



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Ristow

SUBJECT: See Below

DATE: March 23, 2026

Approved

Date:

4/1/26

COUNCIL DISTRICT: Citywide

SUBJECT: Transportation Policy Priorities for Santa Clara Valley Transportation Authority Local Investment Plan Related to Senate Bill 63 Revenue Measure

RECOMMENDATION

Approve and support the following transportation policy priorities for advocacy by the City of San José during development of the Santa Clara Valley Transportation Authority Local Investment Plan for Senate Bill 63 revenues returned to the Santa Clara Valley Transportation Authority:

- (a) At least 20% to fixed-route transit roadway maintenance.
- (b) At least 30% to transit supportive capital investments.
- (c) At least 50% to improved transit service and rider experience, with appropriate performance and accountability measures.

SUMMARY AND OUTCOME

Senate Bill (SB) 63 authorizes a regional transportation revenue measure, to be considered by voters in November 2026, to fund public transit operations, capital improvements, and transit supportive roadway investments across five Bay Area counties. If approved, the 14-year measure would generate an estimated \$313 million annually (in 2026 dollars) within Santa Clara County, with approximately \$264 million allocated to the Santa Clara Valley Transportation Authority (VTA).

As implementation advances and the VTA develops its Local Investment Plan, staff seeks City Council direction to clarify the City's position on the effort and funding priorities. City Council action will establish San José's support and policy framework for interagency discussions and negotiations, ensuring that SB 63 investments align with

adopted City transportation, safety, equity, and climate policies. Clear direction at this stage will position the City to advocate effectively for investments that advance adopted City policies and maximize long-term local benefit. These priorities reflect the City of San José's preliminary direction; should the measure be formally placed on the ballot, staff will return to the City Council with VTA's Local Investment Plan for consideration of a final recommendation.

BACKGROUND

SB 63 was enacted into state law during the most recent legislative session. It authorizes the creation of a Public Transit Revenue Measure District spanning Santa Clara, San Francisco, San Mateo, Alameda, and Contra Costa counties, governed by the Metropolitan Transportation Commission. The District may place a regional transportation revenue measure on the November 2026 ballot. If approved by voters, the measure would impose a half-cent sales tax (one cent in San Francisco) for 14 years. The measure may be placed on the ballot either through action of the District or by a citizen-led initiative, as authorized by statute.

On January 26, 2026, Connect Bay Area, a private citizens group, launched a petition process to qualify a transportation revenue measure for the November 2026 ballot, requiring 50+% voter approval. The group must gather approximately 200,000 signatures by June 6, 2026.

Under SB 63, 84.37%, or \$264 million, of all revenues generated within Santa Clara County would be allocated to VTA for public transit expenses and roadway re-pavement projects on roads served by fixed-route transit. "Public transit expenses" include operations and capital improvement projects that maintain or improve service, including transit-related components of multimodal transportation projects. Based on current estimates, Santa Clara County would generate approximately \$313 million annually, allocated as follows:

- 84.37% (\$264 million) to VTA for public transit expenses and roadway re-pavement;
- 10.38% (\$32.5 million) to Caltrain for operations and capital improvements;
- 5% (\$15.7 million) to the Transit Transformation Action Plan; and
- 0.25% (\$783,500) for administration.

On November 5, 2025, VTA leadership directed staff to conduct an independent, data-driven review to increase ridership, improve fare recovery, reduce costs, and strengthen long-term fiscal sustainability in advance of a potential 2026 revenue measure. In December 2025, VTA presented a transformation workplan structured around three phases - Foundation, Reimagine, and Transformation - focusing on system efficiency, customer experience, and fiscal sustainability. Key milestones include a February 27

Path to the Future Workshop, an April 17 Future of Transportation Workshop with the release of a first draft Local Investment Plan, and anticipated Board approval of the Local Investment Plan in June 2026. The City of San José, as the largest city in Santa Clara County and a primary transit hub, has a significant interest in ensuring that SB 63 investments align with adopted City policies. City Council direction is sought to clarify San José's priorities as staff engage with VTA on the development of the Local Investment Plan and related implementation details.

ANALYSIS

Transit agencies across the Bay Area – particularly BART, Caltrain, and San Francisco's Muni system – faced sharply declining ridership and revenues with the COVID-19 pandemic, while the cost to operate transit systems has continued to increase. As a result, the region's transit network faces significant structural funding gaps that could lead to major service reductions without new, stable revenue sources. This measure is critical to stabilizing the transit operations and advancing improvements that make the system more affordable, reliable, and easier to use. It also includes strong accountability measures – such as independent oversight, protections to ensure funds add to, rather than replace, existing support, and clear performance expectations – to ensure agencies deliver consistent, high-quality service across all five counties. SB 63 provides a flexible but defined funding framework for Santa Clara County. While the statute establishes allocation percentages, it leaves significant discretion to VTA in determining how the 84.37% share is programmed among transit operations, transit supportive capital improvements, and eligible roadway re-pavement projects.

