



Update on Regional Transportation Revenue Measure

BART Board of Directors

September 12, 2024



Today's Agenda

1. BART Context and Funding Priorities

- Need for New Funding Model
- Priorities in a Revenue Measure

2. Metropolitan Transportation Commission (MTC) Regional Transportation Measure Discussions

- Measure Variables and Inputs
- MTC Revenue Measure Scenarios & Alternative Framework
- BART Staff Assessments

3. Operator-Led Revenue Measure Concepts

- BART Taxing Authority & Statutes
- Operator-Led Scenarios for Discussion
- Elements of Potential Legislation

4. Look Ahead

- BART Polling
- Key Milestones & Timeline

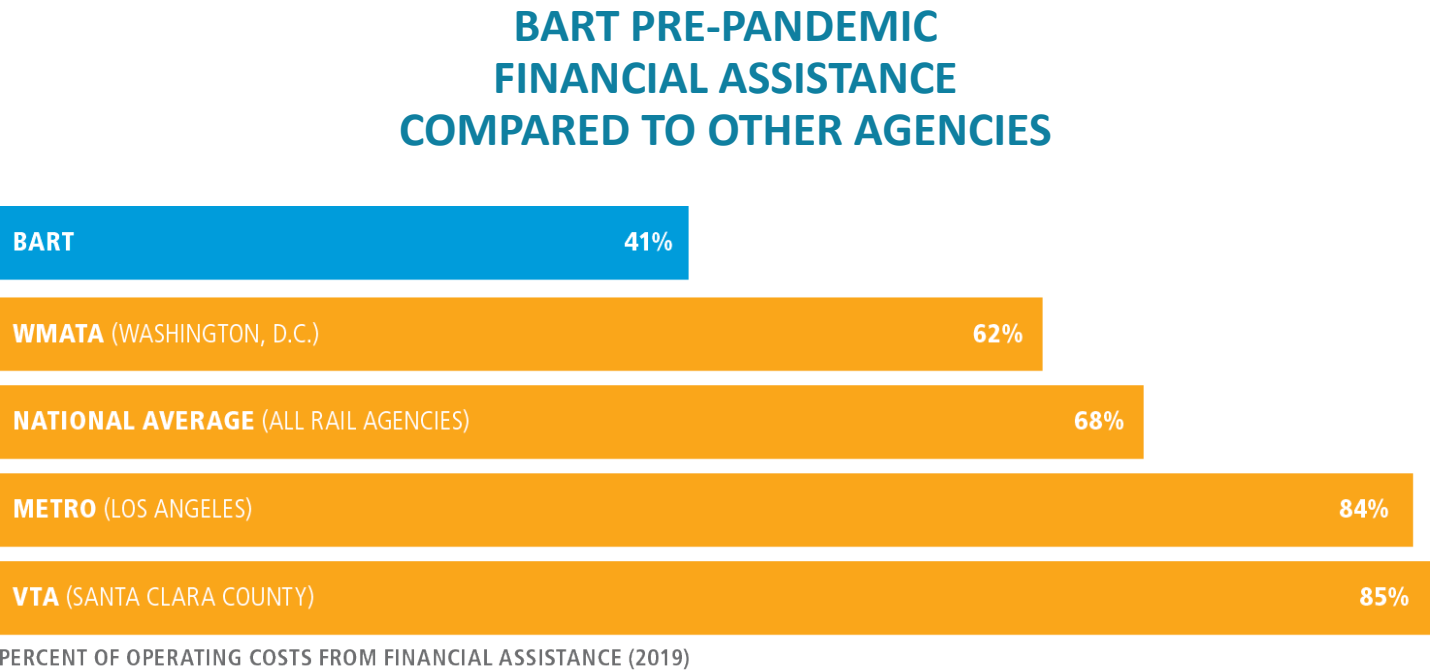
BART Context and Funding Priorities

BART's Five-Year Fiscal Outlook

(\$Millions)	FY25 Adopted Budget	FY26 Adopted Budget	FY27 Forecast	FY28 Forecast	FY29 Forecast
Operating Revenues	298	310	323	342	361
Financial Assistance	500	511	513	529	546
Total Regular Revenues	798	821	836	871	907
Operating Expense	1,034	1,043	1,085	1,112	1,147
Debt Service & Allocations	92	107	136	136	115
Total Uses	1,126	1,150	1,221	1,248	1,262
<i>Operating Result</i>	<i>(328)</i>	<i>(329)</i>	<i>(385)</i>	<i>(377)</i>	<i>(355)</i>
Federal Emergency Assistance	270	0	0	0	0
State/Regional Emergency Assistance	58	294	0	0	0
Total Net Result	0	(35)	(385)	(377)	(355)

Need for New Funding Model: Operating Revenues

- Pre-pandemic, BART’s reliance on financial assistance for operating was below national average at 41%.
- Today, remote work and changing travel patterns have resulted in significant loss fare revenue, creating a need for a new funding model.
- BART’s forecasted need for financial assistance is now on par with national average at approximately 70%.



Need for New Funding Model: Local Financial Assistance

- In addition to fares and other operating revenue, BART's operating sources include local funding, state/regional assistance, and one-time federal emergency aid.
- Local funding currently makes up nearly 40% of the FY25 budget (\$435M).
 - San Francisco, Alameda, and Contra Costa contribute 91% of local funding and receive 85% of service hours.
 - San Mateo contributes 1% of local funding and receives 12% of service hours.
 - Santa Clara contributions derived from operating and maintenance agreement with VTA for extension.

Local Operating Funding by County (\$M)	San Francisco	Alameda	Contra Costa	San Mateo	Santa Clara	Other/Regional	Total
BART District sales tax	82	148	90	0	0	0	320
BART District property tax	22	24	18	0	0	0	64
Other local assistance	0	8	0	4	35	2	50
Total	\$103	\$180	\$109	\$4	\$35	\$2	\$435
% of local funding	24%	42%	25%	1%	8%	1%	100%

