

Transportation Revenue Measure Select Committee

August 26, 2024



METROPOLITAN TRANSPORTATION COMMISSION





Questions for Committee Discussion

- 1. What is your impression of Scenario 1** including the balance between funding county needs and funding proposed for sustaining and transforming transit?
- 2. What is your impression of Scenario 2** and which funding mechanism would you support to raise \$1.5 billion per year?
- 3. Are there changes to the scenarios that could help build regional consensus?**
- 4. Instead of a single regional measure, what could it look like to have a coordinated strategy of operator-led local measures?**

Key Factors in Designing the Scenarios

Transit Funding Needs

- ▶ Post-pandemic remote work trends have fundamentally changed travel behavior and reduced transit ridership
- ▶ Commute-focused operators have lost the most fare revenue.
- ▶ Fare revenue is largest source that has declined among operators.
- ▶ Potential for improvement moving forward, including:
 - ▶ Ridership and fare growth, especially with implementation of the Transit Transformation Action Plan
 - ▶ Growth in non-fare revenues sources, or the addition of new funding sources.
 - ▶ Potential efficiencies that reduce operating costs, such as transit priority lanes.



Key Factors in Designing the Scenarios

Transit Transformation

- Ridership will grow by transforming the rider experience.
- New operational funding and one-time capital funds are needed to fully implement the transformative actions identified in the *Bay Area Transit Transformation Action Plan*.

Fares & Payment

Simpler, consistent, and equitable fare and payment options



Free Local Transfers
\$2.75 Discount for Regional Transfers

Customer Information

Make transit easier to navigate and more convenient



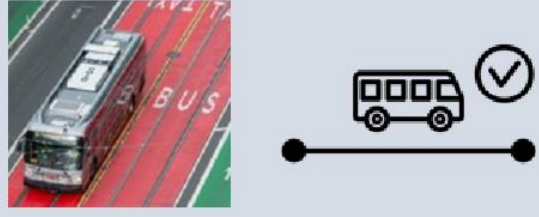
Regional Mapping & Wayfinding Project



Examples of ongoing initiatives

Transit Network

Transit services managed as a unified, efficient, and reliable network



BusAID & IDEA TSP

Accessibility

Transit services for older adults, people with disabilities, and those with lower incomes are coordinated efficiently



Near-term improvements to paratransit user experience

Key Factors in Designing the Scenarios

County Funding Needs

Counties rely on sales taxes for local transportation needs. Some are expiring within 10 years of 2026:

- **2034:** San Mateo County
- **2035:** Contra Costa County
- **2036:** Santa Clara County

If sales tax is used as the funding source there is need for flexible county funding as early as 2034 (in case local measures are not renewed).



Two Scenarios for Consideration

Scenario 1: Core Transit Framework

30-year, 1/2-cent Sales Tax

- ▶ Includes Alameda, Contra Costa, SF & San Mateo Counties
- ▶ Opt-in for other counties, with required contribution to Transit Transformation and funding for operating gaps, subject to negotiation with MTC.
- ▶ **Generates \$540 million/year** in the four base counties, approx. \$1 billion/year in all nine

Scenario 2: Go Big Framework

30-year

- ▶ All 9 Bay Area counties
- ▶ **Generates \$1.5 billion/year** through either a \$0.28 per square foot parcel tax or a 0.54% payroll tax.*

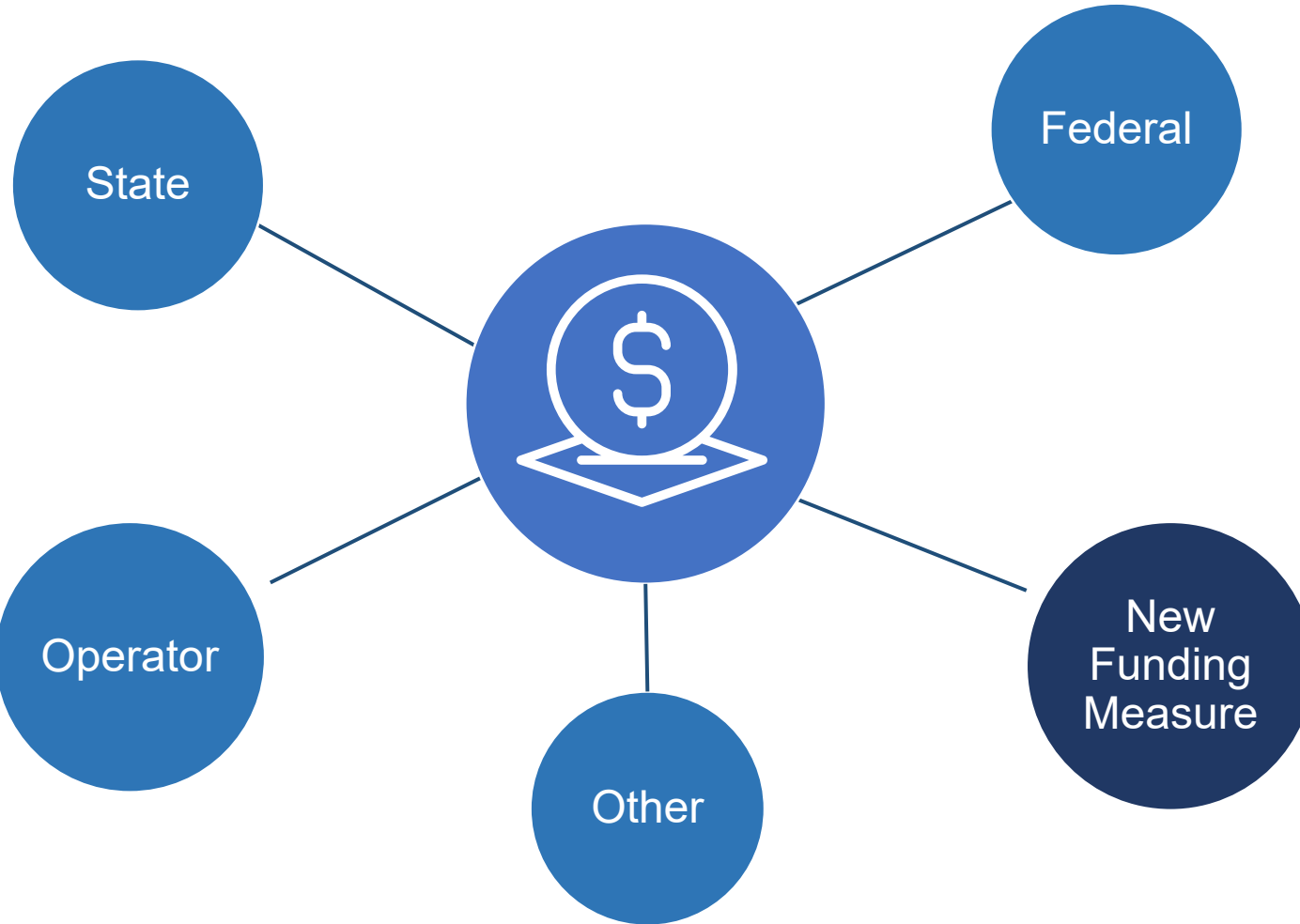
**Data for scenarios provided by NBS (parcel tax) based on July 2023 assessment data and Sperry Consulting (payroll tax) based on 2022 taxable wages and 2022 taxable sales.*

Important Context for Reviewing Scenarios

- ▶ These are **policy frameworks** based on the best available information at the time the analysis was developed.
- ▶ As more current information is provided from transit agencies and verified, MTC will incorporate it into the analysis.
- ▶ Feedback should be focused on the underlying concepts and frameworks, understanding that modest funding changes may occur as data is updated.

