METROPOLITAN TRANSPORTATION COMMISSION

Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105

Board Room, 1st Floor

MEETING AGENDA

Date: Wednesday, October 21, 2026 | **Time:** 9 a.m.

SB 63 Financial Efficiency Review Independent Oversight Committee

Chair: Sue Noack
Vice Chair: Jeff Gee
Clerk: Kimberly Ward

The SB 63 Financial Efficiency Review Independent Oversight Committee meeting is scheduled to take place at 9:00 a.m.

Meeting attendees may opt to attend in person for public comment and observation at 375 Beale Street, Board Room (1st Floor). In-person attendees must adhere to posted public health protocols while in the building. The meeting webcast will be available at https://mtc.ca.gov-/whats-happening/meetings/live-webcasts. Members of the public are encouraged to participate remotely via Zoom at the following link or phone number.

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All standing committee meeting agendas may also be accessed on MTC’s website here: https://mtc.ca.-gov-/meetings-events

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Members of the public may participate by phone or Zoom or may submit comments by email at info@bayareametro.gov by 5:00 p.m. the (business) day before the scheduled meeting date. Please include the committee or board meeting name and agenda item number in the subject line. All comments received will be submitted into the record.

Roster

Sue Noack
Chair

Jeff Gee
Vice Chair

Teresa Calvert*
Murphy McCalley
Anthony Serna*

Steve Heminger
Matthew Rinn
Lou Thompson

Debra Johnson
Ben Rosenfield
Nancy Whelan

**Non-Voting Members*

Agenda

1. Call to Order / Roll Call / Confirm Quorum

A quorum of the Committee shall be a majority of its voting members (5).

2. Chair's Report

3. Consent Calendar

3a. Approval of the draft Minutes of the May 22, 2026 meeting 26-2095

Action: Committee Approval

Attachments:

- 3a_26-2095_May_22_2026_Draft_SB63_FER_IOC_Meeting_Minutes.pdf

4. Committee Information and Discussion

4a. **Phase Two Financial Efficiency Review – Scope and Approach Discussion** 26-2068

Staff will provide an overview of the statutory requirements and anticipated timeline for Phase Two of the Financial Efficiency Review, contingent on voter approval of the Regional Transit Measure. Staff will present a proposed framework for translating the statutory requirements into a consultant scope of work and study process, including the analytical approach, anticipated procurement process, and consultant capabilities. The Independent Oversight Committee will be asked to provide input on staff's proposed approach and the key parameters that should inform development of the Phase Two scope of work.

Action: Information and Discussion'

Presenter(s): Shruti Hari

Attachments:

- 4a_26-2068_1_Summary_Sheet_Phase_Two_Financial_Efficiency_Review_Scope__Approach.pdf
- 4a_26-2068_2_Attachment_A_Proposed_Phase_Two_Approach.pdf
- 4a_26-2068_3_Attachment_B_Excerpt_from_SB63_CA_Gov_Code_SS67760-67766.pdf
- 4a_26-2068_4_Attachment_C_Presentation.pdf

5. Public Comment / Other Business

Remote attendees participating by Zoom wishing to speak should use the “raise hand” feature or dial *9. When called upon, unmute yourself or dial *6.

6. Adjournment / Next Meetings

The next meeting of the SB 63 Financial Efficiency Review Independent Oversight Committee is scheduled to be held on a date and time to be duly noticed to the public.

Public Comment: The public is encouraged to comment on agenda items at meetings by completing a request-to-speak card (available from the Clerk) and passing it to the Clerk. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

Meeting Conduct: If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the meeting body may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

Record of Meeting: Meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site (mtc.ca.gov) for public review for at least one year.

Accessibility and Title VI: MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

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Acceso y el Titulo VI: La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

Attachments are sent to meeting body members, key staff and others as appropriate. Copies will be available at the meeting.

375 Beale Street, Suite 800
San Francisco, CA 94105

Meeting Minutes

SB 63 Financial Efficiency Review Independent Oversight Committee

Sue Noack, Chair *Jeff Gee, Vice Chair*

Friday, May 22, 2026 **1:00 PM** **Board Room - 1st Floor**

Roster:
Sue Noack (Chair), Jeff Gee (Vice Chair)
Teresa Calvert*, James Hacker*, Steve Heminger, Debra Johnson, Murphy McCalley, Matthew Rinn, Ben Rosenfield, Lou Thompson, Nancy Whelan
***Non-Voting**

Chair Noack called the meeting to order at approximately 1:03 p.m.