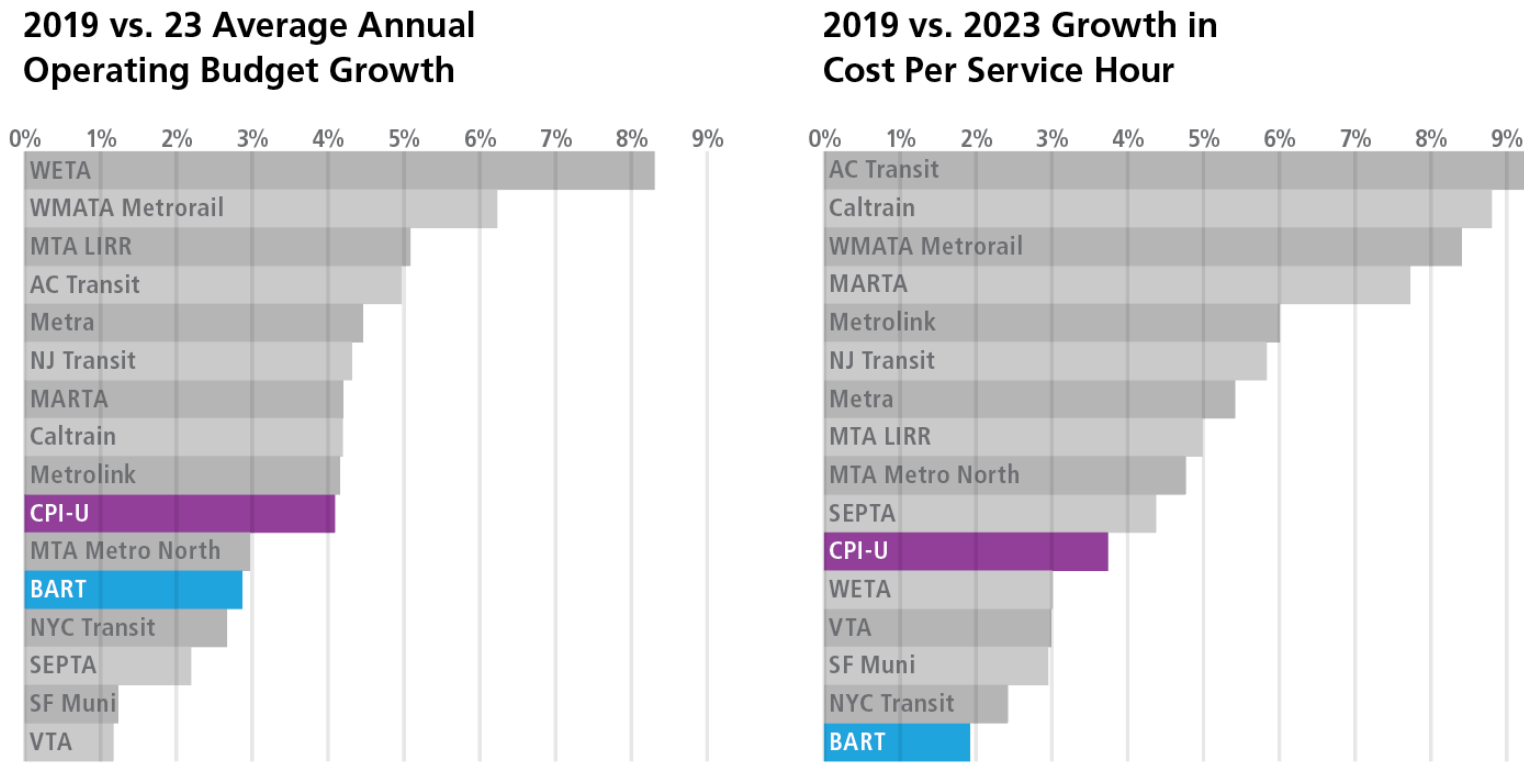
	San Francisco	Alameda	Contra Costa	San Mateo	Santa Clara	Other/Regional	Total
% of service hours	21%	46%	18%	12%	3%	NA	100%
% of riders (exits)	44%	34%	14%	6%	2%	NA	100%
% of passenger miles *	36%	33%	19%	9%	4%	NA	100%

* Attributed to the county of exit station

Need for New Funding Model: Cost Efficiencies

- BART cannot cut our way to a balanced budget.
- Working to reduce costs without impacting service, but savings are relatively minor.
- Over the past 5 years, BART has effectively contained costs compared to peer agencies.

OPERATING EXPENSE GROWTH FOR BART AND PEER TRANSIT AGENCIES



BART Priorities in a Revenue Measure

- **Sustain Operations.** Sustainable funding source for operations over the long-term to ensure safe, reliable transit service for the region.
- **Regional Connections.** Funding to support service improvements and regional network coordination to make transit a more viable alternative to driving.
- **Equity Focus.** Keep transit accessible to transit-dependent riders, equity priority communities, and riders of all abilities.
- **Prioritize Transit.** Priority for transit operations and projects over roadway investments.
- **Enhanced Service.** Funding for increased service as ridership demand grows.

MTC Regional Transportation Measure Discussions

MTC-Led Regional Discussions to Date

- In June, MTC established an 18-member Transportation Revenue Measure Select Committee tasked with building consensus for state legislation in 2025 that would authorize a regional measure to preserve and enhance public transit.
- A 20-member Transportation Revenue Measure Executive Group was also convened to play an advisory role to the Select Committee. It consists of representatives from transit operators and county transportation authorities.
- Each group will convene 5-6 times through late October.
- Three meetings of the Select Committee have been held to date (June 24, July 29, Aug. 26).
- November target date for Commission to consider Select Committee recommendations on legislative approach.

