Programming and Allocations Committee **Agenda Item 4a-24-194**

Attachment A: TCP FYs 2024-25 and 2025-26 Programming Detail

Subject:

This supplemental memo provides additional detail and background on the programming of $1.5 billion in FTA Formula Revenues for FYs 2024-25 and 2025-26.

Background:

Process

The TCP program provides FTA formula funds and other regional revenues for transit capital maintenance and rehabilitation. The main goals of the program are to fund basic capital requirements to achieve and maintain a state of good repair, to maintain reasonable fairness to all the operators in the region, and to complement the other MTC funding programs.

The FYs 2024-25 and 2025-26 program includes a set-aside for ADA Operating Assistance ($64.1 million) funded from FTA Section 5307, Capital Project Funding ($1.2 billion), which is funded from FTA Sections 5307, 5337, and 5339, funding set aside for debt service and/or pay-go for BART Replacement Railcars ($72.5 million) from FTA Sections 5307 and 5337, and the regional contribution to supplement SB 125 state funds ("fiscal cliff" funding), per MTC Resolution No. 4619 ($132.3 million) from FTA Sections 5307 and 5337.

The project list was developed based on transit operator responses to a five-year call for projects issued by MTC in 2024. Projects meeting the TCP criteria were included in the proposed program based on the TCP project score and UZA eligibility, subject to funding availability. TCP programming reflects the Commission's priorities in Plan Bay Area, with an emphasis on vehicle replacement and fixed guideway infrastructure state of good repair.

Major Investments

The proposed program includes funding for several major regional priority projects, including Caltrain Railcar Replacements, SFMTA light rail vehicle replacements; and major fleet replacements for the San Mateo County Transit District (SamTrans), AC Transit, SFMTA, and the Santa Clara Valley Transportation Authority (VTA). Several projects are highlighted below.

Caltrain Replacement Railcars: Caltrain's Railcar Replacement project receives $124.8 million across both fiscal years toward the purchase of four electric multiple unit (EMU) trainsets to replace diesel trainsets. In FYs 2022-23 through 2026-27 the project is slated to receive a $176 million federal share (for a total project cost of $220 million), as shown in the chart below.

Caltrain EMU TCP Funding *($ millions)*

UZA	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTAL	Proportion*
SF-O			18.1	78.3	20.8	117.3	67%
SJO	12.8	17.6	13.9	14.5		58.7	33%
TOTAL	**12.8**	**17.6**	**32.0**	**92.8**	**20.8**	**176.0**	**100%**

*Per TCP policy, incorporating a Caltrain Joint Powers Board agreement that Caltrain's TCP projects are funded 2/3 from the San Francisco-Oakland UZA, and 1/3 from the San Jose UZA).

SFMTA Fleet Procurements: SFMTA will receive a total of $117.3 million in 5307 and 5337 funds over two years toward Light Rail Vehicle Replacement. This light rail vehicles procurement will replace vehicles at the end of their useful life, maintaining system state of good repair; the project was previously committed through the Core Capacity Challenge Grant Program (CCCGP).

Additionally, SFMTA will receive $83.4 million across the two years for the replacement of 106 buses. 94 hybrid buses will be replaced with hybrids, and 12 hybrids will be replaced with battery electric zero-emission buses (ZEBs).

AC Transit Replacement Vehicles: AC Transit will receive approximately $160.1 million for the replacement of 129 buses from various sub-fleets that have reached the end of their useful lives. All replacement buses will be hydrogen fuel cell technology. 107 buses will be part of new procurements; the additional 22 are deferred from FYs 2021-22 through 2023-24 of the program as part of the 80/20 replacement interim policy on bus replacements. The 22 deferred buses are not new replacements and were permitted for deferral due to the rising cost of buses. The other 90 buses in the original procurements are covered by the FYs 2021-22 through 2023-24 funding.

SamTrans Replacement Fuel Cell Vehicles: $74.4 million is programmed across the two years of the program to SamTrans' bus replacement program, a notable investment in ZEBs for the region. SamTrans will transition 62 buses from diesel to hydrogen fuel cell technology.

VTA Replacement Vehicles: $49.6 million is programmed for VTA's 43 bus replacements. VTA will replace 43 hybrid vehicles that have reached the end of their useful life with battery electric buses.

GGBHTD Replacement Vehicles: $20.8 million is programmed to GGBHTD in FY 2025-26 for the replacement of 18 diesel buses that have reached the end of their useful lives. They will be replaced with battery electric buses.