VTA has proposed focusing revenues returned to Santa Clara County on three primary outcomes: growing ridership, increasing productivity, and enhancing the customer experience, including through safety, security, and cleanliness. These priorities are grounded in VTA's three-phase framework – Foundation, Reimagine, and Transformation – a data-driven approach that will guide the Local Investment Plan. City staff agree that these primary outcomes should drive decisions about transit investments, especially transit service and operational improvements. The opportunity at hand includes trying both new and proven ways to accomplish these outcomes – setting VTA up for success after the 14-year measure expires so that transit ridership and operations better serve the County's growing population in a sustainable fashion.

Within the framework established by VTA, City staff propose the following specific priorities for advocacy:

- a) **Maintaining Roads for Fixed-Route Transit (Recommended at least 20% of Returned Funds, VTA Foundation):** Transit corridors experience accelerated pavement deterioration due to heavy bus traffic. Existing funding sources, including state gas tax revenues, SB 1, 2016 Measure B, and vehicle registration

fees, cover approximately 60% of roadway maintenance needs countywide. In 2018, San José voters approved Measure T, dedicating \$300 million over 10 years for pavement maintenance; however, Measure T will stop providing revenue in 2028. Without additional reinvestment, roadway conditions, including those used by bus transit, are projected to decline. As such, staff recommends allocating 20% of SB 63 funds returned to VTA to cities with fixed-route transit service for roadway re-pavement, roughly \$57 million annually across all jurisdictions in Santa Clara County. San José maintains approximately 660 lane miles of streets carrying fixed-route bus transit. Maintaining these corridors on a 10-year cycle would require approximately \$30 to \$37 million annually, which SB 63 could significantly support. Attachment A (Pavement Maintenance along Fixed-route Transit) further articulates the return on investment associated with these maintenance activities.

- b) **Transit Supportive Capital Investments (Recommended at least 30% of Returned Funds, VTA Transform + Reimagine):** Local match funding for major capital projects that visibly improve transit and rail infrastructure is critical to advancing system reliability, safety, and long-term performance. Unlike some other parts of the Bay Area, Santa Clara County lacks sufficient transit to meet the needs of most residents. Allocating a defined share of SB 63 revenues to transit supportive capital projects will allow VTA and partner agencies to leverage regional, state, and federal funds while accelerating projects that enhance connectivity and rider experience. Staff recommends that at least 30% of funds returned to VTA (roughly \$85 million annually) be dedicated to transit supportive capital investments. Recommended eligible rail and major corridor projects include:

- Major station redevelopment efforts, including Diridon Station and other critical hubs throughout the County;
- Diridon to Airport Connector project;
- Caltrain electrification to Gilroy; and
- Rail safety and reliability projects, such as grade separations.

In addition, transit supportive capital funding should partially support zero-emission fleet conversion and next-generation light rail fleet improvements to modernize service, reduce emissions, and improve long-term operational efficiency.

- c) **Improved Transit Service and Rider Experience (Recommended remaining 50% of Returned Funds, VTA Transform + Reimagine):**

Improving transit speed, reliability, safety, and overall customer experience is essential to increasing ridership, improving fare recovery, and ensuring that public transit remains a convenient and competitive travel option for residents, workers, and visitors. Staff recommends that 50% of funds (estimated at \$142

million annually) be dedicated to service rider experience improvements. Priority initiatives include:

- Implementation of the Visionary Network and headway-based scheduling;
- Transit signal priority to improve travel times and reliability. San José has been a leader in transit signal priority and would seek operations and maintenance funding to turn pilots into permanent features, as detailed in Attachment B;
- Enhanced bus stops and stations, including improved lighting, seating, and accessibility features;
- Clean and safe transit programs to improve rider comfort and perceptions of safety;
- Fare modernization, including fare capping, all-door boarding, and youth pass programs to build ridership and speed transit operations; and
- Innovative emerging mobility pilots, such as autonomous vehicle and/or microtransit programs, to support first- and last-mile connections to fixed-route transit.

Allocating SB 63 funds to these improvements will support implementation of these initiatives while helping to deliver measurable outcomes such as increased ridership, improved on-time performance, reduced travel times, and a safer and more comfortable transit environment. This investment approach aligns with VTA's transformation framework and supports broader regional goals related to mobility, sustainability, and equitable access to transportation.