1. Call to Order / Roll Call / Confirm Quorum

Present: 7 - Committee Member Gee, Committee Member Heminger, Committee Member Johnson, Committee Member McCalley, Committee Member Noack, Committee Member Rinn and Committee Member Thompson

Absent: 2 - Committee Member Rosenfield and Committee Member Whelan

2. Chair's Report

There was nothing to report.

3. Consent Calendar

Upon the motion by Committee Member Johnson and seconded by Committee Member Thompson, the Committee unanimously approved the Consent Calendar by the following vote:

Aye: 7 - Committee Member Gee, Committee Member Heminger, Committee Member Johnson, Committee Member McCalley, Committee Member Noack, Committee Member Rinn and Committee Member Thompson

Absent: 2 - Committee Member Rosenfield and Committee Member Whelan

3a. 26-0625 Approval of the draft Minutes of the April 17, 2026 meeting

Action: Committee Approval

4. Committee Approval

4a. 26-0635 Adoption of Final Phase One Financial Efficiency Review

Adoption of Final Phase One Financial Efficiency Review as required by CA Senate Bill (SB) 63. The Financial Efficiency Review Independent Oversight Committee (IOC) will review and consider adoption of the Final Phase One analysis that was revised to incorporate feedback from the IOC. Staff recommends that the IOC adopt the Final Phase One analysis.

Action: Committee Approval

Presenter: Shruti Hari and Stephen Newhouse (Nelson/Nygaard Consultant Team)

Written correspondence was received from Gina Papan (MTC Commissioner), and Lou Thompson (Committee Member).

The following members of the public were called to speak: Aleta Dupree (Team Folds), and Sebastian Petty (SPUR).

Upon the motion by Committee Member Noack and seconded by Committee Member McCalley, the Committee adopted the Final Phase One Analysis. The motion carried by the following vote:

Aye: 7 - Committee Member Gee, Committee Member Heminger, Committee Member Johnson, Committee Member McCalley, Committee Member Noack, Committee Member Rinn and Committee Member Thompson

Absent: 2 - Committee Member Rosenfield and Committee Member Whelan

5. Public Comment / Other Business

The following members of the public were called to speak: Aleta Dupree (Team Folds) and Roland Lebrun.

6. Adjournment / Next Meetings

The next meeting of the SB 63 Financial Efficiency Review Independent Oversight Committee is scheduled to be held on a date and time to be duly noticed to the public.

SB 63 Financial Efficiency Review Independent Oversight Committee

October 21, 2026 **Agenda Item 4a-26-2068**

Phase Two Financial Efficiency Review – Scope and Approach Discussion

Subject:

Staff will provide an overview of the statutory requirements and anticipated timeline for Phase Two of the Financial Efficiency Review, contingent on voter approval of the Regional Transit Measure. Staff will present a proposed framework for translating the statutory requirements into a consultant scope of work and study process, including the analytical approach, anticipated procurement process, and consultant capabilities. The Independent Oversight Committee will be asked to provide input on staff's proposed approach and the key parameters that should inform development of the Phase Two scope of work.

Background:

Senate Bill (SB) 63 requires AC Transit, BART, Caltrain and San Francisco Muni (collectively the "subject operators") to undergo a two-phase, third-party Financial Efficiency Review (FER), overseen by the Independent Oversight Committee (IOC).

The IOC adopted the final Phase One Financial Efficiency Review in May 2026. The review identified approximately $1 billion in cumulative operating cost savings achieved by the subject operators since Fiscal Year (FY) 2020 and recommended near-term strategies for subject operators to delivery improved service with existing resources. Subject operator governing boards adopted Phase One strategies in June 2026.

Phase Two is contingent upon voter approval of the Regional Transit Measure in November 2026. If approved, SB 63 requires Phase Two to identify and evaluate a menu of cost-saving measures that could reduce operators' one-time and ongoing fixed and variable costs. The analysis must consider administrative, operating and capital costs and distinguish between recommended actions that would not affect service and those that would require service realignments or reductions. Phase Two also requires a comprehensive regional assessment of development and financing strategies to maximize the value of subject operators' real property assets.