Regional Contribution to SB 125 Programming

As part of the regional approach to sustain transit and address shortfalls in transit operating budgets (i.e. "the fiscal cliff"), in November 2023, the Commission passed a funding framework of $776 million for FYs 2024-25 and FY 2025-26 (MTC Resolution No. 4619, Revised). The specific mix of funding was approved by the Commission in November 2024. The $776 million framework includes SB 125 state funding, as well as a $300 million regional contribution, identifying the TCP, STP/CMAQ, RM3, and STA as potential sources. The framework of regional contribution sources includes $132.3 million from TCP funds ($124.4 million TCP funds plus $7.9 million originally programmed to Vanpool, swapped for CMAQ and treated as CMAQ contribution to the fiscal cliff).

During initial discussions of the potential contribution from the TCP to this effort, MTC Staff identified $22.3 million in unprogrammed balances plus $102.1 million programmed in FYs 2022-23 and 2023-24 to BART railcar replacement pay-go, which is de-programmed from Resolution No. 4510 in today's item. In anticipation of fiscal cliff programming, the capacity for BART railcar replacement pay-go in FYs 2022-23 and 2023-24 was included in the overall financing capacity total, to keep MTC's commitment to the project in place. Proposed fiscal cliff programming draws from FYs 2022-23 through 2024-25 apportionments – either in existing balances or in BART railcar line items which have been replaced with financing proceeds. The simplified breakdown of funds is shown in the table below. The proposal swaps $21.4 million in prior-year SF-O 5307 currently programmed to BART railcars with 5337 funds from FY 2024-25. This lessens the pressure on the oversubscribed 5307 program.

Funding by Operator and Program, in $ Millions

Operator	**5307**	**5337**	**Total**
BART	16.9	41.6	58.5
Caltrain		15.0	15.0
SFMTA	7.9	50.9	58.8
TOTAL	**24.8**	**107.5**	**132.3**

Funding Set Aside for Fiscal Cliff by Program and UZA, in $ Millions

	SF-O	**CON**	**ANT**	**LIV**	**SJO**	**TOTAL**
5337 (Fixed Guideway) Balance	$1.5	-	-	-	$5.0	$6.5
5337 Currently Programmed to BART	$70.4	$9.2	-	-	-	$79.6
5337 (Currently Programmed as FY23 5307 to BART)*	$21.4	-	-	-	-	$21.4
5307 Currently Programmed to BART		$1.1	-	-	-	$1.1
5307 (All modes) Balance	-	$5.2	$6.7	$3.9		$15.8
5307 Currently Programmed to Vanpool – CMAQ swap	$7.9	-	-	-	-	$7.9
TOTAL	**$101.2**	**$15.5**	**$6.7**	**$3.9**	**$5.0**	**$132.3**

**Staff propose that the $21.4 million in FY 23 5307 SF-O funds be used to fund 5307-eligible projects from the current call for projects, and in turn, $21.4 million of FY 25 5337 SF-O funds are put toward the fiscal cliff effort.*

Zero-Emission Buses

The TCP continues to be a critical piece of the region’s transition to a zero-emission bus (ZEB) fleet, as required by California Air Resources Board’s Innovative Clean Transit rule. For large operators (100 or more buses in maximum service) bus purchases starting in 2023 must be 25% zero-emission, ramping up to 100% by 2029. For small operators (fewer than 100 buses in maximum service) bus purchases starting in 2026 must be 25% zero-emission, also ramping up to 100% by 2029. (Certain credits for existing/early purchase ZEBs, and allowances for ZEB market availability apply.) As detailed above, many operators are on track with their ZEB transitions through upcoming replacements. Of the 408 replacement buses being funded through this proposed two-year program, 278 (68%) are zero-emission, totaling over $336 million in federal/TCP share. These ZEBs are a mix of hydrogen fuel cell buses (67% of the ZEBs) and battery electric buses (33%). The non-ZEBs are a mixture of diesel and hybrid diesel buses.

While the TCP bus/van pricelist includes ZEBs, which are still significantly more expensive than non-ZEBs, substantial additional funding is needed to address related infrastructure needs. $5.2 million is programmed to CCCTA, LAVTA, and ECCTA for ZEB-related infrastructure projects, including hydrogen fueling stations and battery-electric charging upgrades, through the ZEB infrastructure set-aside; VTA is programmed $17.2 million for ZEB infrastructure projects outside of the set-aside. SF-O operators in FYs 25 and 26 are not programmed ZEB infrastructure set-aside funding due to direction taken in November 2024, which updated MTC Resolution No. 4444 to suspend the set-aside in oversubscribed UZAs.