Neither scenario completely addresses challenges: Long-term solutions will contain many elements

SB 125 TASK Force identifying and evaluating potential new revenue sources



CONGRESS is beginning to explore increasing and expanding federal transit operating assistance. (H.R. 3744/S. 1330)

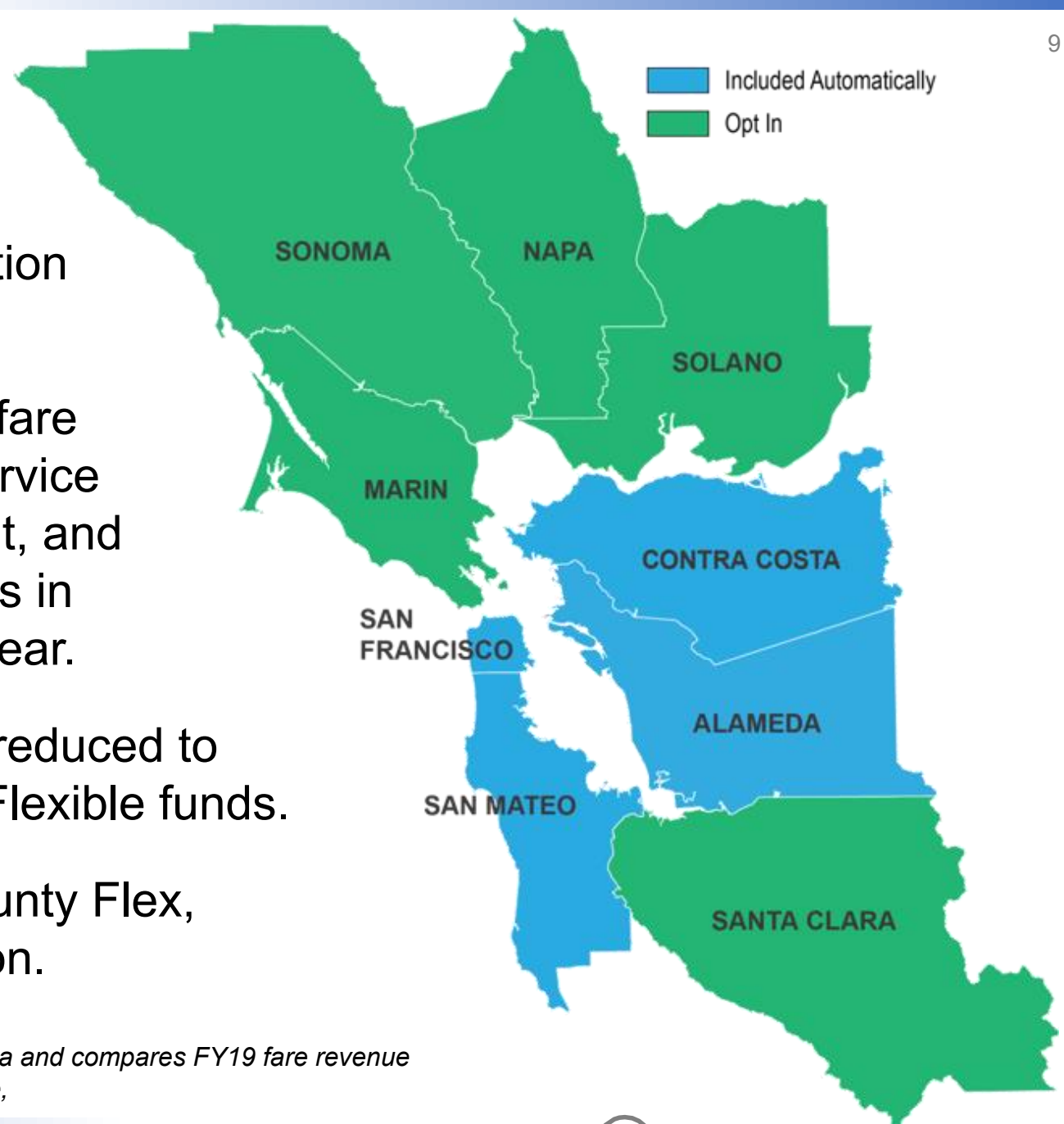
TRANSIT OPERATORS exploring fare increases and other local revenues (parking fees and fines); ongoing service adjustments & improvements

BAY AREA VOTERS via a transportation revenue measure

Core Transit Scenario

- 10% per year for Transit Transformation to grow ridership for entire measure.
- **Years 1- 8:** Funding to offset loss of fare revenue* since 2019 and mitigate service impacts at BART, Caltrain, AC Transit, and Muni, plus funding for small operators in AL and CC counties. At \$490M per year.
- **Years 9-15:** Transit operating funds reduced to \$220M/year. Remainder to County Flexible funds.
- **Years 16-30:** All funding shifts to County Flex, except 10% for Transit Transformation.

* Estimates of fare losses are based on operator provided claim data and compares FY19 fare revenue (indexed at 2% annually) to FY24 or FY 25 budgeted fare revenue,



