expenditure plan based on the funding “programmatic” categories outlined above with minimum percentage shares by category but including a “flexible” category to account for changing needs over time. (This would be more flexible than Regional Measures 2 and 3, which enumerated projects but also had some programmatic funding. The programmatic categories approach (with built-in flexibility) is similar to the Bay Area Housing Finance Authority’s enabling legislation, which the Legislature is familiar with, having just enacted AB 1319 (Wicks), a clean-up bill.)
2. ***Delegated Expenditure Plan*** Authorization for MTC to place a measure on the ballot for transportation with direction to MTC to develop an expenditure plan in a transparent and inclusive manner, subject to limits on administrative expenses and consistency with the sustainable communities strategy. (This is analogous to general county transportation sales tax measures, including the 1% sales tax authorization provided to Los Angeles County Metropolitan Transportation Authority (LA Metro) in SB 767 (2015) as well as a successful measures in Seattle (2016) and Atlanta (2016).)

For the sake of discussion, these options are described as extremes, but they could be adjusted to add more flexibility to Option 1 or more structure/oversight to Option 2. At this time, staff does not have a recommendation on a preferred approach, but we are mindful that a 2/3 supermajority is a steep hurdle that MTC has yet to face since bridge toll increases brought before the voters have been subject to a simple majority vote threshold.¹ One proven way to build support for a measure is to engage deeply with communities on their priorities in the formation of the expenditure plan, as would be facilitated by Option 2. Meaningful community engagement to inform a measure is also a core component and aligned with the first pillar of MTC/ABAG’s Equity Framework – “Listen and Learn.” Inviting local residents and community groups to help shape how funds may be spent can build trust and a strong foundation of grassroots support for the measure at the ballot. By contrast, an expenditure plan that is fully determined by the Legislature could be harder to build enthusiasm for locally.

¹ Regional Measure 2 and Regional Measure 3 received 57% and 55% support, respectively.

At the Partnership Board meeting held on October 23, members asked how the measure would achieve geographic balance and raised questions about potential “return to source” features which are quite common in county sales tax measures and is also a feature of the Bay Area Housing Finance Authority’s enabling legislation, AB 1487 (Chiu, 2019). Staff recognize that this is a key policy consideration that will be critical to address and an especially challenging one given the nature of the region’s transit operating funding shortfalls.

What Vote Threshold is Required? With the passage of ACA 1 (Aguilar-Curry) earlier this year, several stakeholders have asked if the measure could instead be subject to a 55% approval threshold if ACA 1 passes in November 2024. Since ACA 1 is limited to “infrastructure,” a measure including new funding for transit operations (the region’s greatest funding need) would not be eligible to take advantage of its lower vote threshold. Another option some advocates have raised is for the enabling legislation to authorize, in addition to MTC placing a measure on the ballot, the option for the measure to be placed upon the ballot via a signature gathering initiative, which courts have held require a simple majority. While this could be a good option, staff believe the enabling legislation should be crafted in a manner that has the maximum chance of resulting in a regional measure that at least 2/3 of voters will support.

Potential Revenue Options:

Sperry Consulting was retained this summer to provide a range of revenue options for consideration as a potential funding source for a new regional transportation measure subject to voter approval. Sales tax was included in that menu given the extent to which Bay Area voters have approved sales taxes to augment state and federal transportation funds, but staff also requested evaluation of options that would be less regressive. Regressive taxation is defined as a tax that captures a higher percentage of a lower income household’s income compared to a higher income household. Given consumers pay the same sales tax amount regardless of household income, sales taxes are generally viewed as regressive, which has resulted in opposition to this option from some stakeholders in previous discussions. In addition to sales tax, other options that were analyzed include: income tax, payroll tax, parcel tax, corporate head tax and a mileage-based fee. Based on an evaluation of the pros and cons of the options, MTC has commissioned a new poll of registered voters that will test support for a transportation measure backed by a sales tax, an income tax and a payroll tax at rates necessary to generate

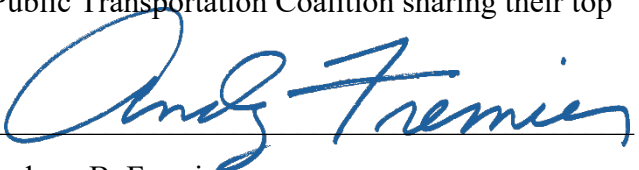
approximately \$1 billion annually. While we did not poll a parcel tax or a mileage-based fee, we recommend they continue to be explored, along with a potential regional voter registration surcharge. We recommend removal of the corporate head tax option at this time and instead limit the “business tax” option to the payroll tax. We look forward to the Committee’s feedback on these items.

Next Steps:

As noted, MTC has commissioned a second poll of registered voters, with results expected by mid-November. Informed by the findings from that poll and further feedback, including from Bay Area legislators, staff will bring a final proposed outline of the enabling legislation to the Joint MTC ABAG Legislation Committee on December 8, followed by MTC Commission approval on December 20, 2023.

Attachments:

- Attachment A: Draft Expenditure Priorities Under Consideration
- Attachment B: Presentation
- Attachment C: Letter from the Voices for Public Transportation Coalition sharing their top priorities



Andrew B. Fremier

Draft Expenditure Priorities Under Consideration

| Category | Description | Examples of Eligible Investments (<u>not exhaustive</u>) | Equity & Climate Considerations |
|-------------------------------|---|---|---|
| Transit Transformation | <p>Sustain and/or expand transit service levels on bus, rail, and ferry lines to serve both current and future riders. Accelerate Transformation Action Plan improvements to the customer experience, improve transit safety and help fund the zero-emission transit transition.</p> <p><i>Notes:</i></p> <p>1. <i>Further analysis of the long-term transit operating needs will be available this fall as part of the Plan Bay Area 2050+ process, enabling a better understanding of to what extent this measure could sustain existing levels</i></p> | <ul style="list-style-type: none"> - Preservation of existing routes and frequencies - Increased frequencies and/or new routes to boost overall service levels - Network restructuring that leads to net increase in transit service-hours - Simplified and standardized fare programs & discounts - Improved signage at stations and bus stops - Transit priority infrastructure (signal priority, bus lanes for rapid/BRT, etc.) - Safety enhancements, such as community ambassadors, | <p>Priority could be given toward preserving existing service levels and/or enhancing service frequencies on transit lines that benefit residents in Equity Priority Communities or that primarily serve underserved demographic groups.</p> <p>Priority could be given toward programmatic investments on transit lines or at transit stops/stations that benefit residents in Equity Priority Communities or that primarily serve underserved demographic groups.</p> |