BART Railcar Replacement and Financing

Following the adoption of BAIFA Resolution No. 50, staff moved forward with financing against future TCP funds to meet the immediate cashflow needs of the BART Replacement Railcar Project as well as the overall score-16 needs of the program, as directed by the Commission. BART has begun drawing down on financing proceeds to meet current cashflow needs. For the FYs 2024-25 and 2025-26 program, to minimize financing expenses to the region, $45.7 million is programmed directly to BART for pay-go to meet cashflow needs of the next two years. Funding these needs through pay-go will allow a smaller total financing amount and thus lower debt service payments borne by the region, opening up future funding to other TCP projects. Programming for debt service payments is slated to begin in FY 2025-26 and continue with annual payments into future years of the program. Funding for debt service repayment in the amount of $50.0 million has been set aside for FY 2025-26 – this number represents all available balances that are eligible for BART and not going toward other score-16 programming, and is anticipated to cover at least the FY 2025-26 annual debt service number, and potentially pay down more of the loan, or be redirected to other score-16 needs in the program.

Other Notable Items and Issues

Fixed Guideway Cap: Each fixed guideway (FG) operator has a FG cap based on its share of the updated fixed guideway need projections included in the adopted Plan Bay Area 2050 RTP, with a floor applied so that no operator's cap is reduced by more than 5% from their prior cap. In an attempt to better align FG needs and FG cap programming, in the call for projects for a multi-year program, operators could request more than their annual cap in a particular year if the increase is offset by a lower request in another year.

WETA has opted to reinstate deferred caps from prior years in the proposed program as well as borrow against its future year caps. WETA had previously deferred $3.1 million in FG cap funds that are programmed in FY 2024-25 toward their fixed guideway needs. In FYs 2024-25 and 2025-26, WETA borrows $6.5 million total against FYs 2027-28 and 2028-29 ($6.2 million in FY 2024-25, and $0.3 million in FY 2025-26).

BART Fixed Guideway Spend-down Involuntary Deferral: BART faces a $0.2 million involuntary deferral due to failure to meet timely FG spend-down requirements.

SMART Fixed Guideway Cap: SMART enters the region as an FG operator in FY 2024-25, and has been added to the FG policy by Commission revision of MTC Resolution No. 4444 in November 2024. Staff will recommend FG programming in the amount of the Santa Rosa UZA apportionment once released, consistent with policy.

VTA Fixed Guideway Cap Waiver: VTA requested a total of $82.4 across two years for FG infrastructure rehabilitation projects that are subject to the FG project caps specified in the TCP policy. These include replacement or rehabilitation of light rail track, crossovers, switches and other train control equipment, and traction power systems. The $82.4 million figure represents the remaining amount of fixed-guideway eligible requests in the San Jose UZA, after funding 1/3 of Caltrain's high-scoring needs (the TCP policy incorporates a Caltrain Joint Powers Board agreement that Caltrain's TCP projects are funded 2/3 from the San Francisco-Oakland UZA, and 1/3 from the San Jose UZA). In the proposed program, both conditions have been met, with funds left over. Across FYs 2024-25 and 2025-26, VTA's FG cap is $18.3 million ($9.2 million per year), so VTA's request exceeds the cap by $64.1 million. VTA staff requested that MTC waive the cap and program an additional $64.1 million for the requests above the cap. Additionally, based on the FG cap spend-down policy, VTA faces a recommended involuntary FG deferral of $1.4 million.

Given VTA's unique situation, with access to relatively large amounts of Section 5337 State of Good Repair funding, staff grant these waivers and immediate reinstatement of the involuntary deferral and will continue to work with VTA to identify strategies for ensuring that its future fleet needs can be met through the TCP.

Unprogrammed Balances: The proposed program leaves an unprogrammed balance of $30.1 million, with $24.2 million unprogrammed in Section 5307 and $5.8 million unprogrammed in Section 5339 funds. These balances span several urbanized areas and staff will return to program them at a later date.

For in depth details regarding the programming discussed in this memo, please view Attachment C to Resolution No. 4674 and Attachment D to Resolution No. 4510.

Next Steps

Staff plan to return to the Commission to update FY 2024-25 programming to match apportionments when they are released, and with proposed programming of remaining balances. Any other amendments to the FYs 2024-25 and 2025-26 program will be brought to the Commission for consideration as appropriate.