Core Transit Scenario: Timelines at a Glance

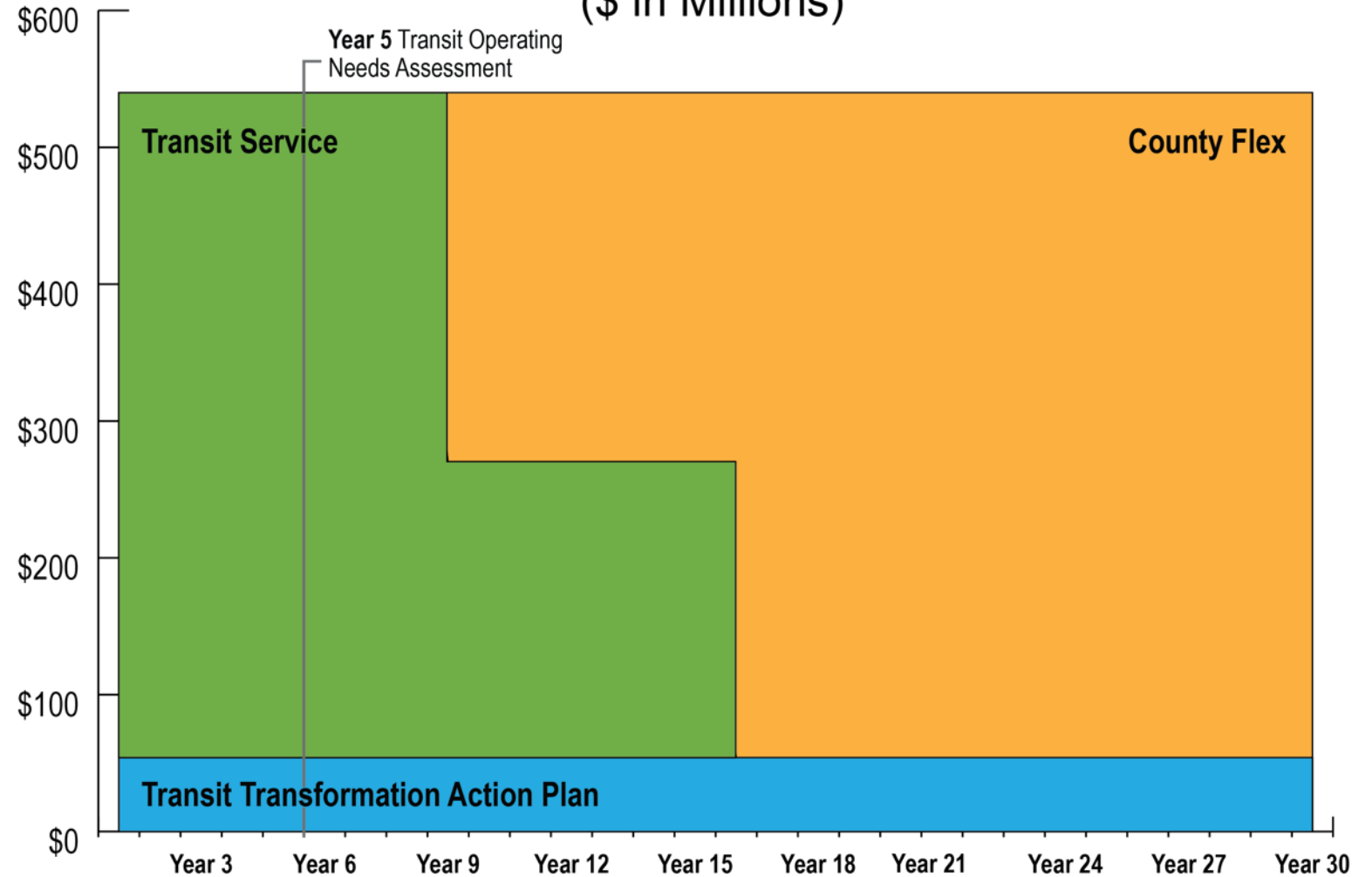
<p>Years 1-8</p>	<p>Offset Fare Revenue Loss* from Decreased Ridership at BART, Caltrain, AC Transit and Muni and creates a runway to:</p> <ul style="list-style-type: none"> • Reduce operating costs with transit priority on local streets and express lanes • Grow local sources (e.g. parking revenues in SF) • Seek support for additional funding from the state and federal levels • Transit operating needs reviewed at Year 5, with potential reduction if fewer funds needed
<p>Years 9-15</p>	<p>Dedicated Funding to Transit Operations Scaled Down, County Flex Starts</p> <ul style="list-style-type: none"> • 40% of annual funding directed to transit operations, 50% to County Flex • Transit service an eligible expenditure within county flex • No dedicated transit operations funding for Muni in Years 9-30, but SF may use County Flex funds of approximately \$50 million/year to support transit.
<p>Years 16-30</p>	<p>Direct support for transit service ends</p> <ul style="list-style-type: none"> • 90% of funding sent directly to counties for any Plan Bay Area-eligible use • Transit service remains an eligible expenditure of County Flex

* Estimates of fare losses are based on operator provided claim data and compares FY19 fare revenue (indexed at 2% annually) to FY24 or FY 25 budgeted fare revenue. Funds for Muni are limited to revenues generated in S.F.

Focus on transit service in first 8 years followed by increasingly robust county flexibility.

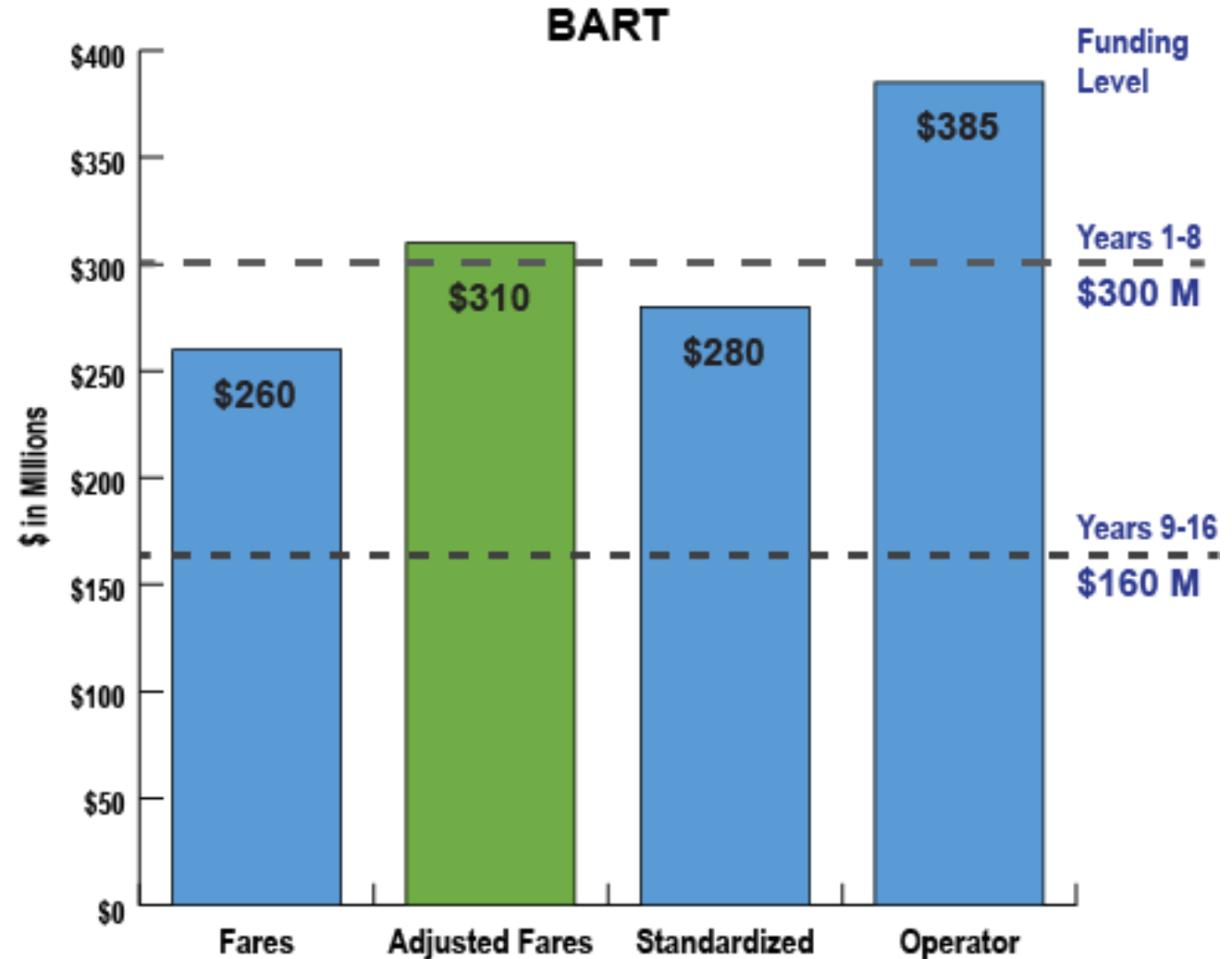
This approach protects transit service in near term as agencies develop a post-pandemic revenue model