| Category | Description | Examples of Eligible Investments (<u>not exhaustive</u>) | Equity & Climate Considerations |
|---------------------|--|---|---|
| | <p><i>and/or expand service frequencies.</i></p> <p>2. <i>This would include implementation of Transit Transformation Action Plan priorities, as well as complementary investments to grow ridership as identified in Transit 2050+.</i></p> | <p>improved lighting & security cameras</p> <ul style="list-style-type: none"> - Paratransit service expansion to enable "one-seat rides" - Shuttles or other flexible mobility options accommodating all users - Bikeshare subsidies & system expansion | <p>Investments related to transit operations and/or Transformation Action Plan implementation are anticipated to all be GHG-neutral or GHG-reducing.</p> |
| Safe Streets | <p>Transform local roads to better address safety and achieve equity, and climate goals, such as through improved expanded sidewalks and/or protected bicycle infrastructure, safety enhancements, traffic signal timing, and improvement pavement conditions.</p> | <p>Projects would ideally include two or more features to yield progress toward multiple goals concurrently, such as:</p> <ul style="list-style-type: none"> - Street repaving projects - Buffered or protected bike lanes | <p>Priority could be given toward road improvements or street redesigns located within an Equity Priority Community, contingent upon a robust community engagement process to engage local residents.</p> |

| Category | Description | Examples of Eligible Investments (<u>not exhaustive</u>) | Equity & Climate Considerations |
|----------------------------------|--|---|---|
| | <p><i>This would help fund multi-benefit projects – to help encourage walking and biking for nearby trips and to enable first/last mile connections to transit – while also working to ensure geographic balance throughout the nine-county region.</i></p> | <ul style="list-style-type: none"> - Expanded sidewalks and/or bulb-outs - Parallel multimodal trails - Traffic calming features - Traffic signal optimization - Green infrastructure elements | <p>As investments in this category are not anticipated to include additional roadway capacity, this category is anticipated to be a mix of GHG-neutral and GHG-reducing projects.</p> |
| <p>Climate Resilience</p> | <p>Fund planning, design and/or construction activities that benefit transportation infrastructure and nearby communities by protecting them from rising sea levels.</p> <p><i>While funding would likely not be sufficient to advance climate resilience megaprojects, funding could allow the region to build up a</i></p> | <ul style="list-style-type: none"> - Local or subcounty resilience plans to refine future pipeline of projects - Design and environmental analyses for future sea level rise resilience projects - Implementation of specific sea level rise resilience projects, such as: | <p>Priority could be given toward resilience planning, design and/or construction activities in Equity Priority Communities or to protect transportation facilities primarily used by underserved demographic groups. Among other factors, investments would be prioritized based on timing of sea level rise impacts (e.g., 1 foot versus 4 feet);</p> |

| Category | Description | Examples of Eligible Investments (<u>not exhaustive</u>) | Equity & Climate Considerations |
|----------------------------|---|--|--|
| | <p><i>pipeline of future investments to better compete for state or federal funding in the years ahead.</i></p> | <ul style="list-style-type: none"> ○ Levees & horizontal levees ○ Infrastructure elevation ○ Tidal gates ○ Wetland restoration | <p>investments would be contingent upon a robust community engagement process to engage local residents.</p> <p>Investments related to climate resilience are anticipated to all be GHG reducing or GHG neutral.</p> |
| <p>Connectivity</p> | <p>Fund mobility improvements that close gaps and relieve bottlenecks in the existing transportation network in a climate-neutral manner. Example projects include express lanes, rail grade separations, rail extensions and interchange modernizations.</p> <p><i>This would help the region implement near-to-medium</i></p> | <ul style="list-style-type: none"> - Rail extensions - Rail grade separation & modernization - Zero emission bus purchases and related infrastructure - New ferry terminals - Carpool-to-express lane conversions | <p>Priority could be given toward projects that benefit residents in Equity Priority Communities or that primarily serve underserved demographic groups.</p> <p>Investments are primarily anticipated to be GHG-reducing (e.g., transit megaprojects), although select non-capacity-</p> |

| Category | Description | Examples of Eligible Investments (<u>not exhaustive</u>) | Equity & Climate Considerations |
|----------|---|---|---|
| | <i>transportation investments for mobility and safety projects, including those already approved by voters but stalled due to increasing costs.</i> | - Highway interchange modernizations | increasing highway investments such as HOV-to-Express Lane conversion projects or safety improvements at highway interchanges may be GHG-neutral. |

Preparing for a 2026 Regional Transportation Measure: Outline of Proposed Enabling Legislation & Next Steps

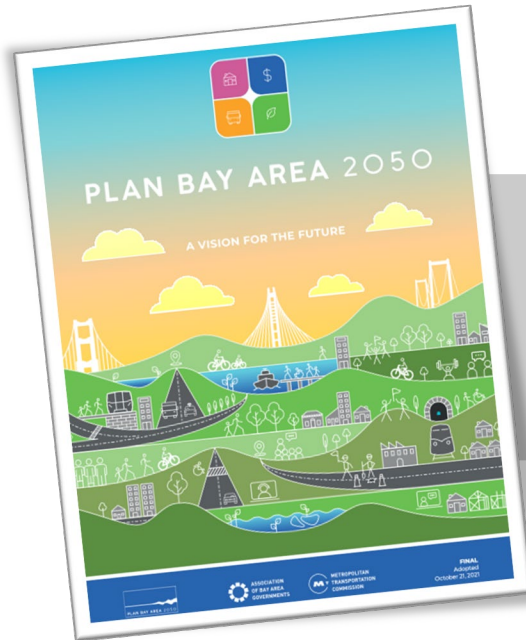


**METROPOLITAN
TRANSPORTATION
COMMISSION**

Joint MTC ABAG Legislation Committee

November 3, 2023

Why a New Regional Transportation Measure?



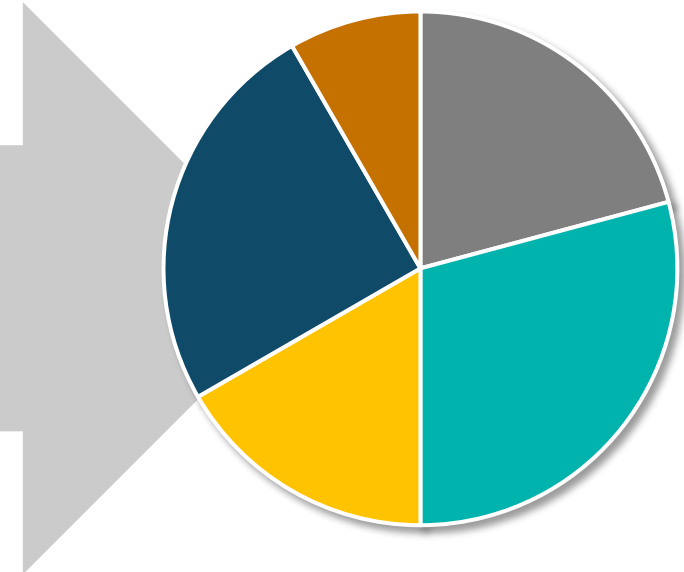
Plan Bay Area 2050

The Plan identified a \$110 billion funding gap to realize the plan's bold vision



Transit's Future Depends on New Funding

New reliable funds are needed to sustain service and improve the rider experience



Deliver Results

Regional funds can incentivize key regional policy goals & improve access and mobility regionwide

Throughout 2023: Listening & Learning

STAKEHOLDER ENGAGEMENT



Transit Operators



County Transportation Agencies



Regional Agencies
BCDC, BARC, BAAQMD, etc.