- d) **Regional Transit Transformation Funds:** The 5% allocated to the Transit Transformation Action Plan is estimated at \$15.7 million annually generated within Santa Clara County and is administered by the Metropolitan Transportation Commission to support regionwide transit improvements. These funds may support initiatives that improve accessibility, fare integration, wayfinding, and passenger information systems. City staff recommends advocating to the Metropolitan Transportation Commission that they invest in programs that directly and indirectly benefit Santa Clara County residents and complement local investments as described above. Examples include regional fare programs that enable seamless transfers between VTA and other operators such as BART and Caltrain (e.g., an expanded Bay Pass), expansion of the Clipper START program, customer navigation tools, and cross jurisdictional paratransit services that improve mobility for older adults and people with disabilities.

The Department of Transportation recommends that the City advocate for clear metrics that help VTA and its partner agencies measure and define success – for example, increased ridership per capita, increased transit productivity, and state of good repair and cleanliness of transit facilities. These metrics and regular, transparent reporting

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would help ensure that new revenues advance measurable improvements rather than solely backfilling structural deficits. Caltrain funding obligations remain under negotiation, and SB 63 funding could help protect local contributions while supporting regional operations. City Council direction on these priorities will guide staff engagement with VTA and regional partners as the Local Investment Plan is developed and refined.

EVALUATION AND FOLLOW-UP

Staff will continue to engage with VTA and regional partners during development of the Local Investment Plan. Staff will provide periodic updates at key milestones, including the release of the draft Local Investment Plan and prior to final VTA Board consideration, and will communicate material developments as appropriate.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the April 14, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

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PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
JOHN RISTOW
Director of Transportation

For questions, please contact Jessica Zenk, Deputy Director, Department of Transportation, at Jessica.Zenk@sanjoseca.gov.

ATTACHMENTS:

Attachment A – Pavement Maintenance along Fixed-route Transit - Return on Investment

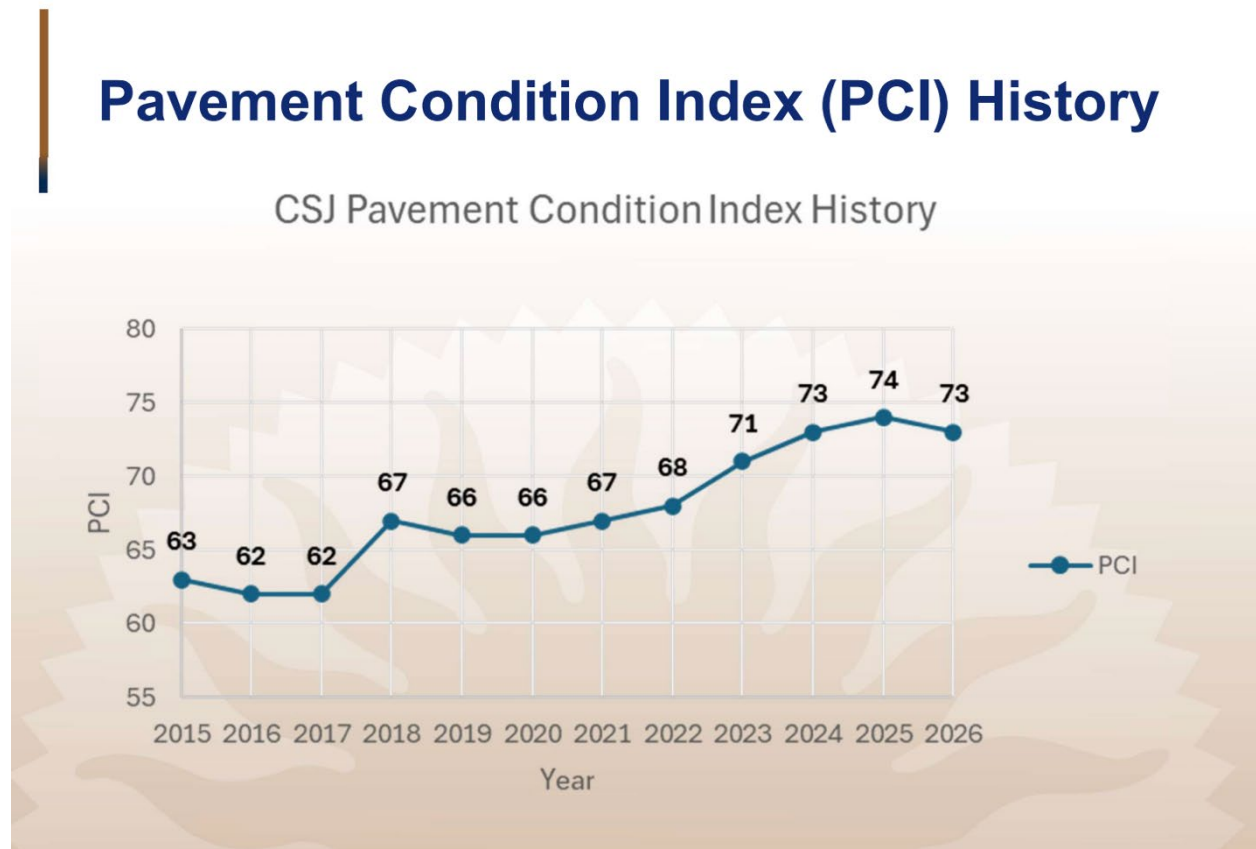
Attachment B – Transit Signal Priority in San José - Status, return on investment, and ongoing costs

Pavement Maintenance along Fixed-Route Transit: Return on Investment

Pavement Background: The City maintains 2,519 miles of streets with an overall Pavement Condition Index (PCI) of 73, classified as “Good,” representing an improvement from an overall PCI of 62 in 2017.