Revenue Measure Variables and Inputs

- Defining “problem” - i.e., pandemic fare loss, standardized shortfalls, operator reported shortfalls
- County participation (all or subset)
- Revenue mechanism (source of funds; specific or menu of options)
- Size and duration
- Level of funding for operations, capital, and other priorities
- Return to source
- Funding shifts over time
- Political viability
- Competing measures

MTC Select Committee Meeting 1: June 24

Confronting the Challenge

- Bay Area transit ridership recovery at 66% relative to peak in 2019.
- Ridership recovery uneven across operators due to differences in service area and rider demographics.
- Fare revenue recovery slowest for agencies most reliant on fares (BART, Caltrain, Golden Gate).
- Operator costs have grown by over 4% annually.
- Trends add up to significant regional operating shortfall.
- Each operator funds operations differently, resulting in unique variables.
- Highest priority identified among committee members was solving for the transit fiscal cliff.

MTC Select Committee Meeting 2: July 29

Opinion Research Summary (3/23 – 1/24)

- Voters are in a pessimistic mood and sensitive to tax increases.
- Widespread belief that public transit is important to Bay Area.
- Support for a transportation revenue measure has been measured at 51-63%.
- Support consistent across various revenue mechanisms.
- Voters want outcomes that will sustain and improve transit while also providing traffic relief and road improvements.

Revenue Permutations

- Many revenue options (sales, parcel, payroll, income, etc.) studied, but few deemed politically feasible.
- Varying sales tax rates and geographies examined for revenue generation.
- Direction provided to MTC staff to review a 30-year measure consisting of four counties with opt-in for others.
- Desire to look at sales, parcel, and payroll tax.