Business Organizations



Labor Organizations



Advocacy Organizations

- Environment
- Equity
- Persons with Disabilities
- Older Adults
- Active Transportation

PUBLIC ENGAGEMENT



Public Poll

- Conducted in spring 2023
- Sought to understand public perception of public transit & support for potential measure



Pop-Up Workshops

- 15 events in all nine counties during summer 2023
- Integrated with Plan Bay Area 2050+ and Transit 2050+ public engagement



Online Survey

- Sought feedback from public on same questions as in-person events
- Offered in English, Mandarin, Spanish, and Vietnamese consistent with 2023 PPP

EMERGING THEMES

Most stakeholders, and the public at-large, want to **maintain and improve public transit** but also want to **see investments in other transportation modes**.

There is a broad recognition that the Bay Area's post-pandemic trajectory is uncertain and that **having the flexibility to modify priorities over time will be key**.

Simply **maintaining the status quo is not sufficient** – the public wants to see new revenues used to help transform our transportation system.

Regional Measure Goal & Focus Areas

Goal: Create a climate-friendly transportation system that is safe, accessible and convenient for all



Protect and Enhance Transit Service

Establish a robust and reliable, long-term regional source of transit operating funds to protect existing service and enhance it where needed and financially sustainable.

Make Transit Faster, Safer and Easier to Use

Create a seamless and convenient Bay Area transit system that attracts far more riders by making key investments to improve public safety on transit and implement the Bay Area Transit Transformation Action Plan.



Enhance Mobility & Access for All

Make it safer and easier 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.

Guiding Principles for Expenditure Plan



Equitable

Prioritize funding in every investment category toward Equity Priority Communities, as well as other underserved demographic groups such as persons with disabilities, older adults, etc.



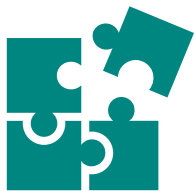
Climate-Friendly

Ensure funding only flows to GHG-reducing or GHG-neutral projects by avoiding any investments that expand roadway capacity, which would make it more difficult to achieve our ambitious climate goals.



Adaptable

Design the legislation be adjustable in the face of changing needs, allowing spending priorities to be adjusted over time and avoiding rigid project-specific expenditures.



Cohesive

Create an expenditure plan that is greater than the sum of its parts, both to maximize regional impact but also to be able to clearly communicate to the public what the measure will deliver.

New Proposed Funding Categories



Transit Transformation

Sustain and/or expand transit service levels on bus, rail, and ferry lines to serve both current and future riders. Accelerate Transformation Action Plan improvements to the customer experience improve safety on transit and help fund the zero-emission transit transition.



Safe Streets

Transform local roads to better address safety and achieve equity and climate goals, such as through expanded sidewalks and/or protected bicycle infrastructure, safety enhancements, traffic signal timing, improved pavement conditions.



Connectivity

Fund mobility improvements that close gaps and relieve bottlenecks in the existing transportation network in a climate-neutral manner. Example project types include express lanes, rail-grade separations, rail extensions, and interchange modernizations.



Climate Resilience

Fund planning, design and/or construction activities that protect transportation infrastructure from rising sea levels, flooding, wildfires, and extreme heat.

Public Feedback on Potential Priorities

At pop-up workshops and in online surveys, participants shared their priorities for a future measure:

1. Main Streets
2. Transit Transformation
3. Transit Operating
4. Climate Resilience
5. Priority Projects



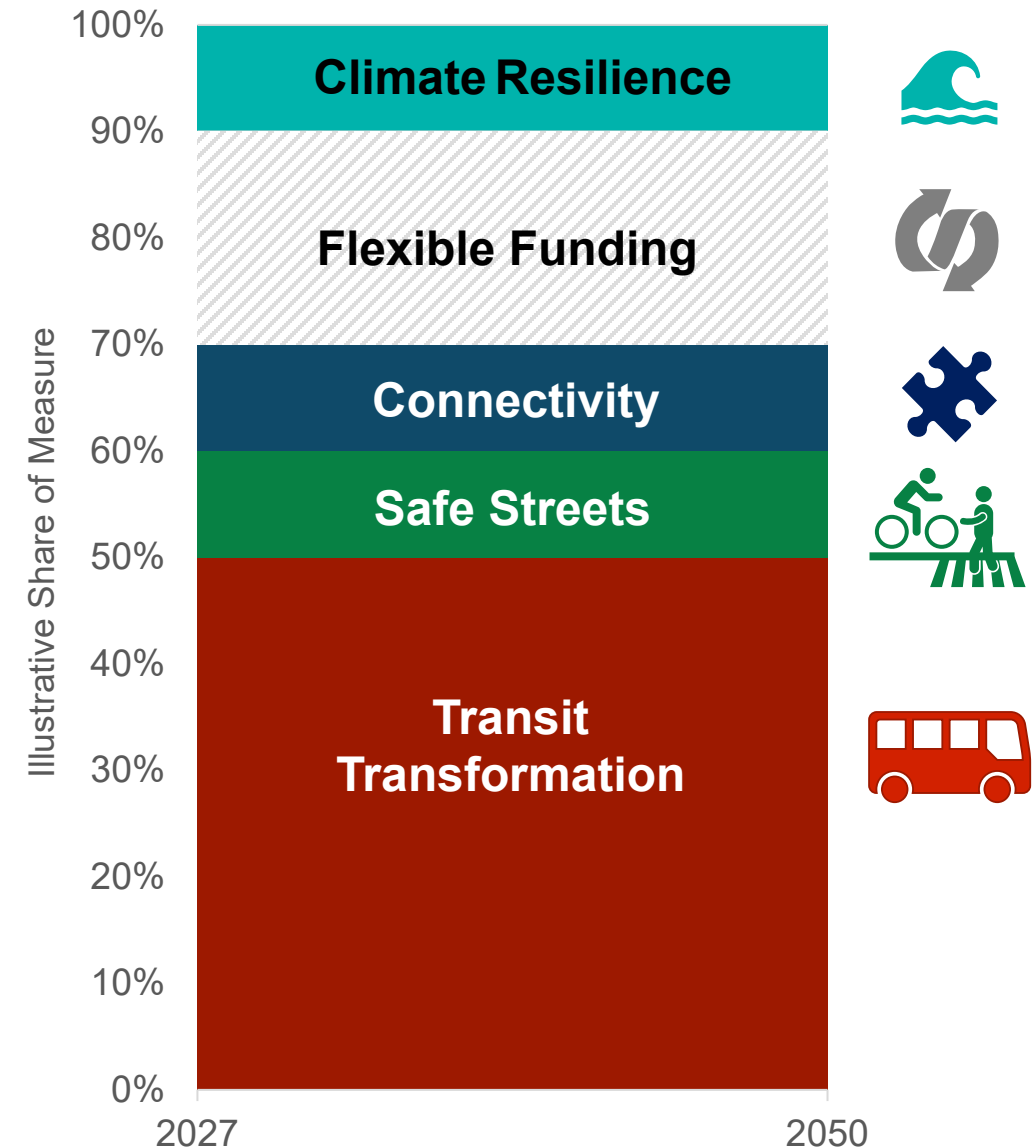
Prioritization Exercise at Summer Workshop. (Joey Kotfica, MTC/ABAG)