Sustained investment has resulted in measurable outcomes, including improved PCI and reduced long-term backlog projections. Since approximately 2018, increased funding from Measure B, SB 1, and Measure T has enabled the City to stabilize and improve pavement conditions, as shown in Figure 1 below.

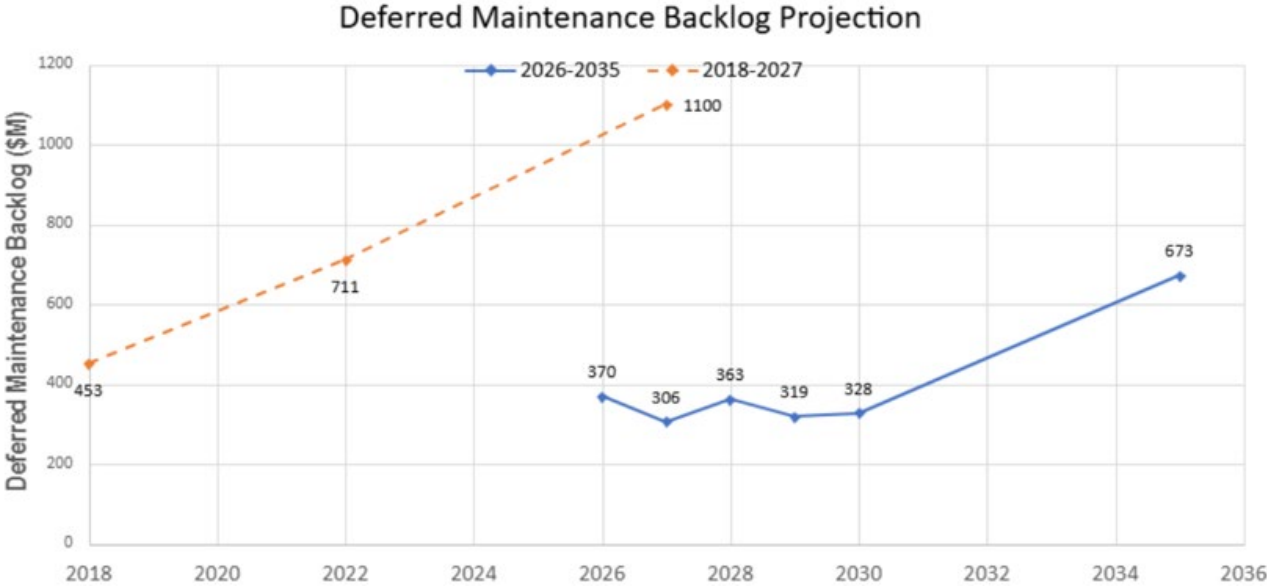
Figure 1: Pavement Condition Index History (2015-2026)



Return on Investment: In 2017, DOT projected that without additional funding, the one-time maintenance backlog would exceed \$1 billion by 2027. Due to the new funding sources mentioned above, as well as efficient project delivery, the 2027 maintenance backlog decreased by about \$721 million since 2017 projections.

