

**Metropolitan Transportation Commission
Programming and Allocations Committee**

February 13, 2019

Agenda Item 3a. ii.

MTC Resolution No. 4321, Revised

State Transit Assistance (STA) and State of Good Repair (SGR) Funds Distribution Policy

Subject: Revises the State Transit Assistance (STA) and State of Good Repair (SGR) Program funds distribution policy to modify the performance measure requirements for small and medium-sized transit operators to receive STA County Block Grant funds in accordance with the consensus proposal of the Small and Medium-Sized Operator Performance Measure Subcommittee, and revises the SGR Program procedures to reflect changes in Caltrans' SGR Program guidelines for regional agencies and transit operators.

Background: **STA County Block Grant Transit Performance Measures:** In February 2018 the Commission adopted MTC Resolution No. 4321 which contains the policies governing the distribution of State Transit Assistance (STA) and State of Good Repair (SGR) Program funds. Resolution 4321 updated MTC's policies for distributing STA Population-Based funds by creating a new transit-focused, One Bay Area Grant (OBAG)-style STA County Block Grant (70% of total STA Population-Based funds), with the remaining 30% of funds dedicated to a Regional Program supporting Clipper®, 511, and the means-based transit fare program. The STA County Block Grant policy is accompanied by several policy conditions, largely aimed at improving transit coordination and efficiency while stabilizing funding. One of these policy conditions established performance measures for the region's small and medium-sized transit operators similar to those of the Transit Sustainability Project (TSP).

In recognition that the TSP's performance measures and standards may not be appropriate to measure the performance of smaller operators, MTC Resolution No. 4321, contained language instructing MTC staff to "work with the small operators and CMAs to evaluate whether an alternate performance framework or metrics are more appropriate for the small operators" and committing MTC staff to bring MTC Resolution No. 4321 back to the Programming and Allocations Committee "within one year to report on whether to retain the current framework or adjust the performance requirements."

Therefore, in the spring of 2018, MTC convened a Small and Medium Sized Operator Performance Measure Subcommittee to explore possible alternatives to the TSP performance measures. The Subcommittee met five times and eventually developed a consensus proposal, agreed to by the region's small and medium-sized operators, to modify the performance measure requirement. Under the consensus proposal, each operator would be required to maintain operating costs at least 20% below the average cost of the larger operators in the region (the seven operators covered by the TSP) for the same mode (bus, rail, ferry) for a particular year. The average cost is defined according to the TSP performance measures. In addition to maintaining operating costs 20% below the average of the larger operators, small and medium-sized operators would also need to limit annual year-over-year increases for each operator to 5% per year (including inflation/Consumer Price Index).

Should an operator be unable to meet the 20% below the large operator average or the 5% year-over-year requirement, operators will be able to submit a justification to tell the Commission about any unique or challenging circumstances which may have affected performance. MTC staff will report annually on the results of the performance assessment.

SGR Program: MTC Resolution No. 4321 also governs the process for the distribution of SGR Program funds, which are distributed at the state level according to the STA formula of Revenue-Based and Population-Based funds. The SGR Program supports transit operators in their investments in state of good repair projects and complements existing funds from federal and local sources. The SGR Program was established as a part of Senate Bill (SB) 1 in 2017. The SGR Program is administered at the state level by Caltrans, which establishes SGR Program guidelines for regional agencies and transit operators.

Beginning in Fiscal Year (FY) 2019-20, Caltrans is changing the SGR Program guidelines to require regional agencies like MTC to approve SGR Program Revenue-Based projects from transit operators, and submit a single region-wide list of projects to Caltrans. As this process differs from the existing process described in MTC Resolution No. 4321 whereby transit operators directly submit their Revenue-Based project lists to Caltrans, a revision to the resolution is necessary.