Core Elements of Proposed Enabling Legislation

| Topic | Summary | Rationale |
|---------------------------------|---|---|
| Geographic Area of Tax | Authorize MTC to place on ballot within the nine counties or a subset (no fewer than five counties). | Precedent with MTC regional gas tax enabling statute and Bay Area Housing Finance Authority (BAHFA) |
| Timing of Ballot Measure | Allow on ballot November 2026 or later with no sunset. Permit subsequent ballot placement if unsuccessful. Duration to be determined by MTC. | Consistent with county transportation measure authorizations |
| Tax Options & Amount | Authorize a menu of revenue options subject to a maximum rate. Allow multiple revenue options to be pursued sequentially. | Consistent with county transportation measure authorizations; BAHFA precedent |
| Expenditure Priorities | Specify core goals of measure and expenditure categories but leave open minimum shares for now. | Consistent with enabling legislation for county transportation measures |
| Funding Distribution | Leave open subject to further discussion of expenditure priorities and bill's overall approach (defining expenditure plan vs. delegating to MTC). | Too early – needs much more discussion |

Expenditure Plan Concept: Adaptable

- **Concept:** Specify a minimum share for each spending category but allow percentages to be adjusted over time, subject to public input and demonstration of need.
- **Flexible Funding:** Reserve portion of funds for a “flexible” category to enhance ability of measure’s revenues to be responsive to future needs.
- **How Much for Each Category?** *Shares shown at right are for illustration purposes only.* Recommend MTC adopt an initial concept **without** minimum percentages to allow for maximum consensus and coalition building during early part of legislative process.



Analysis of Potential Funding Sources

- MTC evaluated six revenue options based on the following criteria:
 - Revenue volatility
 - Equity impacts
 - Economic impacts
 - Administrative burden
 - Co-benefits/disbenefits
- Tax rates were estimated for each revenue source based on rate needed to generate approximately \$1 billion/year.

Practical considerations:

- Ultimately, what's most popular with voters and what's most politically feasible will determine which options to pursue.
- Possible to follow approach in AB 1487 (Chiu, 2019) – establishing the Bay Area Housing Finance Authority – providing a menu of options vs. a single revenue source.

Summary of Tax Revenue Options Analyzed

| Tax Type | Description | Tax Rate |
|---------------------------|---|---------------------|
| Sales tax | Regional sales tax on the sale of tangible items. Some groceries are exempt. | 0.5-cents |
| Income tax | Regional supplemental income tax paid by taxpayer – withheld from paycheck (can be limited to those with an income above a specified threshold and/or include tiered rates) | 0.17% |
| Payroll tax | Employer-based tax on wages paid to employees, like Social Security. Can be structured to exempt small businesses. | 0.36% taxable wages |
| Corporate head tax | Employer-based tax per employee. Can be structured to exempt small businesses. | \$216/employee |
| Parcel tax | Flat tax per parcel of real property, can exempt certain taxpayers (e.g., seniors). Note: option to impose per square foot which would lower rate for average homeowner. | \$467/parcel |
| Road usage charge | Tax based on miles driven. Also known as a Vehicle Miles Traveled (VMT) fee. Only exists on a pilot, voluntary basis today. | 1.52-cents/mile |

Revenue Options Recommendation

- **Revise parcel tax to square footage basis and remove corporate head tax from menu; keep all others on the list.**
- **Explore a Bay Area-specific vehicle registration surcharge**
- **Rationale:**
 - **Parcel tax** – flat rate of \$467/year is too high to be politically viable, but some stakeholders recommend exploring a “per square foot” rate and split roll approach that could result in lower tax rate for most homeowners.
 - **Corporate head tax** – high administrative burden for MTC with no simple tax to “piggyback” upon. Additional concerns identified that a flat tax per employee is less equitable than a payroll tax (from employer standpoint) and options to mitigate those concerns would be administratively burdensome and hard to communicate.
 - **Registration surcharge** has nexus to transportation and would be a stable, new funding source. Limitation is major upgrade to DMV vehicle database makes this option not viable before 2029, according to DMV.

Policy Reforms May Accompany Legislation

- Commissioners and some stakeholders have expressed an interest in including policy changes related to public transit in regional measure enabling legislation.

Are there specific policy topics that should be considered for inclusion in the legislation?

What's Next?



Continue Stakeholder Outreach

Continue dialogues with partners and stakeholders on tradeoffs associated with expenditures, revenue options, and potential policy requirements.



Public Opinion Poll Results

Poll is underway of Bay Area voters to seek feedback on measure's goals, potential revenue options and expenditure plan priorities to inform enabling legislation. Results will be available by December Joint Legislation Committee.