Core Transit Scenario: 30-Year Funding Distribution
(\$ in Millions)



Scenario 1: BART Funding

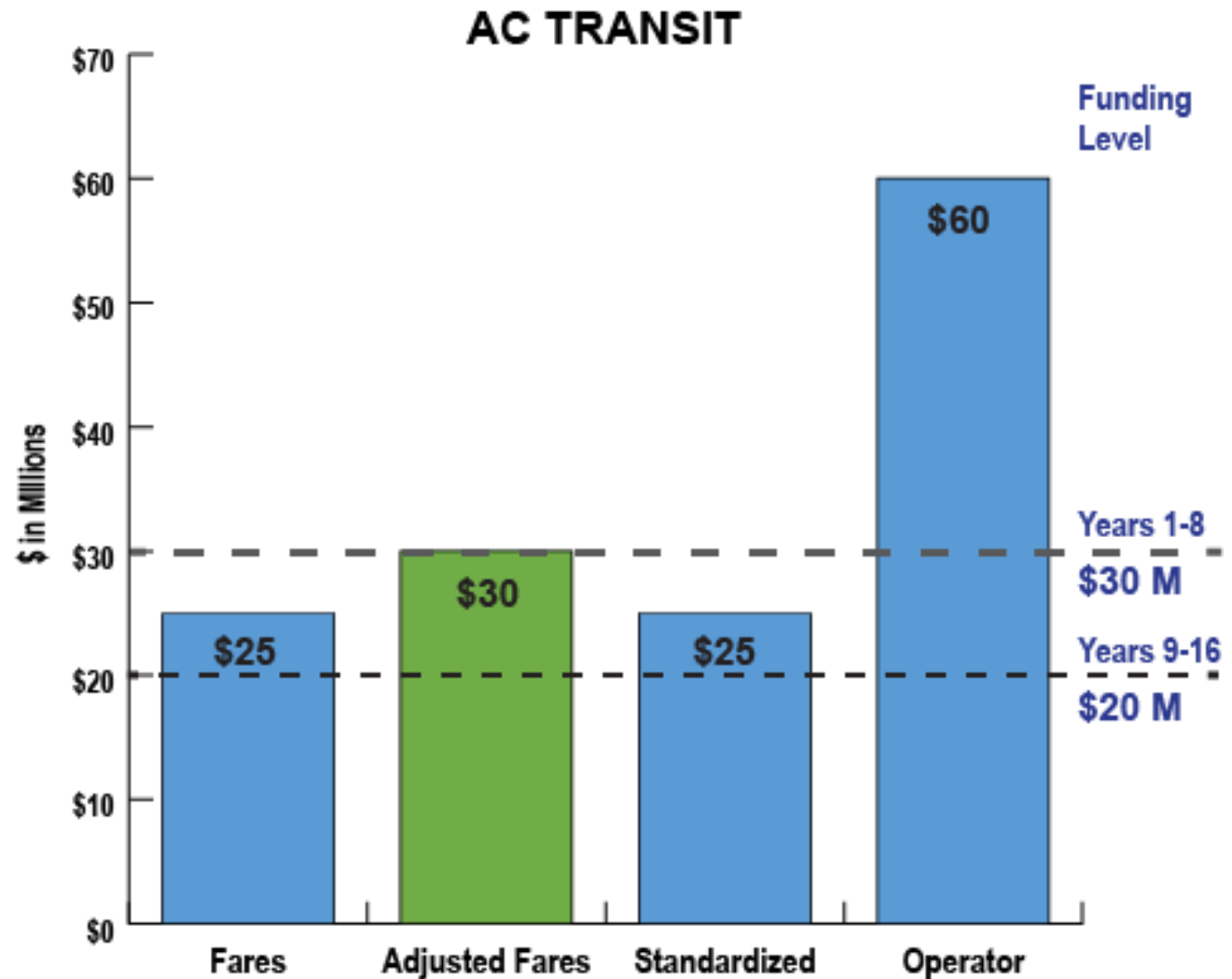
The vast majority of BART's overall funding gap is due to fare revenue losses.



Note: "Operator" denotes operator provided forecasts of FY 2026-27 based on the most recent information provided to MTC in August of 2024.

AC Transit's operator reported funding gap anticipates lower service levels than once existed.