Due to the change in the Caltrans guidelines, MTC staff proposes that transit operators submit their SGR Program Revenue-Based project lists to MTC for the coming fiscal year by May 15th of each year. This will allow for the Commission to approve project lists before the September 1st deadline for submission to Caltrans. Transit operator project lists should be consistent with each operator's transit asset management (TAM) plans, and MTC expects operators to strive to use SGR Programs funds to improve the condition of their agency's capital assets.

Issues: Agenda Item 3c proposes an approach for the TSP related to the large operators going forward that is focused more on cooperative problem-solving rather than on financial penalties. The small and medium-sized operators may also appropriately participate in some of these efforts. However, staff believes that monitoring of and vigilance toward efficiency and effectiveness is still warranted, and therefore proposes continued performance monitoring for small (and large) operators.

Recommendation: Refer MTC Resolution No. 4321, Revised to the Commission for approval.

Attachments: MTC Resolution No. 4321, Revised
Presentation Slides

Date: February 28, 2018
W.I.: 1511
Referred By: PAC
Revised: 02/27/19-C

ABSTRACT

Resolution No. 4321, Revised

This resolution establishes a policy for the programming and allocation of State Transit Assistance (STA) funds and State of Good Repair Program funds, made available under the provisions of Public Utilities Code Sections 99312.1, 99313, and 99314.

This resolution supersedes Resolution No. 3837.

This resolution was revised on February 27, 2019 to update the STA Population-Based County Block Grant performance measure requirements for small and medium sized transit operators as well as to make adjustments to the State of Good Repair (SGR) Program Revenue-Based program policies to reflect updated Caltrans SGR Program guidelines.

Further discussion of this action is contained in the Executive Director's Memorandum to the Programming and Allocations Committee dated January 3, 2018 and the MTC Programming and Allocations Committee Summary Sheets dated February 14, 2018 and February 13, 2019.

Date: February 28, 2018
W.I.: 1511
Referred By: PAC

Re: Adoption of MTC's State Transit Assistance (STA) and State of Good Repair Program Programming and Allocation Policy.

METROPOLITAN TRANSPORTATION COMMISSION

RESOLUTION NO. 4321

WHEREAS, State Transit Assistance (STA) funds are to be used to enhance public transportation service, including community transit service, and to meet high priority regional transportation needs; and

WHEREAS, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), known as the Road Repair and Accountability Act of 2017, establishes the State of Good Repair Program (SGR Program); and

WHEREAS, both STA and SGR Program funds are distributed by the State Controller's Office pursuant to Public Utilities Code § 99313 and 99314, a Population-Based and Revenue-Based program, respectively; and

WHEREAS, the Metropolitan Transportation Commission (MTC), as the Regional Transportation Planning Agency for the San Francisco Bay Area, is responsible for the allocation of STA and SGR Program funds available to eligible claimants in this region; and

WHEREAS, MTC adopted an STA Allocation Policy in Resolution No. 3837 in 2008; and

WHEREAS, SB 1 significantly increased the amount of funding to the STA program and established the SGR Program; and

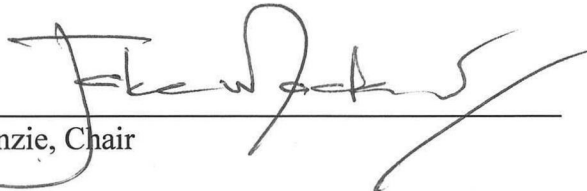
WHEREAS, in order to align the allocation of STA and SGR Program funding with the Bay Area's most pressing transportation needs; now, therefore, be it

RESOLVED, that MTC adopts its State Transit Assistance and State of Good Repair Program Programming and Allocation Policy described in Attachment A, attached hereto and incorporated by reference, for guidance to eligible claimants in the preparation of their

applications for STA and SGR Program funds and to staff for reviewing such applications; and
be it further

RESOLVED, that the prior policy governing allocation of State Transit Assistance Funds
contained in Resolution No. 3837 is superseded by this resolution.