Legislative Outreach

Brief Bay Area legislators on proposed approach and seek their feedback to inform proposed legislation



Dear Executive Director Fremier and MTC staff,
cc: Rebecca Long and Dave Vautin

Thank you for taking the time to meet with Voices for Public Transportation and consider our feedback on both revenue sources and expenditure priorities within a future transportation regional measure. As you move forward in crafting the initial concept for the measure, polling and authorizing legislation, we hope you will prioritize:

- Including progressive revenue sources in the enabling legislation
- Raising the funding we need - more than one billion dollars annually - to meet the region's public transportation fiscal needs
- Funding to stabilize, expand, and improve service throughout the region

As a coalition of more than fifty labor, community-based organizations, and equity advocacy groups with members who live, work, and travel in the Bay Area, we know that our transportation system is essential for the health and wellness of our communities, environment, and economy. **A new regional transportation measure should expand and improve public transportation throughout the region** rather than just preserving the status quo. We know that over \$700 million is needed by fiscal year 2026, and costs to simply maintain existing transit service will increase through 2030. Thus **a new regional transportation measure needs to raise well over one billion dollars annually** if it is to have a transformative impact on our regional transportation network.

In addition to ensuring equitable and sufficient expenditures, **a transformative equitable measure must be funded through a progressive revenue source**. Proposed options such as an income tax, a payroll tax, a graduated parcel tax and a per-employee head tax and a VMT tax could all be structured to ensure that the burden of paying for improved transportation options does not fall most heavily on those with the least resources.

Voices for Public Transportation's vision is that residents - regardless of race, class, gender, sexual orientation, age, or ability - enjoy accessible transportation options that reliably, affordably, and conveniently get us where we need to go around the region. We have the power to do this by passing a game-changing regional funding measure that will enhance our freedom of movement, while at the same time creating good-paying green union jobs, and contributing to a clean and healthy environment by reducing car trips, carbon emissions, and particulate pollution.

We appreciate the opportunity to weigh in on this important process. Voices for Public Transportation is always available to be your partner in crafting and passing the best regional transportation measure possible.

On behalf of the Voices for Public Transportation Coordinating Committee, thank you for your consideration.



Zack Deutsch-Gross
Policy Director
Amy Thomson
Transportation Policy and Programs Manager
TransForm



Bob Allen
Policy & Advocacy Campaign Director
Urban Habitat



Mary Lim, J.D.
Executive Director
Genesis



Richard Marcantonio
Managing Attorney
Laurel Paget-Seekins

Senior Policy Advocate, Transportation
Public Advocates Inc.



Adina Levin
Executive Director
Friends of Caltrain



Dylan Fabris
Community & Policy Manager
San Francisco Transit Riders



Ian Griffiths
Policy Director
Seamless Bay Area

Bay Area Near-Term Transit Shortfalls, Funding, and Accountability

Subject:

Proposed funding and accountability framework to address near-term transit operating shortfalls.

Senate Bill (SB) 125 Funding and Accountability Requirements:

Amendments to the California State Budget Act of 2023 provided immediate transit operating assistance to help avert the near-term transit operating fiscal cliff that has resulted from the COVID-19 pandemic and associated changes in travel patterns. Based on adopted formulas, the Bay Area is expected to receive an estimated \$400 million from the newly created Zero-Emission Transit Capital Program (ZETCP) over the next four years and an additional \$770 million from the Transit and Intercity Rail Capital Program (TIRCP) over the next two years. State action allows these funds to be used flexibly for capital or operating purposes, pursuant to Regional Transportation Planning Agency (RTPA) discretion. Consistent with prior MTC advocacy and supported by the possibility of leveraging between \$6 billion to \$8 billion in federal funds, staff recommend prioritizing completing the funding plans for BART to Silicon Valley Phase II and BART Core Capacity by using roughly \$725 million of TIRCP funding for capital purposes, leaving \$45 million in TIRCP and \$400 million in ZETCP available for operating purposes.

SB 125 guides the use of these funds and establishes accountability measures for RTPAs and transit operators receiving funding from ZETCP or TIRCP. By December 31, 2023, MTC must submit a Short-Term Financial Plan summarizing the regional strategy for using SB 125 funding, including the contribution of regional funds, the distribution of the financing between operators, and a summary of benefits rendered from the use of SB 125 funding. Additionally, MTC must collect and summarize data from operators on various topics, including expenditures on safety, opportunities for enhanced coordination and improvements, and monthly ridership statistics. By June 30, 2026, MTC must submit a Long-Term Financial Plan that demonstrates the implementation of ridership recovery strategies and provides a 5-year operating funding outlook.

Draft Standardized Shortfall Framework

Operator-provided estimates produced using independent assumptions and at various stages of pandemic recovery total \$2.7 billion over the next five years (or \$1.1 billion for the next three years) for the Bay Area region. Transit operators like BART, San Francisco Municipal Transportation Agency (SFMTA), AC Transit, Caltrain, and Golden Gate Transit are expected to face the most acute financial challenges over the coming years due to the nature of their pre-pandemic revenue sources and the trends toward remote work.

Transit operators employ diverse assumptions for budget projections. To establish a level footing across operator forecasts, MTC collaborated with operator staff to standardize assumptions.

Table 1 outlines the draft framework for operating needs between Fiscal Year (FY) 2023-24 and FY 2025-26 under a standardized set of assumptions determined by MTC and informed by the requirements of SB 125. MTC made further adjustments to the shortfall estimates where necessary to ensure consistency across operators.

The standardized needs presented below are based on assumptions that may differ from those used by individual operators to estimate shortfalls for their financial outlooks and budgets. Additionally, they may not capture the full extent of needs anticipated by the region's operators. For example, in the shortfall estimates below, operators are held to a service level baseline consistent with FY 2021-22, in line with SB 125 reporting requirements. However, operators have restored service hours through FY 2022-23 in response to increasing demand, and many operators have further service increases planned over the next few fiscal years.

Table 1. Draft Distribution of SB 125 Operating Assistance Funding (Millions)

| | FY 23-24 | FY 24-25 | FY 25-26 | Total (\$) | Total (%) |
|-------------------------------------|------------|--------------|--------------|--------------|-------------|
| SFMTA | \$0 | \$99 | \$209 | \$309 | 39% |
| BART | \$0 | \$58 | \$294 | \$352 | 45% |
| AC Transit | \$0 | \$4 | \$29 | \$33 | 4% |
| Caltrain | \$0 | \$0 | \$25 | \$25 | 3% |
| Golden Gate Transit | \$0 | \$3 | \$29 | \$32 | 4% |
| Other Operators/ Focused Funding | \$0 | \$20 | \$20 | \$40 | 8% |
| Bay Area Total | \$0 | \$197 | \$594 | \$791 | 100% |

With a total projected standardized shortfall of \$791 million between FY 2023-24 and FY 2025-26, the state support of \$445 million from TIRCP and ZETCP leaves a sizeable funding gap. As such, additional regional revenues will be needed to keep transit operational.

