Adoption of Phase One Financial Efficiency Review

Independent Oversight Committee

May 22, 2026

METROPOLITAN TRANSPORTATION COMMISSION

Purpose and Objectives

- Present Final Phase One Financial Efficiency Review
- Independent Oversight Committee (IOC) considers adoption of Final Phase One analysis

Role of the Independent Oversight Committee

Timeline: Phase One Financial Efficiency Review

Early April	Mid-Late April	TODAY
Review analysis	**Direct** revisions	**Adopt** Final Phase One analysis

Summary of Relevant Feedback

We received feedback from the Independent Oversight Committee (IOC) and members of the public

Feedback from the IOC
Further clarify and explain the methodologies used to gather and validate cost-savings data
Add detail about workforce size, labor costs, and reserve fund balances
Increase the specificity of early action cost-saving strategies
Share more context about real estate opportunities and constraints
Feedback from the General Public
Add specific strategies to reduce costs, increase revenue, or boost ridership that were identified by the public

How We Incorporated Feedback

Feedback	Revisions Made
Cost Savings Data Demonstrate trustworthiness of figures and calculations	• Explained methods using plain-language • Noted data sources and practices for validating figures
Workforce, Labor Costs, Reserves Show how staffing, overtime, and use of reserve funds varied by time and agency	• Added charts and interpretation showing trends in staffing levels, overtime wages paid, and reserve balances • Added a call-out box to explain how agencies can use planned overtime to reduce staffing costs
Early Action Strategies Confirm the list of early action strategies and explain why they were selected for each agency	• Added descriptions of early action strategy categories • Validated additional strategies with agencies • Categorized core and future strategies as cost constraining, revenue enhancing, or ridership-increasing
Real Estate Describe shared barriers to real estate development across the four agencies	• Added information about barriers to redevelopment (e.g., funding constraints or regulatory issues) • Added real estate possibilities to consider in Phase 2
Additional Potential Budget Management Strategies Add specific budget management strategies	• Reviewed and added budget management strategies to the Early Action Strategies and Next Steps sections as applicable

What We Did Not Change

The Phase 1 scope remains focused on near-term implementation within existing resources

- Documentation of cost saving measures implemented since FY19-20
- Identification of early action strategies that can be implemented within one to three years using existing resources
- Inventory of real property assets and redevelopment opportunities among existing property holdings