METROPOLITAN TRANSPORTATION COMMISSION



Jake Mackenzie, Chair

The above resolution was entered
into by the Metropolitan Transportation
Commission at a regular meeting of
the Commission held in San Francisco,
California, on February 28, 2018.

Date: February 28, 2018
W.I.: 1511
Referred By: PAC
Revised: 02/27/19-C

Attachment A
Resolution No. 4321
Page 1 of 6

**STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR PROGRAM
PROGRAMMING AND ALLOCATION POLICY
Exhibit 1**

This policy affects all allocations by the Metropolitan Transportation Commission (MTC) of STA and SGR Program funds, made available under the provisions of Public Utilities Code Sections 99312.1, 99313 and 99314 and relevant subsections.

I. STA Population-Based Funds (PUC Code 99313) Including Interest Earnings

1. STA Population-Based County Block Grant

Commencing with Fiscal Year 2018-19 70% of the STA Population-Based funds and interest is reserved for programming to STA-eligible operators by Congestion Management Agencies (CMAs) in each of the nine Bay Area counties as part of a STA Population-Based County Block Grant (County Block Grant). The County Block Grant will allow each county to determine how best to invest in transit operating needs, including providing lifeline transit services. The funds reserved for the County Block Grant shall be distributed amongst the nine counties according to the percentages shown in Table 1. Each county's share in Table 1 was calculated based on the county's share of STA funds from the Resolution 3837 formula, totaled across all categories (Northern Counties/Small Operators Program, Regional Paratransit Program, and the Lifeline Transportation Program).

Table 1. Distribution of STA Population-Based County Block Grant, by County

Alameda	17.68%
Contra Costa	22.18%
Marin	5.71%
Napa	3.49%
San Francisco	8.46%
San Mateo	5.06%
Santa Clara	14.09%
Solano	10.50%
Sonoma	12.83%

Within Alameda and Contra Costa Counties a minimum amount of County Block Grant funds shall be programmed amongst the transit operators detailed in Table 2.

Table 2. Alameda and Contra Costa County Small Operator Minimum

County	Minimum % of Block Grant to be Allocated Annually Amongst Eligible Small Operators	Eligible Small Operators
Alameda County	24%	LAVTA and Union City Transit
Contra Costa County	60%	CCCTA, ECCTA, WestCAT

The following program conditions apply to the County Block Grant:

- **Reporting:** Each CMA must submit to MTC by May 1st of each year, a report including the following information about the previous, completed, fiscal year: 1) the county's programming distribution of STA Population-Based funds amongst STA-eligible operators and; 2) the estimated amount of STA Population-Based funding that will be spent within or benefiting Communities of Concern.
- **Fund Swaps:** Each CMA is required to seek approval from MTC before requesting that a STA-eligible operator recipient of STA Population-Based funds perform a fund swap involving STA Population-Based funds. The CMA must notify all STA-eligible operators within their county of the request to swap funds before seeking approval from MTC.
- **Coordinated Claim/Submission Deadline:** Each CMA must play a coordinating role in the development of STA Population-Based claims from STA-eligible operators within their county. Each CMA must also submit to MTC by May 1st of each year a governing board-approved resolution listing the distribution policy for STA Population-Based funds amongst the STA-eligible operators for the subsequent fiscal year. Operators will continue to submit their own claims, if desired.
- **Performance Measures:** ~~[ORINGAL LANGUAGE] All small and medium sized operators shall meet Transit Sustainability Project (TSP) performance requirements similar to the large operators and achieve a 5% real reduction in cost per service hour, cost per passenger, or cost per passenger mile by Fiscal Year 2022-23. For operators that have already achieved a 5% real reduction in one of the above performance measures by FY 2017-18 no further reduction is required. Operators may substitute TSP performance measures for a similar local voter approved or CMA adopted performance measure, subject to MTC concurrence. Once the 5% reduction is achieved transit operators are expected to keep future cost increases to no higher than the San Francisco Area Consumer Price Index as defined by the U.S. Bureau of Labor Statistics. Beginning in Fiscal Year 2023-24 MTC may link existing and new operating and capital funds administered by MTC to progress towards achieving the performance target. Staff will work with the small operators and CMAs to evaluate whether an alternate performance framework or metrics are more appropriate for the small operators. Staff will return within one year to report on whether to retain the current framework or adjust the performance requirements.~~
[PROPOSED REVISION LANGUAGE] *All small and medium sized operators shall be required to maintain operating costs (cost per service hour, cost per passenger, or cost per passenger mile) at least twenty (20) percent below the annual average operating cost of the seven operators included in the Transit Sustainability Project*