MTC is responsible for contracting with and managing a third-party consultant to undertake the Phase Two analysis. Following completion of the analysis, the IOC will review the draft, provide any direction on revisions, and adopt the final Phase Two Review.

If the measure is approved by votes, subject operators are required to develop and adopt Implementation Plans that incorporate Phase Two recommendations and IOC review. The Commission must verify that operators are adhering to these Implementation Plans and statutory maintenance of effort requirements as a condition of allocating measure revenues.

Proposed Approach

Staff have developed a proposed Phase Two approach for IOC review and input (Attachment A), including:

- Process: a six-stage process to achieve statutory objectives by aligning on outcomes, assessing each operator's financial and operational position, establishing targets and priorities, conducting in-depth analysis to develop strategies, and providing implementation guidance.
- Deliverables: key recommended attributes of the statutory deliverables (cost-saving measures and a development and financing strategy).
- Timeline: required and proposed milestones to deliver the project withing the compressed statutory timeline.
- Qualifications: consultant experience and abilities required to complete the proposed scope and satisfy statutory requirements.

Staff are seeking input from the IOC on this proposed approach to inform the Phase Two request for proposals and consultant scope of work.

MTC staff have begun engaging subject operator staff and stakeholders to gather their perspectives on the proposed Phase Two analytical framework, potential areas of focus, and lessons learned from Phase One. MTC will remain responsible for developing the consultant scope of work and conducting the procurement consistent with SB 63 requirements.

Next Steps:

Following the October IOC meeting, staff will incorporate IOC input into the proposed Phase Two framework and continue developing the consultant scope of work and procurement materials. Staff will also continue discussions with subject operators and other relevant stakeholders regarding the analytical approach, available data and potential areas of focus.

Subject to voter approval of the Regional Transit Measure, staff anticipate moving forward with the consultant procurement following the November election, with consultant selection targeted for early 2027. Once the consultant is on board, staff propose returning to the IOC at key analytical milestones, rather than waiting until completion of the study. The specific IOC engagement schedule will be refined as the consultant scope and work plan are developed.

All Phase Two procurement, consultant selection and study activities remain contingent upon voter approval of the Regional Transit Measure.

Recommendations:

Information and discussion. Staff are seeking IOC input on the proposed Phase Two analytical framework, key parameters for the consultant scope of work, and capabilities that should be represented on the consultant team.

Attachments:

- Attachment A: Proposed Phase Two Approach
- Attachment B: Excerpt from SB 63 / California Government Code § 67760-67766
- Attachment C: Presentation

Andrew B. Fremier

Attachment A – Proposed Phase Two Approach

Phase Two Process

Staff propose to structure Phase Two as a progressively narrowing analytical process that moves from understanding each operator's financial and operational position, to establishing appropriate objectives and identifying priority areas, and ultimately to developing the opportunities with the greatest potential impact:

- **Align**: Confirm time horizon, analytical framework and roles and expectations for the review.
- **Assess:**. Examine each operator's financial and operational position, performance trends, appropriate peer comparisons, and key challenges and opportunities for improvement.
- **Target and Prioritize**: Based on the initial assessment, establish appropriate operator-specific objectives and identify the areas with the greatest potential for meaningful financial or operational improvement.
- **Deep Dive and Develop Strategies**: Concentrate detailed consultant analysis on the highest-value opportunities and evaluate potential benefits, costs, implementation requirements, barriers and timing.
- **Implementation Guidance**: Develop actionable recommendations capable of informing the subsequent operator implementation plans, including measurable indicators and milestones that can support implementation and monitoring.

The proposed structure is intended to cast broadly enough to identify meaningful opportunities while progressively concentrating consultant resources on the areas where deeper analysis can provide the greatest value, rather than conducting equally detailed reviews of every aspect of each operator.

Staff also plan to engage the IOC at key points during the study so that the Committee can provide guidance on significant analytical and policy questions while the analysis is underway.

Phase Two Deliverables

SB 63 requires that the Phase Two Review include the following key deliverables:

- A menu of **cost-saving measures** for operators and
- A regional **development and financing strategy** for operator real property assets.