In discussions with state legislators leading up to the state budget funding for transit operations, MTC leadership had indicated the potential to contribute up to \$300 million from a menu of funds to help address the funding gap. Assembling the regional contribution will require tradeoff discussions related to shifting funding from transit capital maintenance, regional coordination programs, or local implementation of transportation and land use strategies identified in Plan Bay Area 2050 to transit operations. Funding sources under consideration include unprogrammed Federal Transit Administration formula funds, bridge tolls, State Transit Assistance Population-Based funds, and federal funds that support the One Bay Area Grant program. The Short-Term Financial Plan must identify specific regional funding sources and amounts to address the operating needs. However, programming and allocation of regional funds would be contingent upon later Commission action.

State funding and the \$300 million regional contribution are still expected to fall short of fully addressing the \$791 million near-term operating shortfall, leaving a remaining gap of roughly \$45 million in FY 2025-26. Additional revenues, a reduction in costs, or substantial increases in fare revenue will be needed to close the gap.

Proposed Funding Framework

The proposed funding framework made available to address these standardized shortfalls is informed by principles identified by MTC in partnership with transit operators. These principles prioritize funding for operators with the direst shortfalls and ensure service protection for the most riders and the transit-dependent. The principles also highlight the need for accountability in exchange for funding, consistency in forecast development across operators, and flexibility to adjust as conditions change.

In particular, MTC will seek to balance flexibility to adjust to changing conditions by giving operators advance notice of the funding they can expect to receive for agency budgeting purposes. As such, the distribution framework will be revisited on a rolling basis, beginning in advance of the development of FY 2024-25 transit agency budgets, slated for Spring 2024.

Transit Operator Efforts to Encourage Ridership Recovery and Retention

Guided by the Transit Transformation Action Plan and supported by over \$85 million in funding assembled by MTC to support the implementation of the Transit Transformation Action Plan, Bay Area transit operators are engaged in a multipronged effort to recover and retain ridership. Operators have made low- or no-cost changes to reallocate service, improving equity, efficiency, and connectivity. High-impact projects are underway to improve safety, security, and cleanliness, detect and deter fare evasion, and improve transit reliability and customer experience. They will be rolled out over the coming years. Throughout this work, regional coordination and equity are throughlines, bolstered by MTC's new Regional Network Management functions and equity-advancing programs like Clipper[®] START means-based fares and investments in Equity Priority Communities through the newly created Community Action Resource and Empowerment (CARE) program.

In accordance with SB 125's accountability guidelines, MTC will collaborate with operators on specific enhancements, such as real-time data upgrades, major event coordination, fare integration, coordinated planning, safety/security improvements, and other customer-focused coordination and efficiency enhancements. MTC will develop milestones, monitor regional progress toward these goals, and assess opportunities to augment existing Transit Transformation Action Plan funding to assist with delivering these enhancements.

Next Steps:

Staff will continue to work with operators to refine the proposed funding and accountability framework, aiming to return to the Commission to approve the Final Distribution Framework and share an informational update on the Short-Term Plan in November. To meet the December 31, 2023 submittal deadline, staff will return to the Commission in December to request the adoption of the Short-Term Financial Plan. Concurrently, MTC and operators will continue to develop and implement customer-focused improvements in line with the Transit Transformation Action Plan.

Issues:

None identified.

Recommendations:

Information.

Attachments:

- Attachment A: PowerPoint

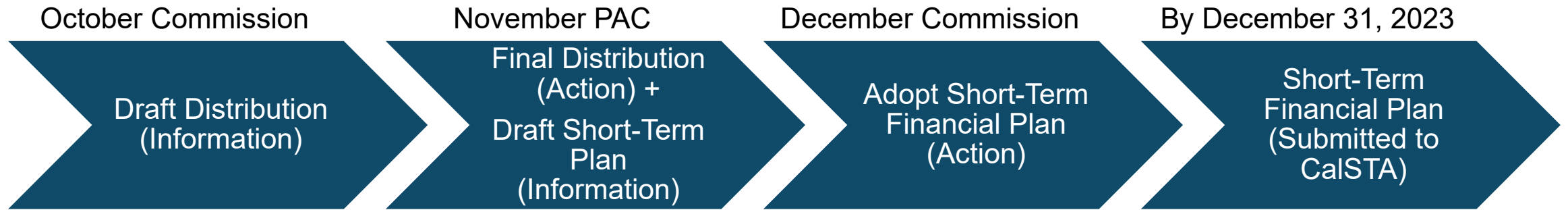
Bay Area Near-Term Transit Shortfalls, Funding, and Accountability



**METROPOLITAN
TRANSPORTATION
COMMISSION**

**Attachment B
November 17, 2023**

Commission Action Look Ahead



MTC and operators working simultaneously to implement customer-focused improvements in line with Transit Transformation Action Plan

State Budget Bill, AB 102, Provides a Transit Lifeline

- \$2 Billion in TIRCP (\$4B intended over two years)
 - Bay Area share over two years expected to be \$770M
 - These funds are currently committed to capital projects through MTC's Major Project Advancement Policy and TIRCP Framework
- \$1.1 Billion for New Zero Emission Capital Program
 - Bay Area share expected to be ~\$400M
- Both Funding Programs Have Flexibility to Use Funds for Operations
- Trailer Bill (SB 125) Spells Out Accountability Requirements

MTC Draft TIRCP Recommendation

- Prioritize completing funding plan for BART to Silicon Valley Phase II & BART Core Capacity to deliver voter-approved priority projects and leverage \$6 - \$8 billion in federal funds.
- Consider use of remaining ~ \$45 million for transit operating needs in FY 2025-26

| Agency | Project | Estimate Based on FY2023-24 State Budget and SB 125 | Notes |
|---|--|---|--|
| BART | Core Capacity: <ul style="list-style-type: none"> • Rail Cars and Storage • Traction Power • Train Control System | \$350 Million | Continued funding for key elements of BART system |
| Santa Clara Valley Transportation Authority | BART to Silicon Valley Phase II | \$375 Million | Funding commitment reinforces FTA Capital Investment Grant Request |
| TBD | TBD | \$45 Million | Reserve for Operating |
| Total | | \$770 Million | |

SB 125 Requirements

Due December
2023 for
FY2023-24
Allocation

Revised and
resubmitted on a
rolling basis to
receive funding
in future years

Short-Term Financial Plan (Through FY 25-26)

- Regional strategy for using SB 125 funding for capital versus operating purposes
- Identification of regional funding contribution to address funding gap
- Operator-level distribution of SB 125 funding
- Description of benefits of SB 125 funding (e.g., ridership, equity, service hours)

Regional Transit Operator Data

- Information on asset management, revenue collection, and safety expenditures
- Summary of current and planned service
- Opportunities for enhanced coordination and customer-focused improvements
- Monthly ridership data posted to the MTC website