(TSP). Operating costs for small and medium sized operators shall be calculated for each mode (bus, rail, ferry, etc.) and benchmarked against the comparable modal average for the operators included in the TSP. In addition, annual year-over-year increases in operating costs for each small and medium sized operator shall be no greater than five (5) percent per year. If an operator is unable to meet the above requirements they may submit an appeal/justification to MTC explaining the circumstances that prevented achievement of the targets. Beginning in Fiscal Year 2023-24 MTC may link existing and new operating and capital funds administered by MTC to progress towards achieving the performance target.

- **Operator Consolidation Planning Efforts:** In the Northern Counties (Marin, Napa, Solano, and Sonoma) as an alternative to meeting TSP performance requirements, counties and transit operators may develop a plan to consolidate into a single county operator.
- **Mobility Management:** In the five other counties (Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara) each county must establish or enhance mobility management programs to help provide equitable and effective access to transportation.

2. *MTC Regional Program*

Commencing with Fiscal Year 2018-19 30% of the STA Population-Based funds and interest is reserved for projects and programs that improve regional coordination, including but not limited to:

- Clipper®
- 511
- Transit connectivity

In addition, a portion of the Regional Program funding (approximately \$8 million in the first year based on the estimated Senate Bill 1 increment for Fiscal Year 2018-19) will be used to pay for the administrative costs and to help offset transit fare revenue loss for a regional means-based fare program.

MTC will develop an annual MTC Regional Coordination program. All final programming will be reviewed and approved by the MTC Programming and Allocations Committee (PAC).

3. *Transit Emergency Service Contingency Fund*

The Transit Emergency Service Contingency Fund shall be used to provide assistance for an emergency response to a qualifying incident or event, under specific circumstances as described in MTC Resolution No. 4171.

The fund shall not exceed a total balance of \$1 million of STA Population-Based funds. In any individual fiscal year no more than \$333,333 of STA Populated-Based funds and interest shall be apportioned to the fund. Interest accrued to the fund shall not count towards the \$1 million total balance limit and interest can continue to accrue once the fund

has reached \$1 million. Beginning in Fiscal Year (FY) 2015-16, \$333,333 in STA Population-Based funds, taken “off the top” from estimated STA Population-Based revenues for the fiscal year, will be apportioned to the fund. Apportionments will continue in subsequent fiscal years until the fund reaches a total of \$1 million. In future years should the balance of the fund fall below \$1 million, funds shall be apportioned in the next fiscal year to restore the full balance of the fund, subject to the annual apportionment limit.

II. STA Revenue-Based Funds (PUC Code 99314)

Funds apportioned to the region based on revenues generated by the transit operators will be allocated to each STA-eligible operator for the support of fixed route and paratransit operations, for inter-operator coordination, including the cost of interoperator transfers, joint fare subsidies, integrated fares etc., and for capital projects consistent with the adopted long-range plan.

III. SGR Program Population-Based Funds (PUC Code 99312.1, distributed via PUC 99313)

MTC will develop an annual investment program for SGR Program Population-Based Funds through the annual Fund Estimate. All final programming will be reviewed and approved by the MTC Programming and Allocations Committee (PAC) and will be consistent with the below priorities. All proposed programming actions will be submitted to Caltrans for approval, consistent with SGR Program Guidelines.