No discussion of structural or policy changes to agencies

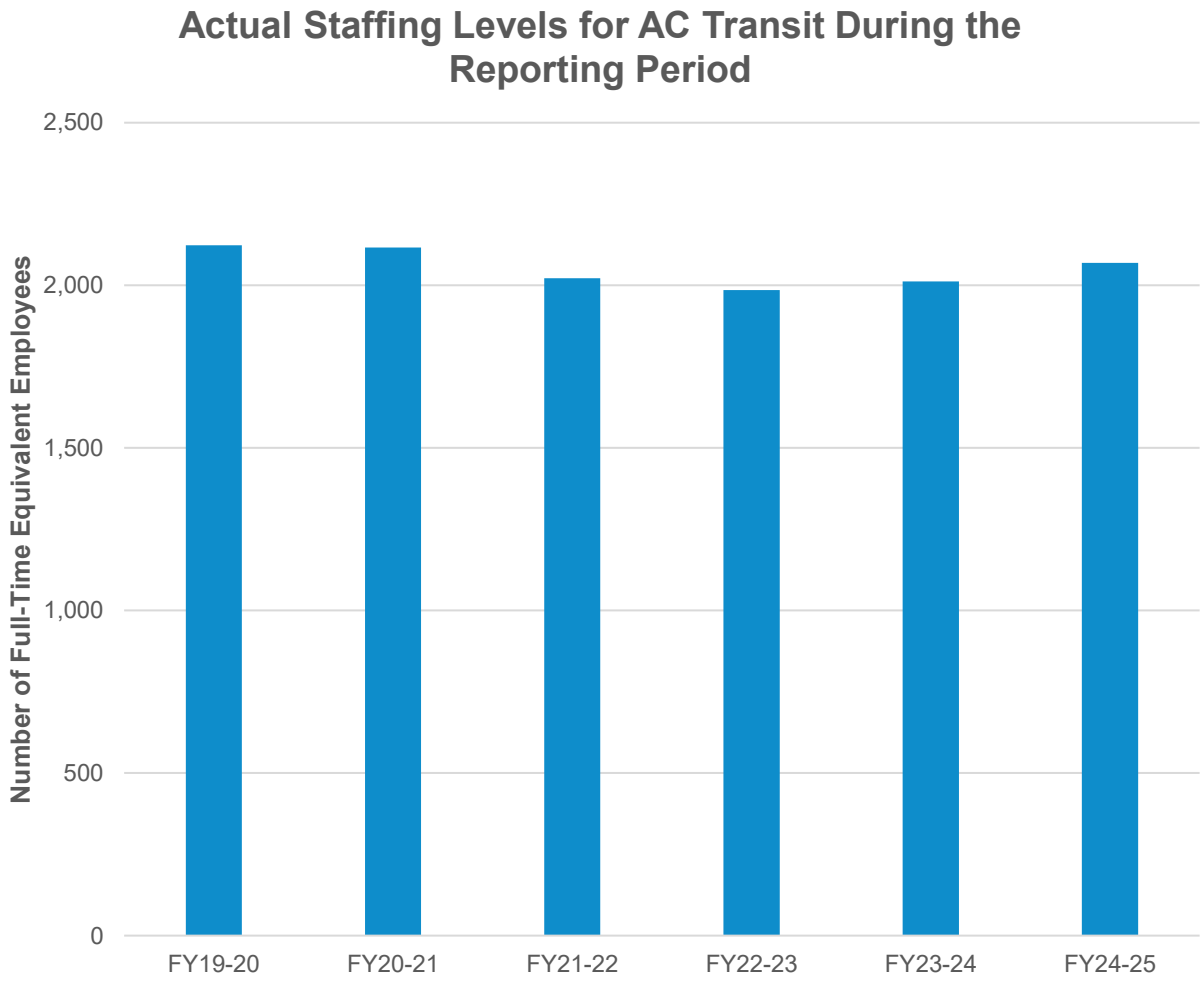
- Outside of the Phase 1 scope

Phase 2 reserved for broader cost restructuring & regional strategies

- Analyzing cost restructuring
- Developing a regional approach to developing real estate assets
- Finalizing an expanded list of cost savings, especially those requiring longer time savings than Phase 1 early action strategies

Strengthening Cost Savings Section

- **Added:**
  - Workforce trends, e.g. number of full-time equivalents, overtime wages, and so on
  - Information to contextualize scale of recent cost-savings
  - Use of reserves to address deficits during pandemic and amount of reserves remaining
- **Expanded:**
  - Role of emergency funding in avoiding service cuts



Revised Early Action Strategies Section

Added:

- Early Action Strategy categories, including definition and significance

Expanded:

- Personnel and management strategies
- Revenue strategies, such as pass programs, advertising, and sponsorships

Example of a table of early action strategy categories and how they might apply to each agency

Category	AC Transit	SFMTA	BART	Caltrain
Core early action strategy recommendations				
Improve fare compliance & enforcement	X	X	X	X
Enhance parking revenue	n/a	X	X	X
Lease fiber and communications assets	n/a	n/a	X	X
Strategies for Future Consideration				
Expand advertising partnerships	X	X	X	X
Explore retail and amenity partnerships	X	X	X	X

Real Estate

- **Added**:
  - Near-term revenue opportunities to improve customer experience
- **Expanded**:
  - Information about constraints on development based on funding sources, policies, and regulatory barriers

Long-Term Opportunities Identified

Some suggestions require policy direction, interagency coordination, or exceed Phase 1 timeline.

As such, the following opportunities may be considered in **Phase Two**. This list is neither prescriptive nor exhaustive.

- Shared procurement processes to reduce overhead or contract costs
- Identify specific functions that can be consolidated or co-located across multiple agencies
- Evaluate alternative service models and service contracts, particularly for areas with lower ridership
- Explore additional opportunities to leverage real estate holdings for TOD

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

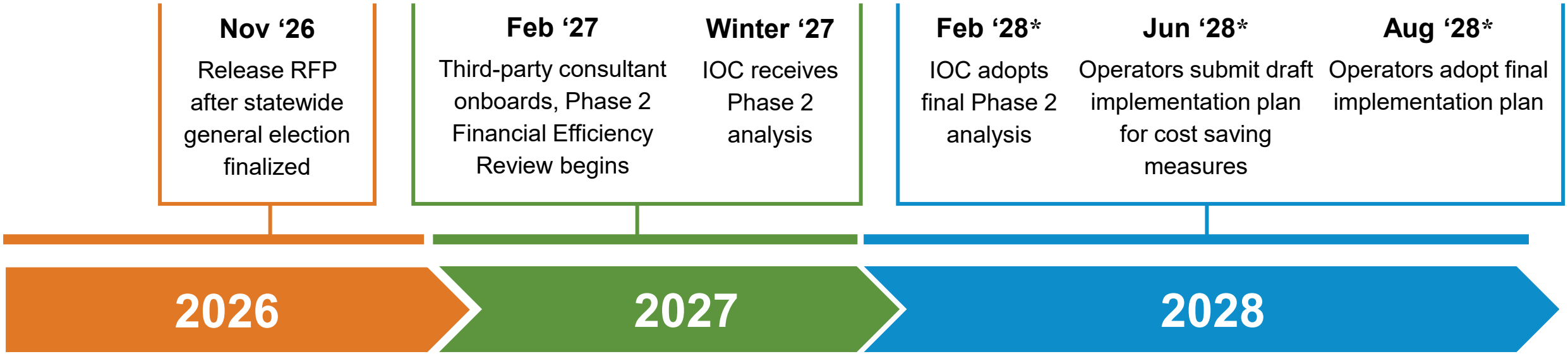
Following committee adoption MTC transmits the Final Phase One Financial Efficiency Review

- 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

Recommendation

MTC staff recommend that the Independent Oversight Committee adopt the

Final Phase One Financial Efficiency Review