MTC Select Committee Meeting 3: August 26

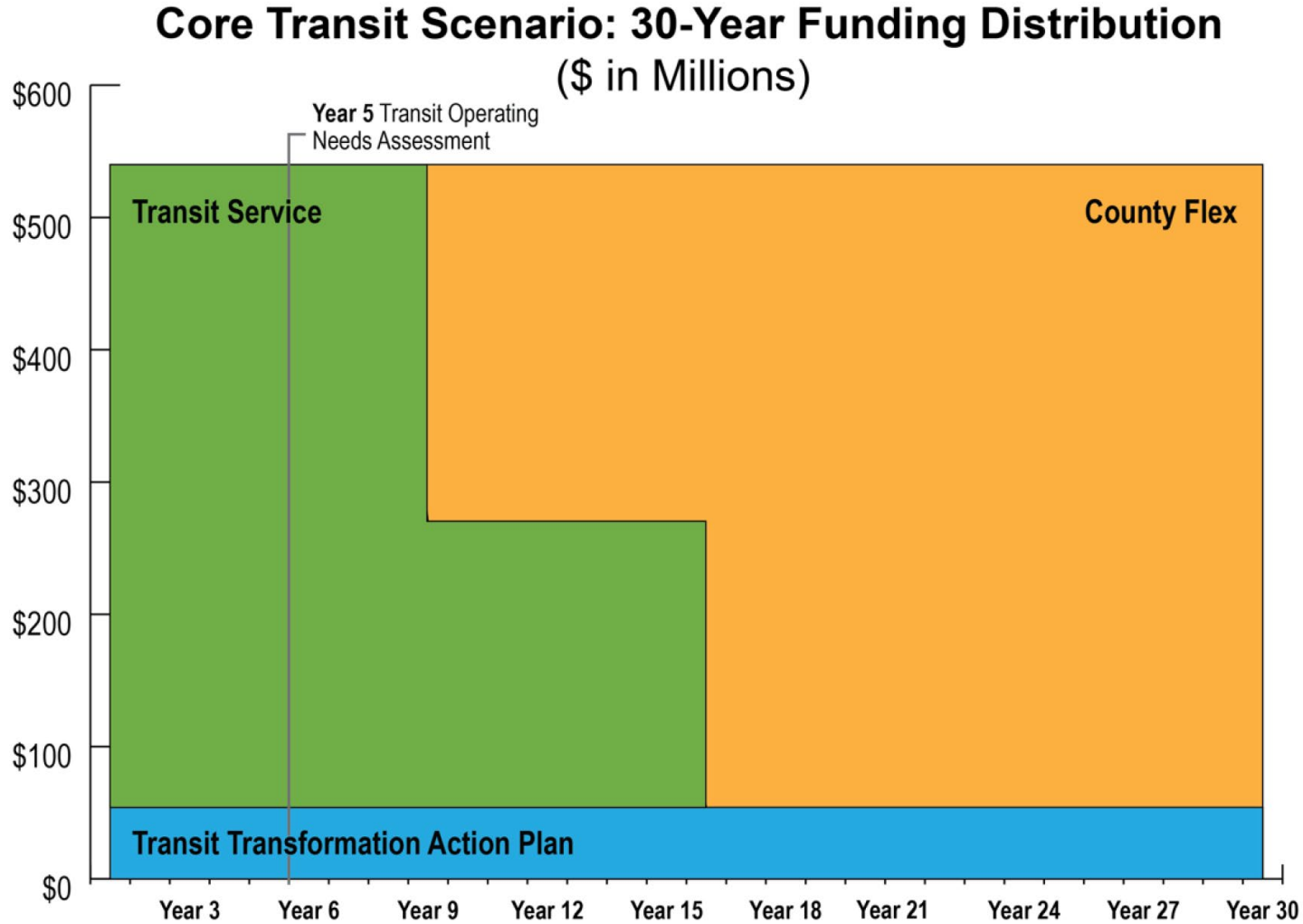
Constructing the Path(s) Forward

- Changed political landscape with withdrawal of Bay Area housing bond measure from November 2024 ballot.
- Two distinct transportation revenue measure options presented:
 - Scenario 1 – Core Transit
 - Scenario 2 – Go Big
- Key factors in designing scenarios: transit funding needs, transit transformation, and county funding needs.
- Information provided on alternative framework of separate but coordinated measures.
- Further refinements expected to scenarios based on committee input.

Scenario 1 – Core Transit

- 30-year, half-cent sales tax. Projected to raise \$540M/year (2022 revenue).
- Includes Alameda, Contra Costa, San Francisco, and San Mateo. Others may opt-in.
- \$54M/year (10% of revenues) to Transit Transformation for entirety of measure.
- Funding distribution shifts over time:
 - **Years 1-8:** \$490M/year to offset lost fare revenue/mitigate service impacts at BART, Caltrain, AC Transit and MUNI, plus funding for small operators in Alameda and Contra Costa County.
 - **Years 9-15:** Transit operations funding reduced to \$220M/year. Remainder to County Flexible funds.
 - **Years 16-30:** All funding shifts to County Flex, except the 10% for Transit Transformation.
- Transit operations remains eligible expenditure under County Flex.