1. *Priority 1: Clipper® 2.0*

Invest in the development and deployment of the Bay Area’s next generation transit fare payment system, Clipper® 2.0.

2. *Priority 2: Green Transit Capital Priorities*

If not needed for Clipper® 2.0, program SGR Program Population-Based funds to the acquisition of zero emission buses (ZEB) by the Bay Area’s transit operators. SGR Program funds are intended to pay for the cost increment of ZEBs over diesel or hybrid vehicles or for charging or hydrogen infrastructure to support ZEBs. MTC staff will work to secure a 1:1 match commitment from the Bay Area Air Quality Management District to expand and accelerate the deployment of ZEBs in the region.

IV. SGR Program Revenue-Based Funds (PUC Code 99312.1, distributed via PUC 99314)

[ORINGAL LANGUAGE] Funds apportioned to the region based on revenues generated by the transit operators will be allocated to each respective STA-eligible operator for state-of-good-repair projects, preventative maintenance, and other projects approved by the California Department of Transportation (Caltrans) as eligible for SGR Program expenditure.

[PROPOSED REVISION LANGUAGE] *Funds apportioned to the region based on revenues generated by the transit operators will be allocated to each respective STA-eligible operator for state of good repair projects, preventative maintenance, and other projects approved by the California Department of Transportation (Caltrans) as eligible for SGR Program expenditure. Starting with Fiscal Year 2019-20 operators must submit their proposed SGR Program Revenue-Based projects to MTC, consistent with Caltrans' proposed amendments to the SGR Program Guidelines for Fiscal Year 2019-20. Operators should submit their SGR Program Revenue-Based project list to MTC by May 15th of each year. MTC staff will compile SGR Program Revenue-Based projects from all operators across the region and submit to the Commission for approval before submitting the approved regional SGR Program Revenue-Based project list to Caltrans by September 1st of each year.*

Transit operator's SGR Program Revenue-Based projects should be consistent with their agency's Transit Assessment Management (TAM) plan.

**State Transit Assistance (STA)
Rules and Regulations
for the MTC Region
Exhibit 2**

These Rules and Regulations cover the eligibility requirements and the rules for a full or partial allocation of these funds.

Eligibility Requirements

To be eligible for any STA funds in the MTC region, an operator must comply with all SB 602 fare and schedule coordination requirements for the fiscal year. The evaluation of operator's compliance with the SB 602 program is made annually.

An operator's requested STA allocation may also be partially or fully reduced if the operator did not make satisfactory progress in meeting its Productivity Improvement Program (PIP) and/or the Regional Coordination projects for which each operator is a participant.

SB 602 Requirements/California Government Code Section 66516

Fare coordination revenue-sharing agreements, must be fully executed by all participating operators and provisions of the agreement(s) must be in compliance with MTC rules and regulations.

MTC Res. 3866 (Transit Coordination Implementation Plan) documents coordination requirements for Bay Area transit operators to improve the transit customer experience when transferring between transit operators and in support of regional transit projects such as Clipper. If a transit operator fails to comply with the requirements of Res. 3866 or its successor, MTC may withhold, restrict or reprogram funds or allocations.

PIP Projects

PIP projects are a requirement of STA funding. Failure by operators to make a reasonable effort to implement their PIP projects may affect the allocation of these funds. Projects will be evaluated based on actual progress as compared to scheduled. STA funds may be reduced proportionate to the failure of the operator to implement the PIP project/s. Progress in meeting the milestones identified for a project may be used as the basis for assessing reasonable effort.

The amount withheld will be reviewed with the affected operator. Partial funds withheld may be held by MTC up to two years to allow an operator to comply with its PIP as required by statute.

After two years, funds withheld under this section may also be re-allocated to any eligible operator for purposes of improving coordination, according to the unfunded coordination projects in the Regional Coordination Plan (MTC Res. 3866 or its successor). MTC may also allocate these funds to any operator whose increase in total operating cost per revenue vehicle hour is less than the increase in the CPI.