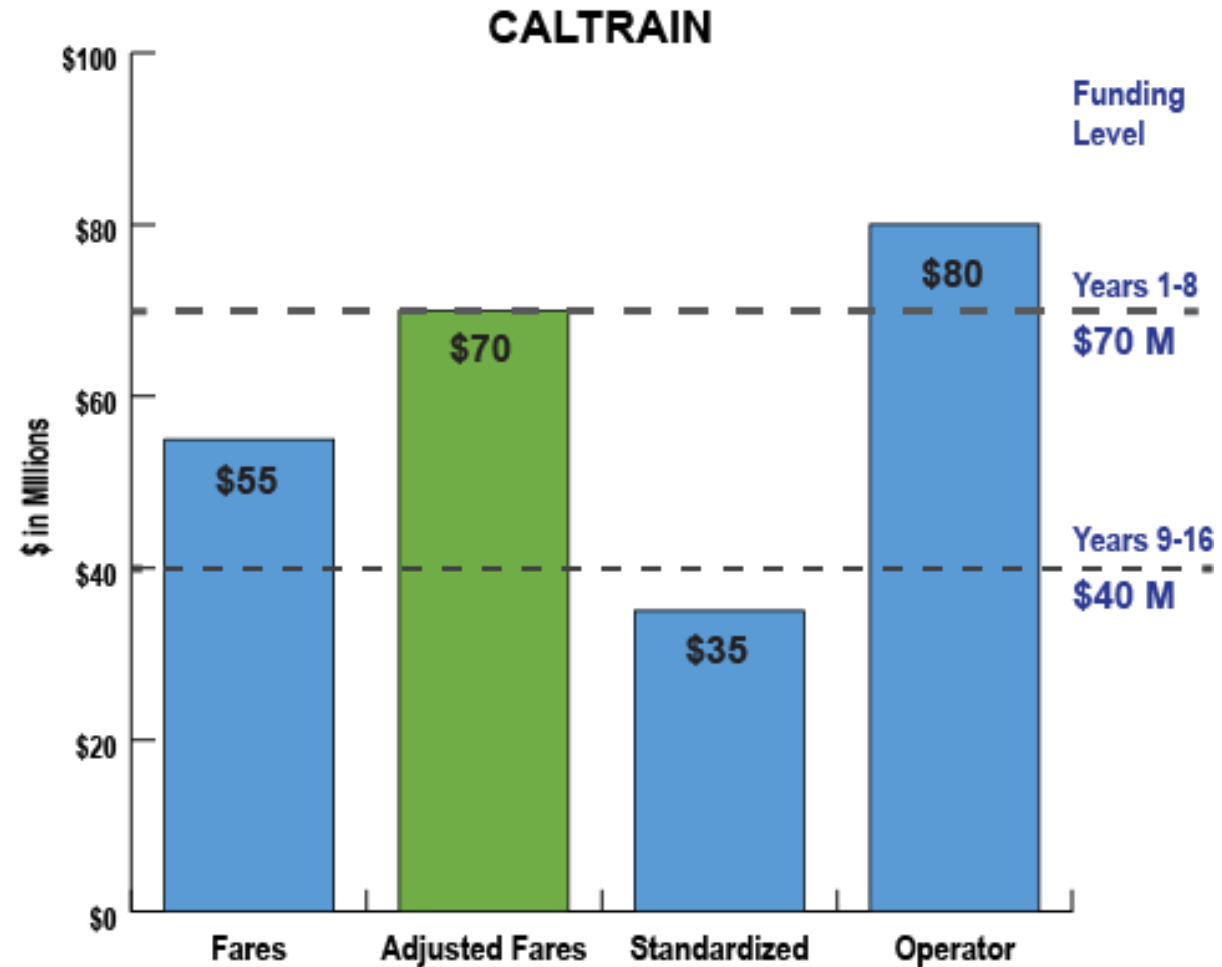
Scenario 1: AC Transit Funding



Note: "Operator" denotes operator provided forecasts of FY 2026-27 based on the most recent information provided to MTC in August of 2024.

Prior to the pandemic, fares accounted for about 73% of Caltrain's budget. Changing travel patterns have reduced these fare revenues significantly.

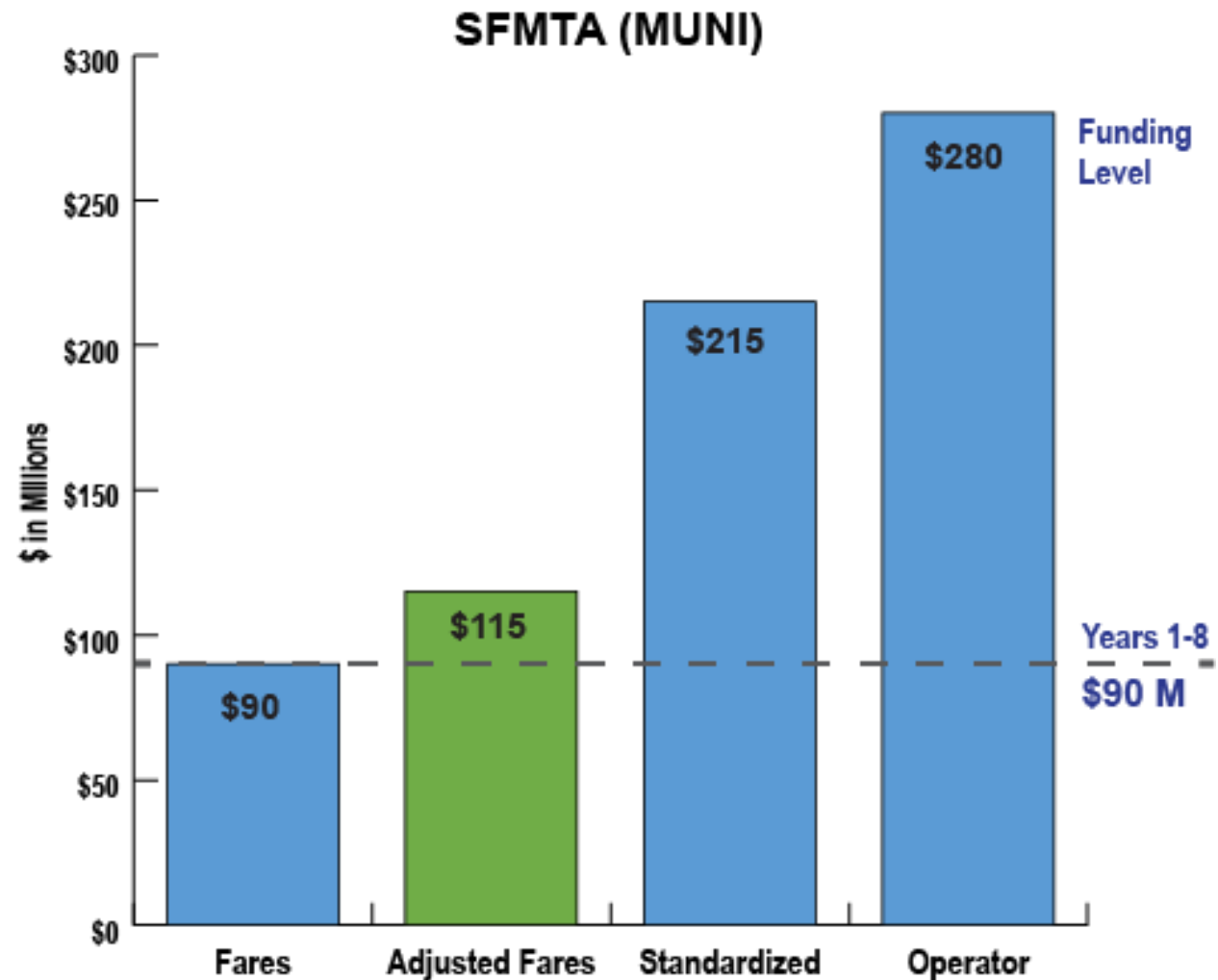
Scenario 1: Caltrain Funding



Note: "Operator" denotes operator provided forecasts of FY 2026-27 based on the most recent information provided to MTC in August of 2024.