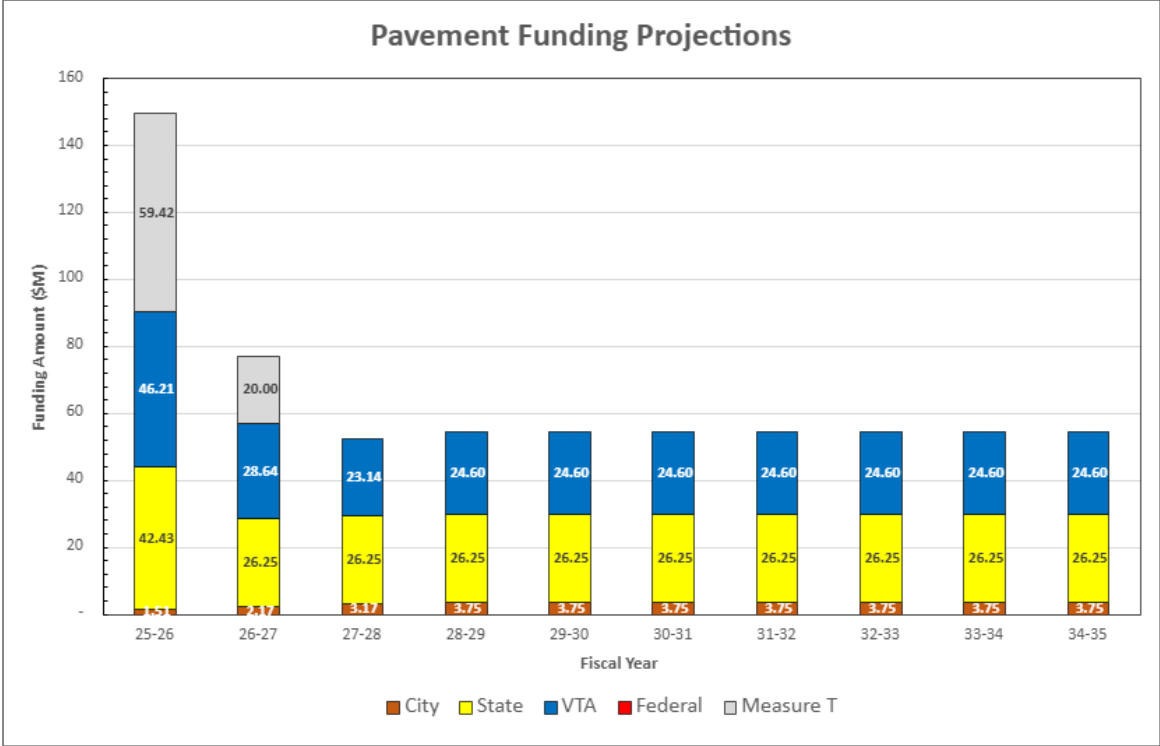
- \$300 million in Measure T expenditures resulted in \$721 million in recognized savings, an over 230% return on investment, as shown in Figure 2 below.

Figure 2: Deferred Maintenance Backlog Projection (2018-2036)



Future pavement funding is expected to decrease by 32% in 2028 due to the expiration of Measure T appropriations, as shown in Figure 3:

Figure 3: 10-year pavement funding projections



Transit Corridor Considerations and Future Outlook: San José’s major streets carry over 85% of traffic and support fixed-route transit service. Although the Major Street Network continues to be rated as "Good" but major corridors are beginning to decline shown in Figure 4 below:

Figure 4: Citywide PCI Yearly Change

Street Network	Miles	2025 PCI	2026 PCI	Total PCI Change
Major	967	76	71	-5
Local/Neighborhood	1,552	73	74	+1
<i>Combined</i>	2,519	74	73	-1

A single VTA bus causes as much damage as 4,000 to 9,000 standard vehicles due to the *Fourth Power Rule*, where doubling the weight of a vehicle results in four times the roadway degradation. Maintaining these corridors provides higher return on investment due to greater usage, reduced vehicle wear, and improved service reliability. Timely investment in major streets could exceed Measure T return on investment, as major streets deteriorate faster and carry higher loads. Spending one dollar today saves five dollars in the future.

Future Resource Deployment: Dedicated funding to major street maintenance would maintain and likely substantially increase citywide PCI. Distributing funds through VTA Measure B or similar process to cities would be the most efficient and effective way to maximize value because steady regular contributions would allow for long range planning and lower vendor prices as benefits of multi-year contracts are realized. DOT will provide a full repaving plan and expected benefits in late April.

Transit Signal Priority in San José - Status, return on investment, and ongoing costs

The City of San José has long been a strong supporter of transit signal priority (TSP) at signalized intersections to enhance Santa Clara Valley Transportation Authority (VTA) operations. Since the 1980s, the City has implemented TSP for light rail vehicles, and later for buses. As technology progressed towards cloud-based AI solutions in 2019, the City was able to lead the region by more effectively and aggressively expanding TSP. In 2025, the City achieved its goal of providing every current Rapid, Frequent, and Local bus route within City boundaries with TSP capabilities.

The following summarizes the history of the City’s TSP deployment:

Route/Line	Technology	Year Deployed	Project Cost
Light Rail	Induction Loops	1987	
Rapid 522	Radio/GPS (EMTRAC)	2009	\$420,000
Rapid 523	EMTRAC (see Appendix D)	2014	
Frequent 77	Cloud-based Central TSP (CTSP)	2019	No Cost Pilot
Frequent 66, 68, Rapid 568	CTSP	2023	\$600,000
Frequent 22, 23, 57, 60, 61, 70, 77, Rapid 522, 523	CTSP	2025	\$1,600,000
Frequent 25, 26, 64A/B, 70, 71, 72, 73, Rapid 500	CTSP	2025	\$1,400,000
Orange, Green, Blue Light Rail	EMTRAC	2025	\$2,400,000
Local 20, 27, 31, 37, 39, 42, 56, 59, 83	CTSP	2025	\$600,000