Photo: Jim Maurer



FY 2019-20 Fund Estimate and STA/SGR Population-Based Program

MTC Resolution Nos. 4360 and 4321

Programming and
Allocations Committee
February 13, 2019
Item 3a

MTC's Fund Estimate

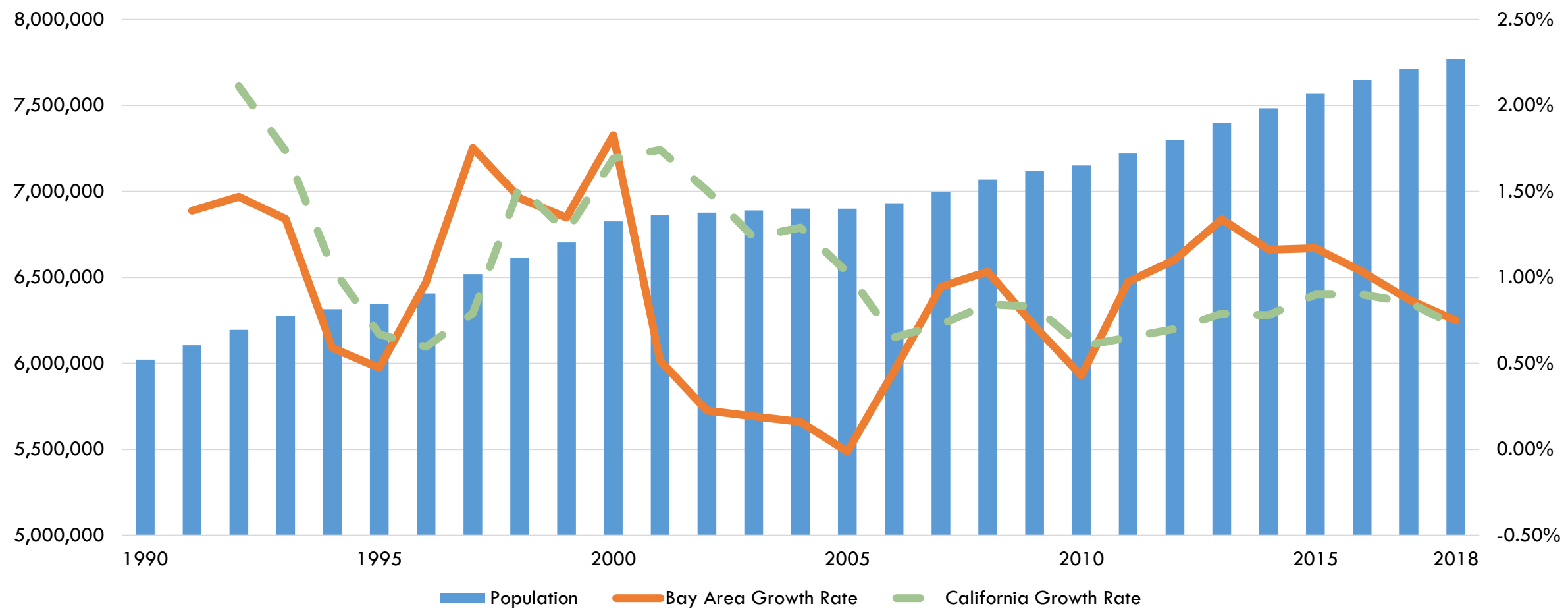
- State law requires MTC to complete a Fund Estimate by March 1st annually
- Assists transit operators in budgeting
- Approx. 40% of Bay Area transit operating revenues are based on sales taxes
- Operators are urged to be cautious in their budgeting for FY 2019-20 given uncertainty about the economy
- **FY 2019-20 Fund Estimate programs \$894 million, mostly for transit operations**