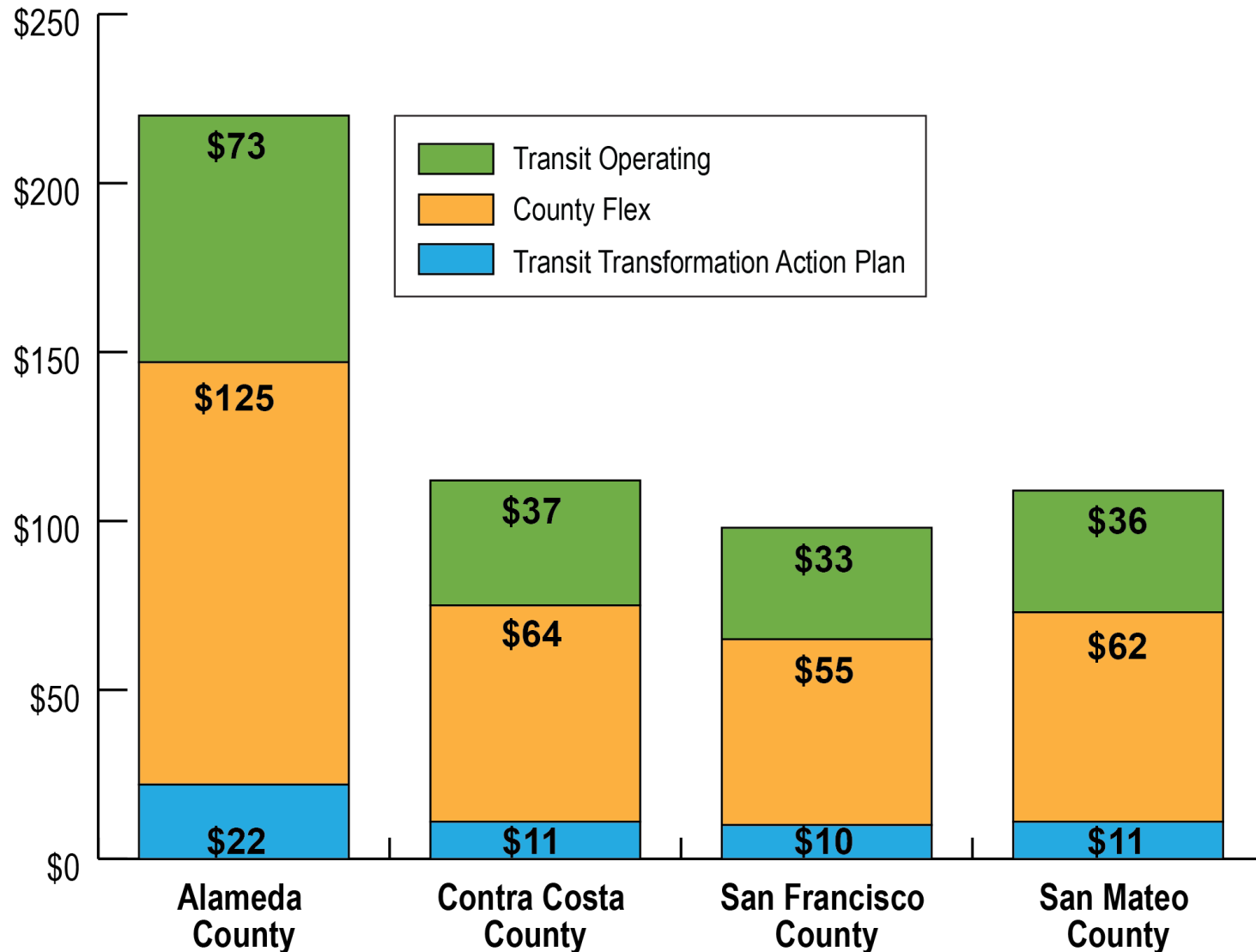
In addition to fare revenue, Muni receives a large portion of funding from parking and the city's General Fund. Those sources, as well as fares, have been significantly impacted since the pandemic.

Scenario 1: SF Muni Funding



Note: SFMTA eligible to receive up to \$50M/year Years 9-16 from county flex. "Operator" denotes operator provided forecasts of FY 2026-27 based on the most recent information provided to MTC in August of 2024. \$280M represents a midpoint of SFMTA's current forecast range.

Core Transit Framework: 30-year average funding by county



Transit Transformation provided 10% for life of measure

Transit Operating receives 90% in first eight years, but averages 33% over life of measure.

County Flex receives 57% over life of measure.

Note: Sales tax revenue projections based on information provided by Sperry Consulting

Core Transit Framework: Opt-In Provisions

- ▶ Santa Clara, Marin, Sonoma, Napa and Solano counties have opportunity to opt in.
- ▶ Minimum commitments:
 - ▶ Transit Transformation at 10% annually
 - ▶ Transit operating support to help close gaps for local operators as well as multi-county operators in that county, taking into consideration existing contractual agreements and subject to agreement with MTC.
- ▶ Remaining funds are at discretion of county for **any county transportation priority, including local road repairs**, as long as aligned with Plan Bay Area 2050+ (and successor plans).
- ▶ Must opt-in before legislation finalized.

Scenario 2: Go Big Framework

MTC received requests from Senator Weiner's office, Voices for Public Transportation and several labor organizations to analyze a framework that:

- Provides at least \$1.5 billion per year, ideally from a progressive funding source.
- Covers all nine Bay Area counties.
- Provides transit operating funding aimed to sustain 2023 transit service levels for the life of the measure.
- Beyond those provisions, the requests varied.
- Scenario 2 provides a framework with this higher level of investment funded by either a parcel tax and payroll tax.



Scenario 2: Go Big Framework Expenditures

Annual Expenditures proposed:

- ▶ **20% for Transit Transformation (\$300 million)**
 - ▶ \$150 million is allocated at the regional level.
 - ▶ \$150 million is suballocated to counties each year. Counties can spend on any project in T2050+ or Transit Transformation.

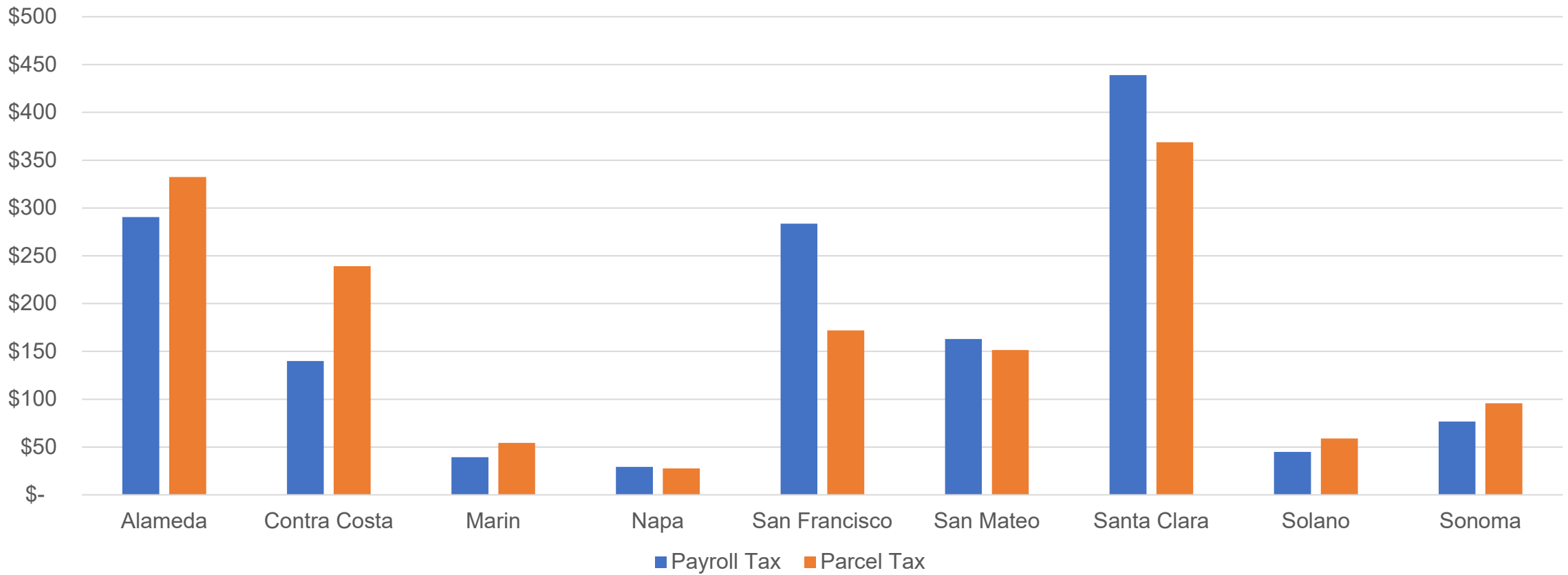
- ▶ **50% for transit improvements (\$750 million) with aim of accommodating 2023 service levels**

- ▶ **30% for County Flex (\$450 million)**
 - ▶ Expenditures must align with Plan Bay Area 2050+ or successor plan.
 - ▶ Transit service is an eligible expense

Scenario 2: Revenue Generation by County (Payroll and Parcel Tax Comparison at \$1.5B)

Dollars in millions

Equivalent to a 3/4-cent sales tax



Note: Based on a \$0.28 per square foot parcel tax assessed on building area and a 0.54% payroll tax for 30 years. Data for scenarios provided by NBS (parcel tax info based on July 2023 assessment data) and Sperry Consulting (payroll tax info based on 2022 taxable wages).