Scenario 1 – Core Transit



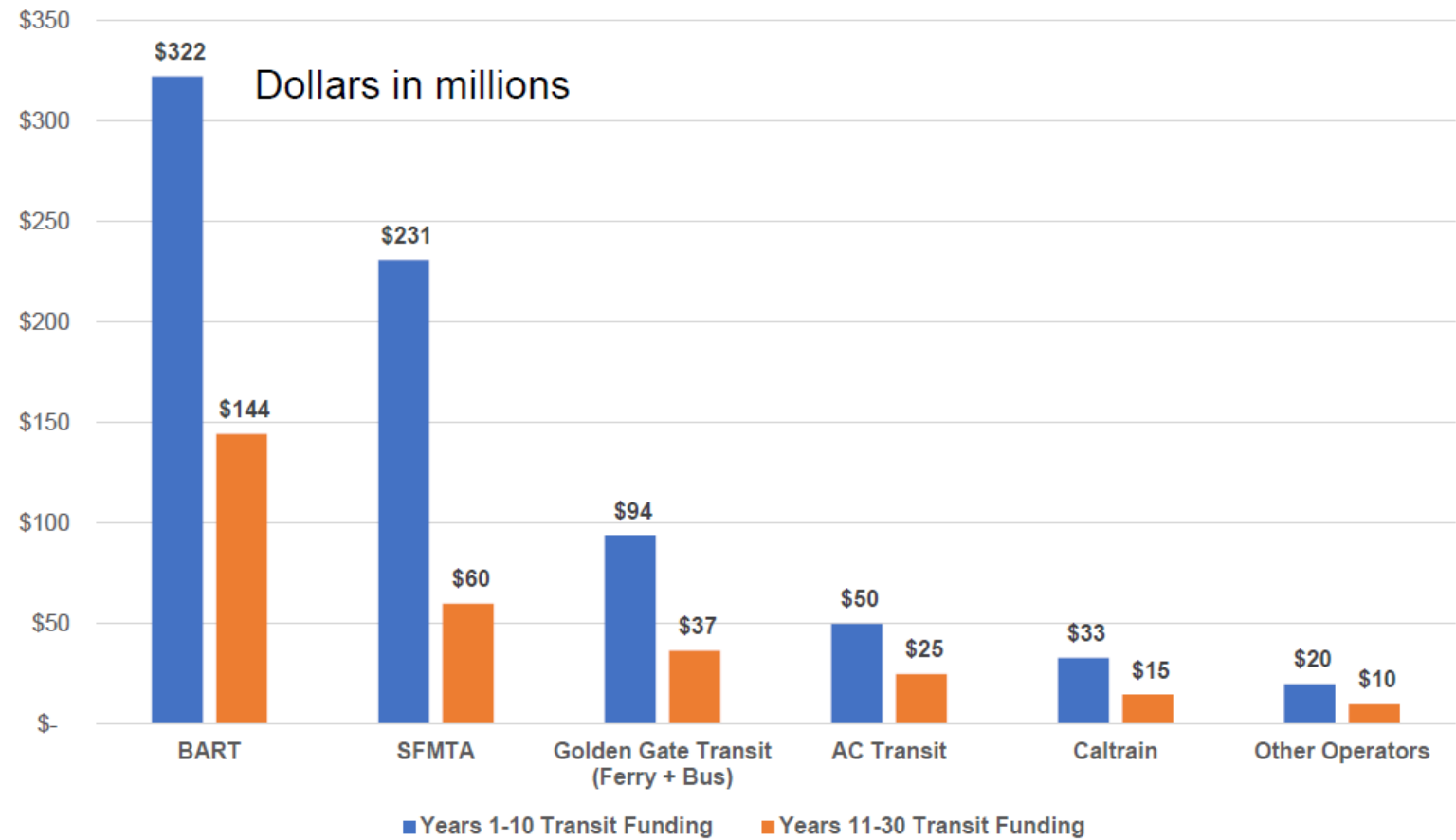
Graphic adapted from "Scenarios Presentation," Item 4a, MTC Select Committee meeting of August 26

- FY26 transit operator reported shortfalls total ~\$740M.
- **Years 1-8:** BART would receive \$300M/year in operating funds leaving ~\$50 – 80M/year gap.
- **Years 9-15:** BART would receive \$160M/year in operating funds leaving ~\$150M/year gap.
- **Years 16-30:** BART would receive no guaranteed operating funds.

Scenario 2 – Go Big

- \$1.5B/year measure raised from a 30-year payroll or parcel tax in all nine counties.
 - \$0.28/square foot parcel tax on building area or 0.54% payroll tax.
- Annual expenditure framework:
 - **20% for Transit Transformation (\$300 million)**
 - \$150M allocated at the regional level.
 - \$150M allocated to counties to spend on any project in Transit 2050+ or Transit Transformation Action Plan.
 - **50% for Transit Operations and Improvements (\$750 million)**
 - After first 10 years, less funding is dedicated to offsetting deficits, with more funds available to invest in transit enhancements by operators not facing funding gaps.
 - **30% for County Flex (\$450 million)**
 - Expenditures must align with Plan Bay Area 2050+ or successor plan with transit service as an eligible expense.

Scenario 2: Dedicated Annual Transit Operating Funding Levels by Operator



Years 1-10

Each operator receives funding to cover portion of reported funding gap to sustain service levels. This totals 50% of all revenues or \$750 million per year.