Following completion of the final Phase Two Review, subject operators must develop implementation plans identifying the cost-saving measures they propose to implement from the menu of measures, subject to IOC review and the subsequent operator board approval process established by SB 63. Staff propose to address and operationalize statutory requirements for the menu of cost-saving measures by incorporating the following:

- Target-setting: Following the initial assessment, establish operator-specific target ranges for financial and operational improvement based on each operator's financial outlook, performance, peer benchmarking, and key challenges and opportunities. Targets would emerge from the initial assessment, reflect each operator's circumstances, and would not be predetermined. Establishing an appropriate scale of improvement would help focus subsequent analysis, provide a basis for prioritizing opportunities and clarify the magnitude of potential impact that warrants more detailed consultant analysis.
- Prioritization: Building on Phase One and using the initial assessment and operator-specific targets, identify the opportunities with the greatest potential for meaningful financial or operational improvement and concentrate detailed Phase Two analysis on those areas.

Staff propose to structure the regional development and financing strategy based on the key statutory requirements, which include:

- Evaluate strategies to leverage assets through housing, commercial, mixed-use, and other transit-supportive development.
- Analyze potential impacts on ridership, revenue generation, fiscal stability, and broader public benefits, including affordable housing, job creation, and systemwide financial sustainability.
- Consider governance structures and financing mechanisms, including opportunities for regional partnerships, and alignment with existing public and private financing tools.

Finally, staff recommend structuring the Phase Two deliverable and consultant contract to support required operator implementation plans as follows:

- Monitoring and tracking: Establish metrics, timeframes and interim milestones for recommended strategies and operator-specific financial and operational improvement objectives to help operators track progress and support MTC's monitoring and accountability responsibilities.
- Technical assistance: Provide optional consultant support for operators developing implementation plans in the compressed timeline established by SB 63.

Phase Two Timeline

The statutory schedule creates a relatively compressed period for completing Phase Two. Based on the anticipated election and certification schedule, key milestones are expected to include:

Milestone	**Anticipated Timing**
IOC discussion of Phase Two scope and approach	October 21, 2026
Regional Transit Measure election	November 3, 2026
County election certification deadline	December 3, 2026
Consultant procurement and selection	October 2026 – February 2027
Phase Two consultant work	2027 – early 2028
Statutory deadline for adoption of Phase Two analysis (480 days from election certification)	March 2028
Operator implementation plans (draft and final)	Mid-Late 2028

The detailed schedule will depend on the timing of election certification, procurement, consultant selection and IOC review. Staff therefore propose advancing preliminary scope and procurement planning now, while clarifying that award of a Phase Two contract and commencement of the study remain contingent upon voter approval of the Regional Transit Measure.

This schedule also underscores the importance of establishing the analytical framework and expectations for the study early so that limited consultant time can be concentrated on substantive analysis.

Procurement and Consultant Expertise

Subject to voter approval of the Regional Transportation Measure, staff anticipate competitively procuring an independent consultant team to conduct the Phase Two review. Given the statutory schedule and the time required for procurement, staff have begun preliminary procurement planning so the study can proceed expeditiously if the measure is approved.

Based on the statutory requirements and proposed analytical framework, staff anticipate seeking a multidisciplinary consultant team with capabilities that may include:

- Transit finance and long-range financial analysis
- Transit operations, service planning and productivity
- Organizational and administrative efficiency
- Performance benchmarking and data analysis
- Capital planning and asset management
- Revenue and financing strategies
- Real estate development and financing
- Implementation planning and organizational change
- Experience with other transit operator clients (rail, bus)

Staff are interested in the IOC's input on whether there are additional capabilities or areas of expertise that should be represented on the consultant team.

Attachment B – Excerpt from SB 63 / California Government Code § 67760-67766

California Government Code § 67760-67766

San Francisco Bay Area Regional Public Transit Finance, Part 2: Transactions and Use Taxes, Chapter 4: Financial Transparency and Review

67760. The Legislature finds and declares that financial efficiency and transparency are imperative to build public confidence and support for public transit.

(Added by Stats. 2025, Ch. 740, Sec. 4. (SB 63) Effective January 1, 2026.)

67762. (a) The commission shall conduct a financial efficiency review of the subject operators, which are AC Transit, BART, Caltrain, and Muni pursuant to the timeline set forth in Section 67766.

(b) Phase one of the financial efficiency review shall exclusively identify the following:

(1) Cost-saving measures implemented since January 1, 2020, by the subject operators.

(2) (A) Early action strategies that would assist the subject operators in delivering increased or improved service and enhanced customer experiences with existing resources.