Long-Term Financial Plan

- Demonstration of implementation of ridership recovery strategies
- 5-year forecast of operating funding requirements

Due June 2026

MTC Draft Principles to Address Shortfalls



Use state and regional funds for transit operations to address most dire shortfalls and avoid service cuts



Prioritize high-ridership agencies and the provision of service for transit-dependent riders



Incentivize accountability of transit operators to improve coordination and customer experience



Preserve flexibility to adjust distribution year to year as circumstances change



Ensure consistency and level footing across operator shortfall forecasts



Minimize impact to non-operating/capital and state of good repair programs

Transit Agency Shortfall Estimates




Operator-provided estimates (with varied assumptions) total \$2.7 billion over the next five years, or \$1.1 billion through 2026.

| | FY 23-24 | FY 24-25 | FY 25-26 | FY 26-27 | FY 27-28 | Shortfall Total |
|------------------------|-------------|--------------|--------------|--------------|--------------|-----------------|
| SFMTA | \$0 | \$119 | \$231 | \$247 | \$270 | \$867 |
| BART | \$0 | \$93 | \$322 | \$298 | \$342 | \$1,054 |
| AC Transit | \$1 | \$4 | \$50 | \$54 | \$24 | \$133 |
| Caltrain | \$0 | \$0 | \$33 | \$58 | \$57 | \$149 |
| Golden Gate Transit | \$0 | \$83 | \$94 | \$98 | \$106 | \$381 |
| Small/Medium Operators | \$22 | \$22 | \$20 | \$21 | \$25 | \$110 |
| Bay Area Total | \$23 | \$320 | \$750 | \$776 | \$825 | \$2,693 |

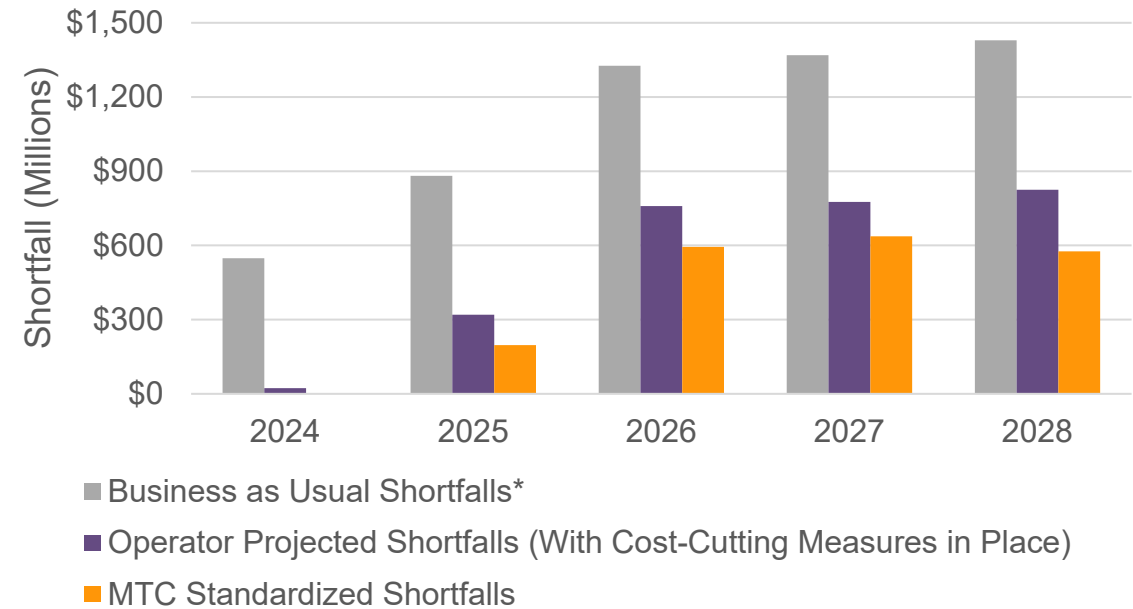
Note: Shortfall amounts as reported to transit agency boards, as of Summer 2023. Amounts are reported in millions.

Transit Operator Efforts Have Extended the Life of Federal Relief Funds

FY2022-23 Monthly Average Trips

| | |
|------------|--|
| 11 Million |  <ul style="list-style-type: none"> • Reduced overall number of agency staff and limited hiring to key positions • Increased transit staff efficiency, so able to provide more service without adding staff |
| 4 Million |  <ul style="list-style-type: none"> • Redesign service plan to decrease wait times and reduce maintenance costs |
| 3 Million |  <ul style="list-style-type: none"> • Cut service by 15% and redistribute service to high-ridership routes • Hold budget flat between FY23 and FY24 |

Projected Shortfalls



* Business as Usual shortfalls estimated by MTC based on service hours relative to 2019.

5-Year Total Projected Shortfalls

- Business as Usual Shortfalls: >\$5 billion
- Operator Projected Shortfalls: \$2.7 billion
- MTC Standardized Shortfalls: \$2.0 billion



Safety, Security & Cleanliness Enhancements

- Increased presence of police and trained ambassadors
- More frequent cleaning of vehicles and stations



Service Redesigns

- Reallocation of service to respond to changing trends
- Network changes to improve equity, efficiency, and connectivity



System Improvements

- Capital projects to improve reliability
- New methods to detect and deter fare evasion
- Customer amenities including Wi-Fi and public art



Equity Focus

- 50% fare discounts for low-income riders regionwide through ClipperSTART
- Prioritization of high-ridership routes in Equity Priority Communities



New Funding for Essential Service

- MTC, operators and advocates partner to cultivate new funding sources to sustain essential transit service



Regional Coordination

- RNM to oversee regional coordination
- Transit 2050+ Connected Network Plan
- Other efforts to re-organize for efficiency and capacity

Transit Operator Efforts to Improve Customer Experience and Grow Ridership

Standardization: Assist With Funding Gap Estimates & Tool for Funding Distribution

- MTC worked with Bay Area transit operators to understand shortfall assumptions and build consensus around standardization
- Standardized needs are based on 2022 service levels, per SB 125 requirements – representing 1 million fewer service hours per year than the region has today
- Existing resources, operator contributions or new funding will need to be marshalled to help close the funding gap and cover the costs of completed and planned service restoration

Areas of Standardization/Adjustment

Consistent inflation assumption across operators

Baseline service levels / no service increases

Increase TDA/STA revenue annually by inflation

Limit deferrable operating to capital transfers

Labor vacancy assumptions

Identify additional potential local funding contributions

3-Year “Standardized” Need Framework



Confirm in 2024



Revisit in 2025

Amounts are reported in millions

| | FY 23-24 | FY 24-25 | FY 25-26 | Total (\$) | Total (%) |
|---------------------------------|------------|--------------|--------------|--------------|-------------|
| SFMTA | \$0 | \$99 | \$209 | \$309 | 39% |
| BART | \$0 | \$58 | \$294 | \$352 | 45% |
| AC Transit | \$0 | \$4 | \$29 | \$33 | 4% |
| Caltrain | \$0 | \$0 | \$25 | \$25 | 3% |
| Golden Gate Transit | \$0 | \$3 | \$29 | \$32 | 4% |
| Other Operators/Focused Funding | \$0 | \$20 | \$20 | \$40 | 5% |
| Bay Area Total | \$0 | \$185 | \$606 | \$791 | 100% |

The numbers in the table above represent the shortfalls forecasted under standardizing assumptions provided by MTC.