Years 1-10, each operator receives funding to cover the operator-reported funding gap to help sustain 2023 Service Levels. This totals 50% of all revenues or \$750 million per year.

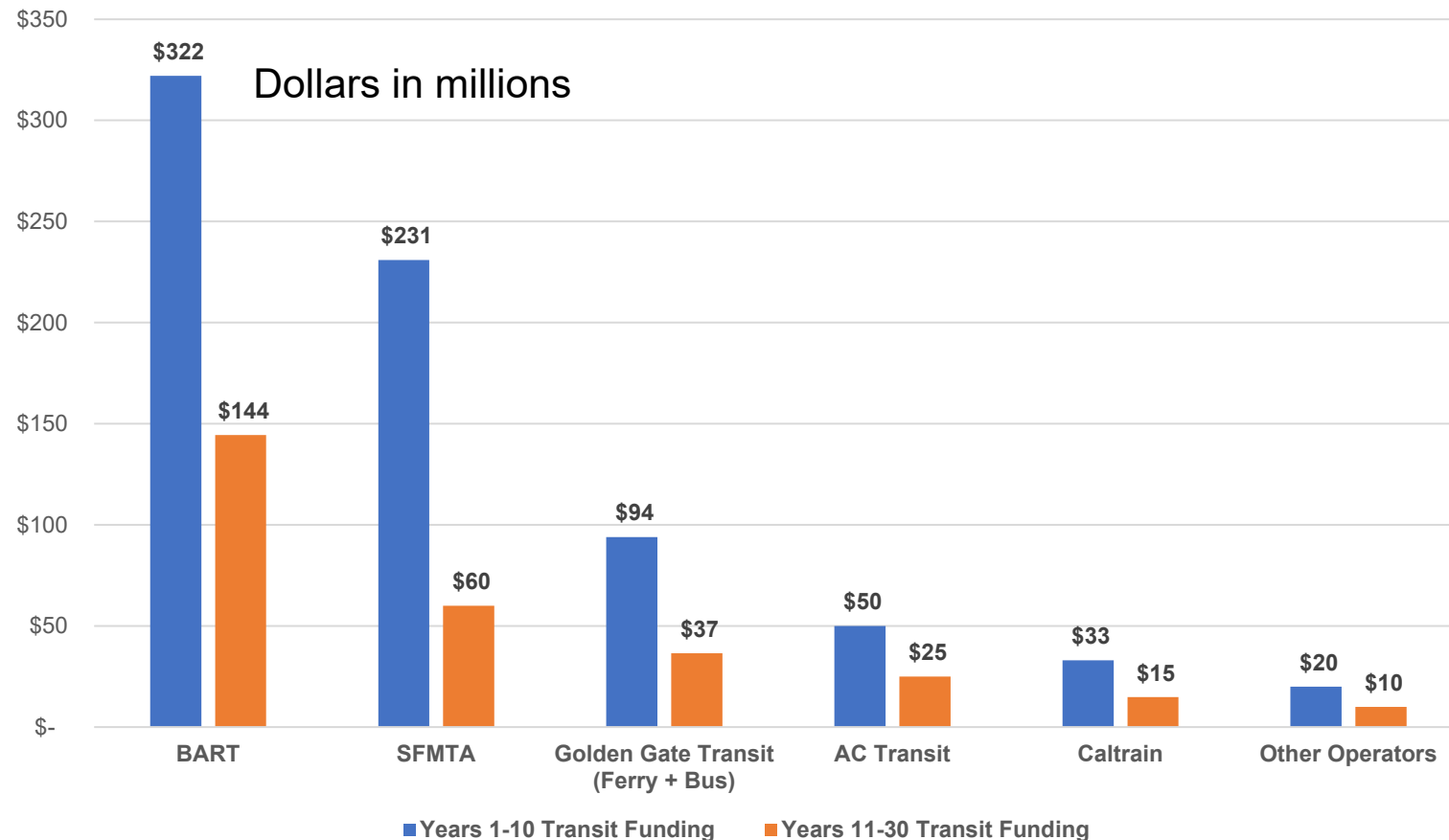
Years 11-30, transit funding is sustained at \$750 million* but less funding is dedicated to offset deficits, and more funds are available to invest in transit enhancements by operators not facing funding gaps.

Over 30 years, each county receives at least 75% in benefit relative to its contributions.**

*See note below chart.

**Based on Clipper AM boarding data from FY 2022-23

Scenario 2: Dedicated Annual Transit Operating Funding Levels by Operator



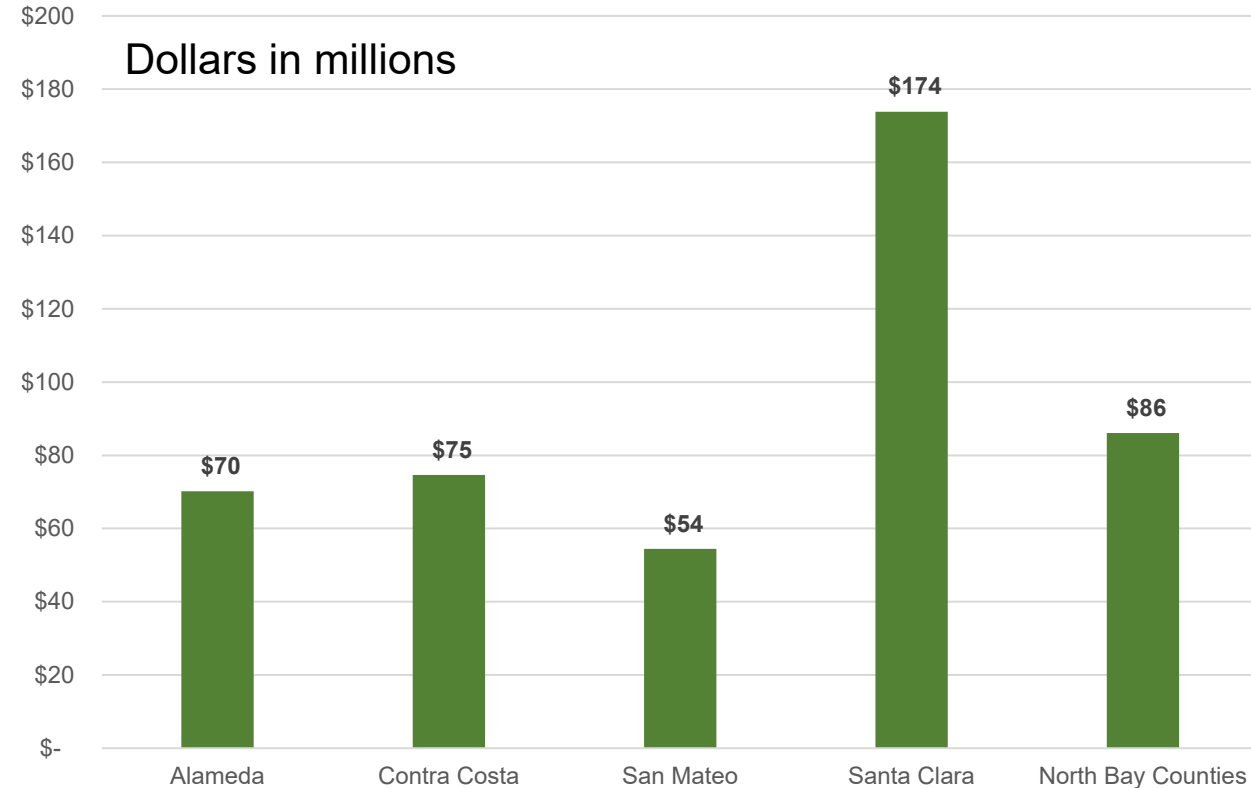
Note: In 2023, operator-reported funding gaps for FY 2026-27 were \$750 million. Equivalent to 50% of a potential \$1.5B measure, this amount is used as the funding target to sustain 2023 service levels, though recent information (as indicated in Scenario 1) show the deficit forecast has climbed substantially.