(B) In furtherance of the identification of early action strategies, phase one of the financial efficiency review shall include an analysis of the each subject operator's real property assets. The analysis shall be conducted in consultation with the subject operators, and shall include an inventory of existing holdings and identify potential redevelopment opportunities, with an emphasis on housing, commercial, and mixed-use projects, and other efficient land uses near transit that can support ridership growth and generate long-term value. The analysis shall include a property asset map and a preliminary list of redevelopment opportunities to inform phase two of the financial efficiency review.

(c) (1) Phase two of the financial efficiency review shall identify a menu of cost-saving measures that, if implemented, would reduce one-time and ongoing fixed and variable costs for the subject operators. The review shall evaluate cost-saving measures using metrics such as cost per passenger mile and subsidy per passenger mile, reported in both nominal dollars and real dollars, and any other relevant measures needed to ensure results are quantifiable and actionable.

(2) (A) Phase two of the financial efficiency review shall also include a comprehensive regional assessment of development and financing strategies to maximize the value of each subject operator's real property assets. The assessment shall, at a minimum, do all of the following:

(i) Evaluate strategies to leverage assets through housing, commercial, mixed-use, and other transit-supportive development.

(ii) Analyze potential impacts on ridership, revenue generation, fiscal stability, and broader public benefits, including affordable housing, job creation, and systemwide financial sustainability.

(iii) Consider governance structures and financing mechanisms, including opportunities for regional partnerships, and alignment with existing public and private financing tools.

(iv) Produce a regional development and financing strategy.

(d) The scope of both phases of the financial efficiency review shall consider administrative, operating, and capital costs and shall clearly distinguish between any recommended actions that would not impact service and those that would require service realignments or reductions.

(Added by Stats. 2025, Ch. 740, Sec. 4. (SB 63) Effective January 1, 2026.)

67764. The commission shall contract with, and manage, a third-party consultant to conduct one or both phases of the financial efficiency review. The third-party consultant shall conduct the review in consultation with the subject operators and an oversight committee established by the commission that consists of all the following members:

(a) The chair of the commission, if the chair is from the geographic jurisdiction of the district, or another member of the commission designated by the chair that is from the geographic jurisdiction of the district.

(b) The board chair or president, or another member of the board designated by the chair or president, of each subject operator.

(c) Four independent experts appointed by the commission with expertise in public transit operations and finance.

(d) One representative from the Transportation Agency and one representative the Department of Finance as ex officio, nonvoting members.

(Added by Stats. 2025, Ch. 740, Sec. 4. (SB 63) Effective January 1, 2026.)

67766. (a) On or before April 1, 2026, the third-party consultant procured for phase one shall complete the phase one analysis described in subdivision (b) of Section 67762 and transmit it to the oversight committee. The oversight committee shall review the phase one analysis, direct the third-party consultant to make any revisions, and adopt a final phase one analysis. The commission shall transmit the final phase one analysis to all of the following entities:

(1) The subject operators.

(2) The Legislature, in compliance with Section 9795.

(3) The Transportation Agency.

(4) Each participating county transportation entity.

(b) On or before July 1, 2026, each subject operator shall identify the specific strategies in the final adopted phase one analysis that it commits to implementing, and shall adopt those strategies as formal policy or budget actions, as applicable.

(c) If the certified election results identify that the tax ordinance has been approved by the voters pursuant to this title, all of the following shall occur no later than 480 days after the election results are certified:

(1) The third-party consultant procured for phase two shall complete the analysis described in subdivision (c) of Section 67762 and transmit it to the oversight committee. The oversight committee shall review the phase two analysis, direct the third-party consultant to make any revisions, and adopt a final phase two analysis, including a regional development and financing strategy produced pursuant to clause (iv) of subparagraph (A) of paragraph (2) of subdivision

(c) of Section 67762. The commission shall transmit the phase two analysis to the entities described in paragraphs (1) to (4), inclusive, of subdivision (a).

(2) The oversight committee shall specify to each subject operator what information, at a minimum, shall be included for each cost-saving measure that each operator chooses to include in its implementation plan pursuant to subdivision (d).

(d) No later than 120 days after the actions required by subdivision (c) are complete, each subject operator shall submit to the oversight committee a draft implementation plan that describes all cost-saving measures the operator plans to implement, including all information related to those measures required by the oversight committee pursuant to subdivision (c). In developing the implementation plan, the operator shall balance financial efficiency, service, and system safety.