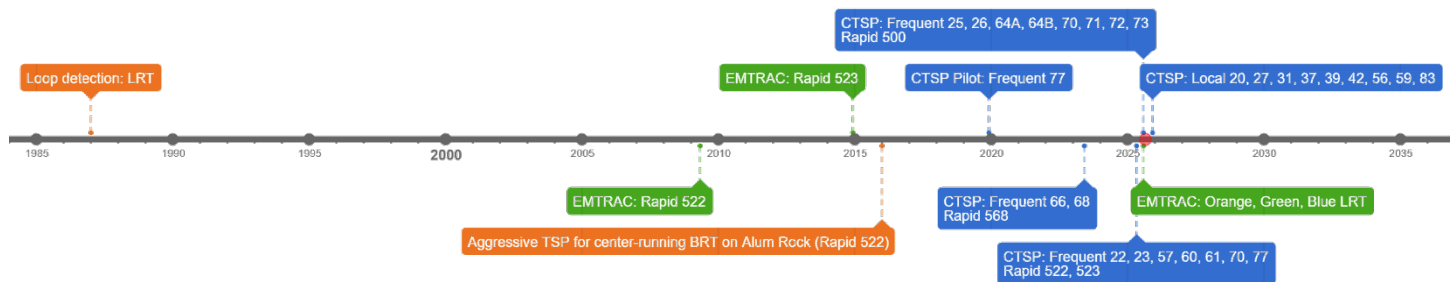


Figure 1: Timeline of TSP implementation in San Jose

The remainder of this document covers the following topics:

- Appendix A: TSP as a Tool for Making Transit More Efficient
- Appendix B: San José’s Transit First Policy
- Appendix C: TSP for Light Rail
- Appendix D: First Deployments of TSP for Buses
- Appendix E: Cloud and AI-Based TSP Deployment
- Appendix F: Future TSP Efforts

Appendix A: TSP as a Tool for Making Transit More Efficient

What is Transit Signal Priority?

Transit signal **priority** (TSP) is an operational strategy used to improve transit service by reducing delay at signalized intersections. This is achieved by extending green lights, shortening red lights, and rotating the signal phases to increase the frequency where transit vehicles arrive on a green light and travel through the intersection without having to stop. It attempts to minimize disruption to background traffic by not skipping any movements.

Signal **preemption** is a more aggressive strategy that prioritizes transit at the expense of all modes, including pedestrian crossings. Pedestrian walk phases can be cut short; and turning movements or side street movements are skipped to give transit vehicles a green light. Signal preemption is typically reserved for emergency vehicles and heavy rail vehicles.

How does it work?

Traditional TSP uses hardware sensors installed on traffic signals to detect approaching transit vehicles. Upon detection, signals adjust their operations to improve the likelihood that transit vehicles arrive at green lights. Because transit vehicles travel on fixed routes, signals can communicate the estimated time of arrival to downstream signals so that they can adjust their operations to create a green wave for transit travel efficiency.

Appendix B: San José's Transit First Policy

In 2022, the San José City Council adopted the Transit First Policy, prioritizing transit operations and access in its plans and operational decision-making. The goals of the City's Transit First Policy align with VTA's objectives: enhancing the transit rider experience, improving air quality, and advancing San José's climate goals by promoting a shift away from single-occupancy vehicles and reducing congestion. TSP achieves this through reduced transit red light delay, increased transit on-time performance, and decreased transit travel times, making transit time-competitive with personal vehicles.

Appendix C: TSP for Light Rail

Loop-Based TSP and Preemption

In December 1987, induction loop detection TSP was configured for light rail in San José. This system uses wires placed in the track right-of-way to send a static TSP request to a downstream traffic signal. This system was implemented at 74 signals for VTA's Orange, Green, and Blue light rail lines. For the high-speed corridor and shared freight track on Southwest Expressway in southwest San José, more aggressive signal preemption, along with gate arms, is used to ensure trains pass through these intersections with no delay.