Years 11-30

Transit funding is sustained, but less is dedicated to offset deficits, and more funds are available to invest in county level transit improvements.

Proposed Alternative Framework: Separate Measures

- Four agencies facing substantial operating gaps could each pursue their own individual measures.
- MTC could play a supporting role in managing a single bill that includes any legislative authorizations.
- While AC Transit and Caltrain would need relatively small sales taxes, BART and MUNI would need substantially larger measures.
- No funding to advance Transit Transformation at a regional level.

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%

Graphic adapted from "Scenarios Presentation," Item 4a, MTC Select Committee Meeting of August 26

BART Staff Assessment of Select Committee Proposals

- No long-term solution to modernize BART's funding model with new local revenue.
- Scenarios partially address BART's deficits and put agency back into fiscal crisis in eight years.
- 30-year timeframe limits BART's ability to seek additional funding beyond period that prioritizes transit operations.
- Concerns with county flex dollars flowing to BART to support operations.
- Support framework that reassess transit operator need over time with sustained funding from County Flex if operators meet set accountability measures.
- Desire to see MTC polling on both scenarios.
- Multiple measures could lead to failure of one or more among tax-weary voters.

Operator-Led Revenue Measure Concepts

BART Taxing Authority and Statutes

Transaction and Use (Sales) Tax

- The BART Board, via ordinance, may place transactions and use (sales) taxes on the ballot in the three counties of the District.
- Combined rate of all local taxes imposed in any county must not exceed 2% unless specifically authorized by statute.
- According to the State Department of Tax and Fee Administration, Alameda and Contra Costa Counties have reached their 2% sales tax cap.
- Any increase to the sales tax requires a 2/3 vote of the electorate in the District.

Property Tax

- District Act provides authority to levy up to \$0.05 per \$100 of assessed valuation on properties within the District.
- Authority limited by California Constitution, which imposes a 1% overall limit on property taxes in the state.
- Exception to the 1% for property taxes approved by 2/3 of the electorate to pay debt service on a general obligation bond to fund capital programs.

BART Taxing Authority and Statutes

Parcel Tax

- The District does not currently have authority to impose parcel taxes and would need to seek authority through legislation.
- Parcel taxes are taxes assessed at a flat rate or against some characteristic other than value, such as lot size, square footage of improvements, etc.
- If such authority were granted, a parcel tax would require a 2/3 vote of BART's electorate.
- Parcel taxes are generally levied for a period of 6-10 years.

Annexation

- District Act outlines process for annexing any Bay Area county not included within the boundaries of the district, including a county which has withdrawn.

Operator-Led Scenarios for Discussion

SALES TAX	Scenario A – 5 County	Scenario B – 4 County	Scenario C – 3 County*
Scope of Measure	BART District + San Mateo + Santa Clara	BART District + San Mateo	3-County BART District
Sales Tax Rate	½ cent	½ cent	½ cent
Est. Annual Revenue (2026)	\$920M	\$600M	\$479M

PARCEL TAX	Scenario A – 5 County	Scenario B – 4 County	Scenario C – 3 County*
Scope of Measure	BART District + San Mateo + Santa Clara	BART District + San Mateo	3-County BART District
Annual Parcel Tax (flat rate)	\$524	\$476	\$452
Est. Annual Revenue	\$920M	\$600M	\$470M

**Scenario C would require new financial terms with San Mateo County.*

Possible Elements of Enabling Legislation

Legislation for an operator-led measure may need to include:

- Exemption of a measure's tax from the county sales tax cap of 2% *OR* special authorization to exceed the cap in certain counties.
- Parcel tax authority.
- Expenditure framework for multiple operators.

Look Ahead

BART Polling

- Engage voters within the five-county BART service area (Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara).
- Solicit opinions from voters on BART and Bay Area transit.
- Poll half-cent sales tax to help fund transit operations, regional coordination, and means-based fare programs for train and bus operators in the 5-county region.
- Polling begins in mid-September.
- Report results at the end of October.

Key Milestones & Timeline