(e) The oversight committee shall review each draft implementation plan and either approve the plan or recommend revisions to further facilitate the implementation of recommendations identified in the phase two analysis.

(f) No later than 60 days after the oversight committee takes action pursuant to subdivision (e), the subject operator's governing board shall do all of the following:

(1) Incorporate oversight committee recommendations made pursuant to subdivision (e), if applicable, into its implementation plan.

(2) Adopt a final implementation plan and transmit it to the oversight committee and to the entities described in paragraphs (1) to (4), inclusive, of subdivision (a).

(3) (A) Notwithstanding paragraph (1), a subject operator may reject the inclusion of one or more of the recommendations made by the oversight committee pursuant to subdivision (e) if the governing board of the operator makes a written finding when adopting the final implementation plan pursuant to paragraph (2) that the recommendation has an unacceptable impact on transit service or safety or is inconsistent with other documented local policies and procedures.

(B) Within 10 business days after a subject operator adopts a finding pursuant to subparagraph (A), the commission shall transmit written notice of the adoption of that

finding to the policy committees of the Legislature with jurisdiction over transportation and to the Transportation Agency. The notice shall include the subject operator's adopted finding pursuant to subparagraph (A).

(C) Any finding adopted pursuant to subparagraph (A) shall be time limited and shall expire no later than 12 months after adoption unless renewed by the subject operator following the procedures set forth in this chapter with an updated assessment demonstrating continuing need. The subject operator shall provide annual status updates to the commission that specifically address the basis for the adopted finding, including whether the circumstances or obstacles identified as preventing compliance have been resolved, mitigated, or otherwise changed. The status update shall identify specific steps taken to address the stated obstacle and a timeline for when compliance could reasonably be achieved if the obstacle is removed.

(g) The oversight committee shall terminate after each subject operator takes the actions required pursuant to subdivision (f). Each subject operator shall adhere to the final implementation plan it adopted pursuant to subdivision (f) until the expiration of the tax approved pursuant to this title, unless doing so is infeasible due to circumstances beyond the operator's control, in which case the operator shall make a good faith effort to comply.

(h) As a condition of receiving continued funding pursuant to Chapter 3 (commencing with Section 67750), each subject operator shall verify with the commission that it is in compliance with the requirements of this chapter. Before taking an action to withhold funds from a subject operator for noncompliance with the requirements of this chapter, the commission shall provide the operator a period of 90 days to comply before withholding funds. The commission shall withhold the funds until the operator complies with the requirements of this chapter. If the subject operator does not comply with the requirements of this chapter before the commission makes the final allocations of revenue from the tax ordinance approved by the voters pursuant to this title, the commission shall reallocate the withheld funds to support public transit expenses within the county or counties that the operator serves.

(Added by Stats. 2025, Ch. 740, Sec. 4. (SB 63) Effective January 1, 2026.)

Link to California Government Code § 67760-67766

SB 63 Phase Two Financial Efficiency Review (FER)

Scope and Approach Discussion

SB 63 Independent Oversight Committee

October 21, 2026

METROPOLITAN TRANSPORTATION COMMISSION

Agenda

SB 63 Financial Efficiency Review Phase Two

- Timeline and statutory requirements
- Proposed framework to translate requirements into a consultant scope of work
  - Analytical approach
  - Consultant capabilities
  - Procurement process
- Input on proposed approach and key scope of work parameters

Background

Senate Bill 63 (Wiener/Arreguin, 2025)

- Authorized a regional transit revenue measure for November 2026 ballot
- Directed MTC to complete a Financial Efficiency Review (FER)

Phase One FER (adopted May 2026)

- $1 billion in cumulative operating cost savings achieved by SFMTA, BART, AC Transit and Caltrain since FY 2020
- Recommends near-term strategies to deliver improved service with existing resources
- Inventory of real property assets and redevelopment opportunities

Agency Responsibilities if Measure Passes

Phase Two FER (2027 – 2028)

- Commission to contract with a consultant to complete review
- IOC to review draft, approve final Phase 2 Report
- Operators to develop and adopt Implementation Plans with IOC review

Ongoing Oversight and Allocations (2027 – 2041)

- District to transfer measure revenues to CTAs for county expenditure plans, MTC for use on regional programs and allocation to transit operators
- Commission to verify that operators are adhering to Implementation Plans and maintenance of effort requirements as a condition of allocating funds