Figure 2: Loop detection for VTA's Light Rail Vehicles

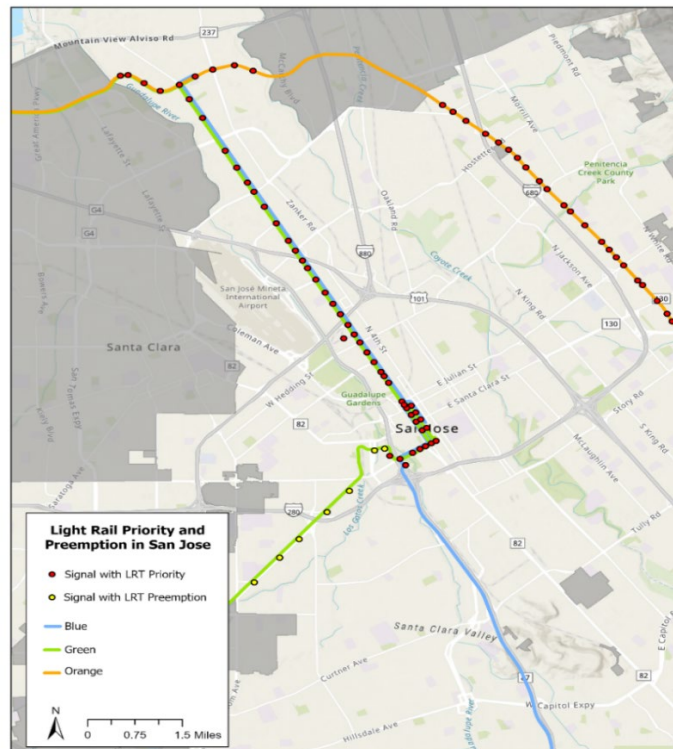


Figure 3: Light Rail priority and preemption in San José

In August 2025, with approval from the California Public Utilities Committee, the City collaborated with VTA to implement a radio/GPS-based EMTRAC TSP system (described in Appendix D) at 66 intersections on the Orange, Green, and Blue lines to replace the old induction loops to improve Light Rail detection.

Appendix D: First Deployments of TSP for Buses

Radio/GPS-Based TSP and Bus Rapid Transit

In May 2009, the City and VTA implemented a radio / GPS-based TSP system, EMTRAC, for Rapid Route 522. This system uses a GPS receiver on the bus and a radio transmitter to send a TSP request to a radio antenna installed on the traffic signal once the bus enters a geofenced zone. In 2016, a center-running, bus-only lane was constructed on Alum Rock between 34th Street and Alexander Avenue / Muirfield Drive to further prioritize the route. VTA and San José expanded the EMTRAC system by adding Rapid Route 523 in 2014.



Figure 4: Geofenced zones for the radio-based EMTRAC system along Santa Clara for Rapid Route 522

Appendix E: Cloud and AI-Based TSP Deployment

Central TSP Innovation

In 2019, the City and VTA collaborated on a pilot project with LYT to implement a cloud-based, central TSP (CTSP) system for buses. This system leveraged VTA's existing fleet-tracking data and the City's existing traffic signal communication network to provide a software-based solution in lieu of approximately \$1.4M upfront hardware costs, as well as ongoing maintenance costs. LYT's solution employed machine learning / AI technology to activate TSP dynamically, improving the success rate of buses arriving on green with minimal impact to background traffic.

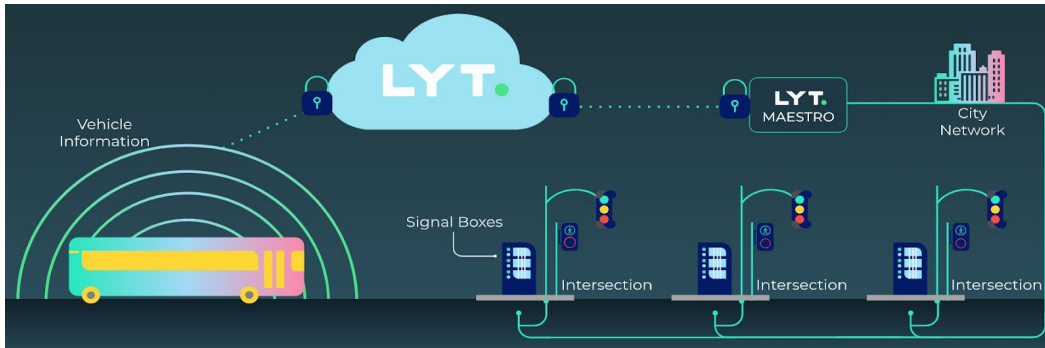


Figure 5: LYT's architecture diagram for CTSP

This pilot project was conducted on 17 signalized intersections on VTA Route 77 on King Road in East San José. At 12 of the 17 pilot intersections, the arrival-on-green rate increased to approximately 90%, while the remaining signals' arrival-on-green rate increased by approximately 60%. Bus travel times were improved by more than 10% for 6 out of the 14 hours surveyed.