In Years 11-30, funds would be available for County Transit Improvements.

This phase aims to address 50% of transit operating gap, with remainder (if any) available for other County Transit Improvements, County Flex and County Transit Transformation.

S.F. has no County Transit Improvement funding remaining after initial funding for transit operating gap, but would receive County Flex.

Annual County Transit Improvements for Years 11-30

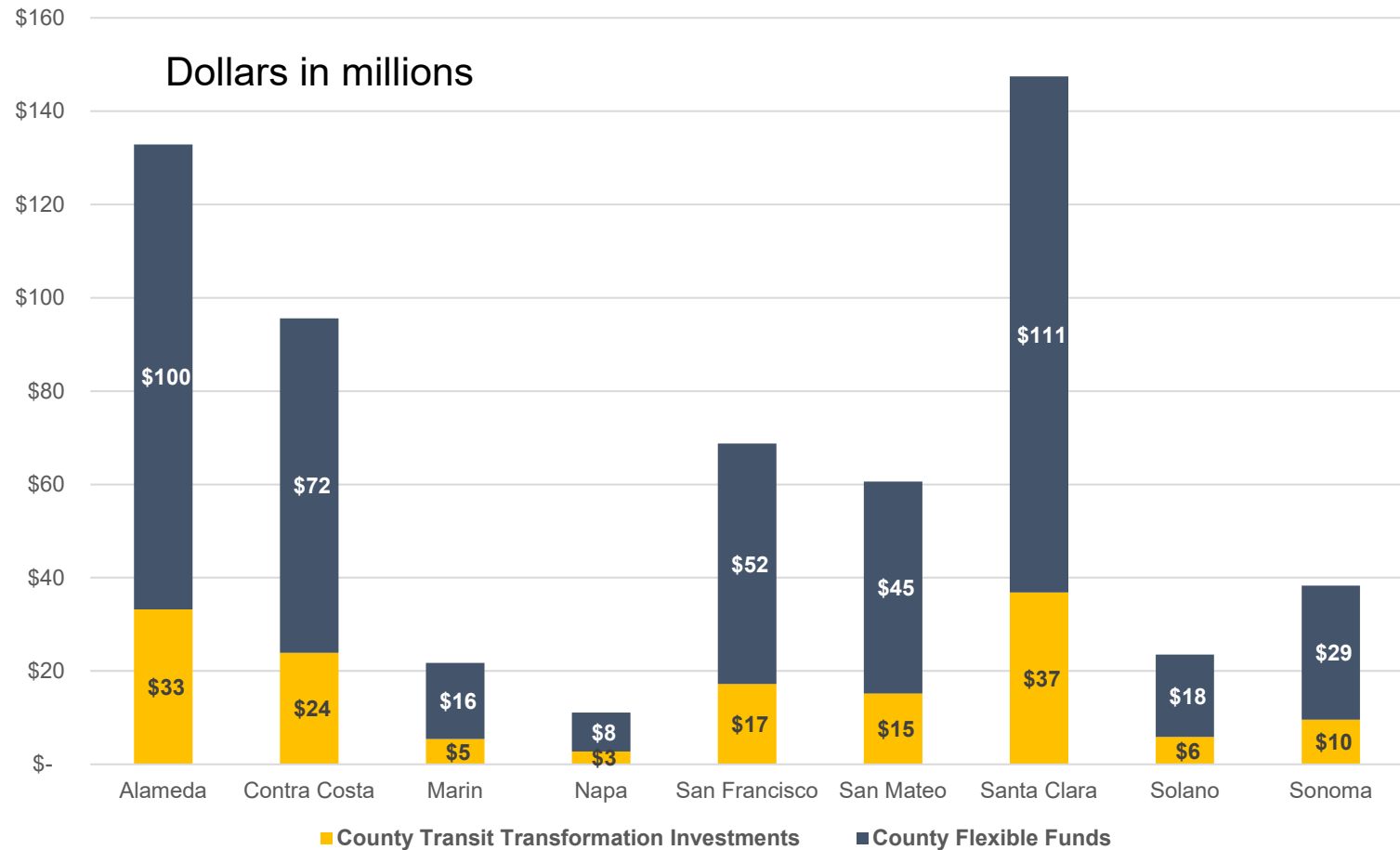


County Transit funds could support frequency boosts from Draft Transit 2050+ at Santa Clara VTA, SamTrans, and small operators across the region as well as Transit Priority projects to improve bus speeds.

Annual County Flex and County Transit Transformation Funding

Scenario 2 provides significant County Flex to each county to support the highest priorities for the county in a given year.

The 30% annual revenue stream for County Flex could serve as a local match for a variety of capital projects as well as a supplement to local street and road repairs and bike/ped funding.



Alternative Framework: **Separate Measures**

- ▶ Another potential framework is to not pursue a single, regional measure.
- ▶ Rather, the four agencies facing substantial operating funding gaps could each pursue their own funding measures.
- ▶ MTC could play a supportive role, especially in working to manage a single bill that includes any necessary legislative authorizations.
- ▶ This framework would not provide a source of funding to advance Transit Transformation at a regional level.

Separate Measures, by Agency

Agency	Counties Included in Calculation	Sales Tax to cover "adjusted fares" funding gap	Sales tax to cover operator-reported funding gap
AC Transit	Alameda, Contra Costa	0.05%	0.09%
BART	Alameda, Contra Costa, SF	0.36%	0.45%
Caltrain	SF, San Mateo, Santa Clara	0.07%	0.08%
Muni	SF	0.58%	1.43%

- ▶ Agencies may consider a wide variety of funding sources, though some sources would require legislative authorization.
- ▶ Rates shown at left are illustrative. The calculations assume that the measures would cover current agency geographies, though some agencies may choose a smaller geography (as AC Transit has done in the past.)
- ▶ BART could seek authorization just in its 3-county district **or** in all counties that provide service.

Note: Assumed sales tax revenue generation based on information provided by Sperry Consulting. Operator reported column is based on August 2024 operator reported deficit.

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