SB 63 Timeline

Phase Two Financial Efficiency Review

Late 2025 – mid 2026
Phase One Financial Efficiency Review

Late 2026 – early 2027
Initial coordination with operators and consultant procurement

2027
Phase Two analysis completed by consultant

Early 2028
IOC reviews and adopts Phase Two analysis

Mid-Late 2028
Operators draft/finalize implementation plans with IOC review

Late 2028 – 2041
Operator implementation of Phase Two plans

2025 | 2026 | 2027 | 2028 | 2029 | Until 2041

Note: Phase Two Financial Efficiency Review and subsequent implementation steps contingent on voter approval of the Regional Transit Measure (RTM) in November 2026

FER Phase Two Statutory Requirements

Cost Saving Measures
(MTC/Consultant Responsible)

- Menu of measures to reduce one-time and ongoing costs
- Evaluate impacts using metrics including cost and subsidy per passenger mile
- Consider administrative, operating and capital costs and distinguish impacts to service

Real Property Development and Financing Strategy
(MTC/Consultant Responsible)

Develop regional strategy to maximize value of operator real property, including:

- Various development opportunities
- Potential ridership, revenue and fiscal stability impacts
- Governance structures
- Financing mechanisms

Implementation Plans
(Subject Operators Responsible)

- Operators develop implementation plans
- IOC reviews plans and may recommend revisions
- Operator boards adopt final plans
- Operators adhere to adopted plans through the life of the measure

Proposed approach will be closely grounded in statutory requirements

Key Questions to Shape Phase 2 Scope

As staff shape the scope of work, several key considerations are guiding our proposed approach and would benefit from IOC input

1. **Desired Outcomes and Time Horizon:** What level of financial improvement should the review aim to achieve, and over what timeframe?
2. **Scope of Effort:** How broadly should we explore potential opportunities, including innovative approaches to service delivery, operating and capital efficiencies, revenue generation, and regional coordination?
3. **Breadth and Depth of Analysis:** How do we balance identifying opportunities broadly with focusing detailed analysis on those with the greatest potential impact?
4. **Actionable Implementation:** How do we ensure the recommendations are quantifiable, actionable, and sufficiently developed to support operator implementation plans?

Proposed Elements to Focus/Operationalize Phase Two

- **Target-Setting**: identify intended outcomes for each operator
- **Revenue Generation**: consider complementary revenue-generating opportunities alongside statutory cost-saving measures
- **Prioritization**: focus analysis on measures with the highest potential for meaningful impact by operator
- **Implementation**: determine near-term next steps to advance each strategy and support development of operator implementation plans
- **Monitoring and Tracking**: establish a process for MTC and operators to monitor the status of each strategy to promote accountability and transparency

Proposed FER Phase Two Process

1. ALIGN*

Confirm time horizon, analytical framework and roles

2. ASSESS

- Operator financial outlook
- Operator performance
- Peer comparisons and broader best practices
- Key challenges and opportunities

3. TARGET & PRIORITIZE

Develop preliminary operator-specific target ranges based on assessment findings and identify highest-value areas for deeper analysis

4. DEEP DIVE & DEVELOP STRATEGIES

- Focus analysis on highest-impact opportunities
- Quantify benefits, costs, barriers and timing

5. IMPLEMENTATION GUIDANCE

Translate findings into actionable recommendations and measurable milestones to inform operator implementation plans

6. MTC MONITORS COMPLIANCE*

Develop compliance plan for each operator, including schedule and process for monitoring

**Outside of / parallel to consultant scope*

IOC Checkpoints

Expectations → Assessment/Priorities → Emerging Strategies → Draft Analysis → Adoption

Go broad enough to identify the opportunities; Go deep only where the potential impact justifies the effort

Governance Structure

Commission

- Procures and manages the Phase 2 consultant
- Establishes the FER IOC
- Transmits the adopted Phase 2 analysis
- Verifies compliance with statutory requirements

FER IOC

- Reviews the Phase 2 analysis
- Directs the consultant to revise the analysis
- Adopts the final Phase 2 analysis
- Reviews draft implementation plans and approves or recommends revisions

Operator Boards

- Develop draft implementation plans
- Adopt final implementation plans
- Make findings if IOC recommendations are not adopted
- Execute the final implementation plan

Consultant Qualifications and Experience

Proposed consultant team with capabilities and experience:

- Transit finance and long-range financial analysis
- Transit operations, service planning and productivity
- Organizational and administrative efficiency
- Performance benchmarking and data analysis
- Capital planning and asset management
- Revenue and financing strategies
- Real estate development and financing
- Implementation planning and organizational change
- Experience with other transit operator clients (rail, bus)

IOC Input on Proposed Approach

Overall Framework and Outcomes

Does the proposed framework provide an appropriate structure for **translating statutory requirements into an actionable study**? Should **operator-specific target ranges**, informed by the initial assessment, help guide prioritization and deeper analysis?