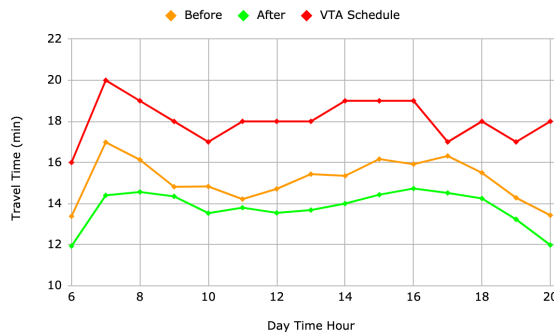


Figure 6: Route 77 CTSP travel time comparison by hour of day

CTSP Implementation on VTA Routes

Following the success of the pilot and with support from VTA, the City won a Transportation Fund for Clean Air (TFCA) grant funding to expand the CTSP system to Frequent Routes 66 and 68 and Rapid Route 568 in 2021. In 2023 and 2024, building on the success of these implementations, the City collaborated again with VTA to apply for additional grant funds and implemented CTSP for the remainder of the Rapid and Frequent routes in San José, totaling 560 signalized intersections on 20 routes. In 2024, the City also secured grant funding to implement CTSP for the remaining VTA Local Routes 20, 27, 31, 37, 39, 42, 56, 59, and 83. By October 2025, the City completed deployment of CTSP for all Rapid, Frequent, and Local VTA bus routes within San Jose (except at intersections operated and maintained by the County of Santa Clara and Caltrans).

Appendix F: Future TSP Efforts

What's next – Additional Business Rules and Fine-Tuning; Software Licensing Costs

In October 2025, the City was awarded two additional TFCA grant projects. The **first project** will add additional business rules to the existing CTSP platform, such as providing a higher level of priority for behind schedule buses and higher ridership routes. The **second project** will fine-tune TSP parameters for the LRT Orange Line and Frequent Bus Route 68 to increase the odds of a transit vehicle arriving on green. The projects are anticipated to begin in July 2026 and conclude in January 2028.

The CTSP software licensing costs for each intersection were included in the original deployment costs for each project. However, licenses will begin to expire in May 2028, with all current licenses set to expire by 2030. **Additional funding** will be required to continue operation of the CTSP system, which could cost upwards of \$500k per year based on the original pricing.

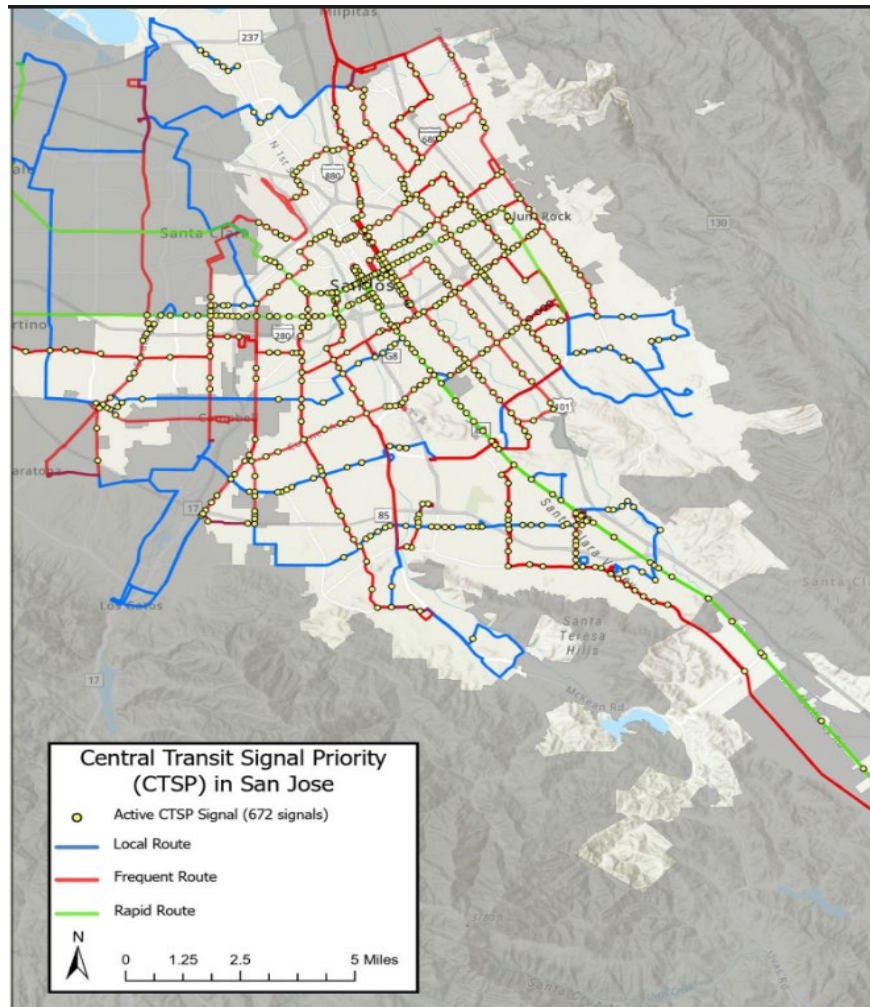


Figure 7: CTSP for VTA bus routes in San Jose