To adapt to changing circumstances, the distribution will be reassessed on a rolling basis, beginning prior to FY24-25.

State Funds Fall Short of Addressing the Bay Area's Funding Needs

- Resources are insufficient to cover shortfalls estimated by operators beginning in FY 25-26.
- Additional revenues, lower costs or significantly higher ridership/fares needed to address gap

Amounts are reported in millions

| | FY 23-24 | FY 24-25 | FY 25-26** | Total |
|--|------------|------------|--------------|--------------|
| Standardized Shortfall | \$0 | \$185 | \$606 | \$791 |
| Zero Emission Program/State Budget Funding | \$0 | \$140 | \$262 | \$402 |
| TIRCP* | \$0 | \$45 | | \$45 |
| Funding Gap (State Funds) | \$0 | \$0 | \$344 | \$344 |

* TIRCP availability for operations support is subject to Commission action.

** Includes \$84M of FY26-27 ZETCP funding

Regional Contribution to Help Address Gap

- MTC Estimates \$300M Could be Redirected to Fund Operations
- Redirection of Funds will Require Significant Trade Offs
- Final Regional Contribution Depends on Updated Shortfalls and Continued State Budget Advocacy

| Fund Source | Amount (\$M) | Typical Recipient | Typical Usage |
|---|----------------------|---|---|
| Unprogrammed FTA Formula Funds | \$125 | Transit Operators | Transit State of Good Repair |
| Bridge Tolls | \$20 - \$30 | Express Bus and Ferry Operators | Operations Program Funding |
| State Transit Assistance (Population-Based) | \$20 - \$30 | MTC to support regional transit programs | Regional Programs (i.e., Clipper, Fare Programs) |
| Surface Transportation Funding (STP/CMAQ) | \$80 - \$115 | CTAs/Local Jurisdictions/ MTC/Regional Project Sponsors | OBAG – Bike/Ped, Other County Priorities, Regional Programs |
| Total | \$245 - \$300 | | |

Significant Gap Remains to Sustain Transit Service Until New Revenue Measure in 2026

- Resources are insufficient to cover shortfalls estimated by operators beginning in FY 25-26.
- Additional revenues, lower costs or significantly higher ridership/fares needed to address gap

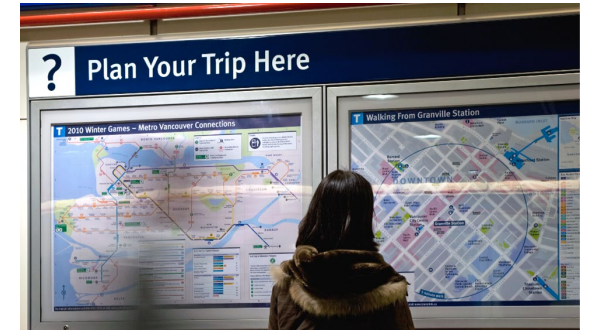
Amounts are reported in millions

| | FY 23-24 | FY 24-25 | FY 25-26 | Total |
|--|------------|------------|--------------|--------------|
| Standardized Shortfall | \$0 | \$185 | \$606 | \$791 |
| Zero Emission Program/State Budget Funding | \$0 | \$140 | \$262 | \$402 |
| TIRCP | \$0 | \$45 | | \$45 |
| Funding Gap (State Funds) | \$0 | \$0 | \$344 | \$344 |
| Regional Funds (high-end of range) | \$0 | \$0 | \$300 | \$300 |
| Funding Gap (State + Regional Funds)* | \$0 | \$0 | \$44 | \$44 |

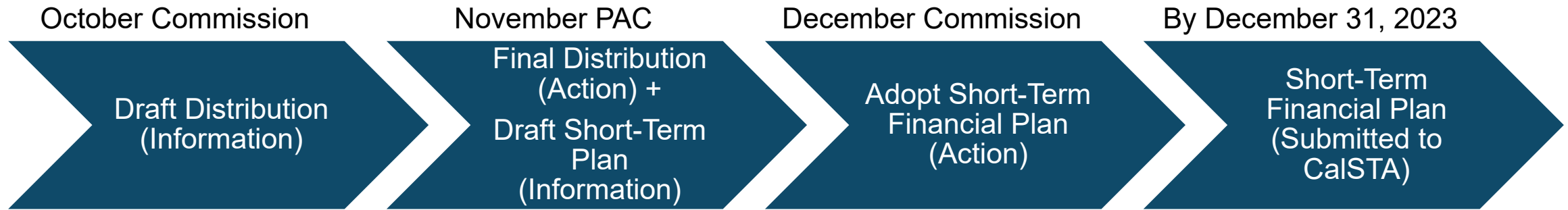
* \$44 million in funding is needed to fully cover the *standardized* shortfalls based on 2022 service levels. As operators continue to restore service in response to changing demand, the funding gap is anticipated to grow.

State and Regional Funding Conditioned on Customer Experience & Efficiency Enhancements

- MTC and Operators to Collaborate on Delivery of Transit Transformation Action Plan and Other Improvements Including:
 - Fares and Payment Initiatives
 - Customer Information
 - Transit Network Priority
 - Accessibility
 - Safety and Security
 - Other (i.e., Service Coordination and Optimization)
- Progress Milestones to be met prior to distribution of funds
- Commission reserves the right to condition funds to delivering specific initiatives at a future date pending coordination with Regional Network Management Council
- Potential for MTC to augment funding to assist with implementation of customer experience & efficiency enhancements



Upcoming Milestones



MTC and operators working simultaneously to implement customer-focused improvements in line with Transit Transformation Action Plan

Look-Ahead: Potential Regional Transportation Measure

- A regional transportation measure - such as a sales tax or road usage charge - could generate meaningful revenue for transportation
- Work is underway now to explore the feasibility of generating new revenues as early as 2026
- New revenues could supplement state and regional funds discussed today to restore and sustain operations beyond the 2022 service baseline used to estimate the standardized shortfalls

Upcoming Activities