Breadth and Depth of Analysis

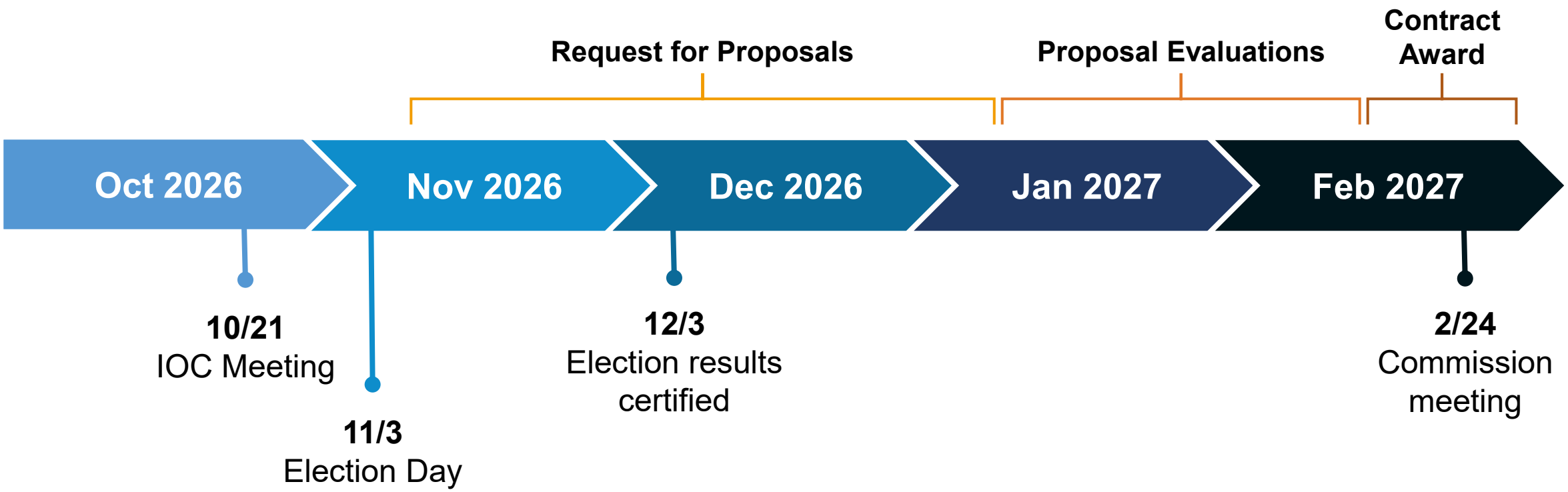
Does the proposed approach appropriately balance identifying a **broad range of potential strategies** with **detailed analysis on opportunities** with the greatest potential impact?

Consultant Expertise

Which of the proposed consultant qualifications are most important?

Are there **additional capabilities or areas of expertise** that should be represented?

Next Steps



Note: Phase Two Financial Efficiency Review and subsequent implementation steps contingent on voter approval of the Regional Transit Measure (RTM) in November 2026

Appendix

Proposed Scope of Work

Consultant Tasks

1. **Project Management** (ongoing)
2. **Stakeholder Engagement** (ongoing): including subject operators and IOC
3. **Initial Operator Assessment** (early 2027): financial outlook, performance, peer benchmarking, key challenges and opportunities
4. **Target-Setting and Prioritization** (spring 2027): operator-specific targets, areas with greatest potential for deeper analysis
5. **Strategy Development and Analysis** (spring – fall 2028): focused investigation of high-impact strategies, recommendations and milestones to inform implementation
6. **Real Property Asset Analysis** (spring – fall 2027): transit-oriented development opportunities, potential impacts, implementation
7. **Draft Phase 2 Report** (early 2028)
8. **Final Phase 2 Report** (by March 2028)