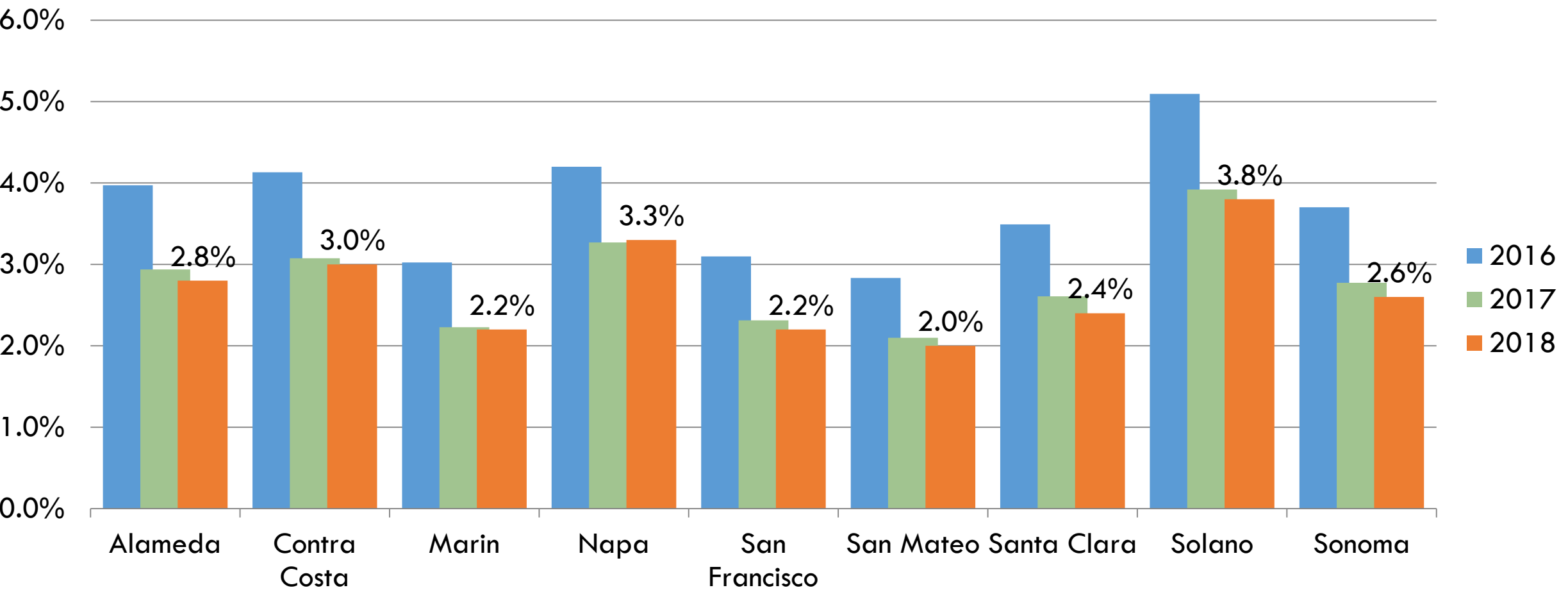
Fund Estimate Overview

	Program	Description	FY 2018-19 Estimate (\$, in millions)	FY 2019-20 Estimate (\$, in millions)
Sales Taxes and Tolls	Transportation Development Act (TDA) ¼ ¢ Sales Tax	¼ ¢ sales tax in each county	\$421	\$430
	AB 1107 ½ ¢ Sales Tax	MTC administers 25% of the revenue from the ½ ¢ sales tax in the three BART district counties	\$89	\$91
	Bridge Tolls	MTC 2% Toll Revenues and 5% State General Fund Revenues	\$5	\$5
STA Formula	State Transit Assistance (STA)	Sales tax on diesel fuel in CA	\$251	\$284
	State of Good Repair (SGR) Program	Transportation Improvement Fee (vehicle registration fee)	\$39	\$40
	Low Carbon Transit Operations Program (LCTOP)	5% of Cap-and-Trade auction revenues	\$55	\$44

Bay Area Population

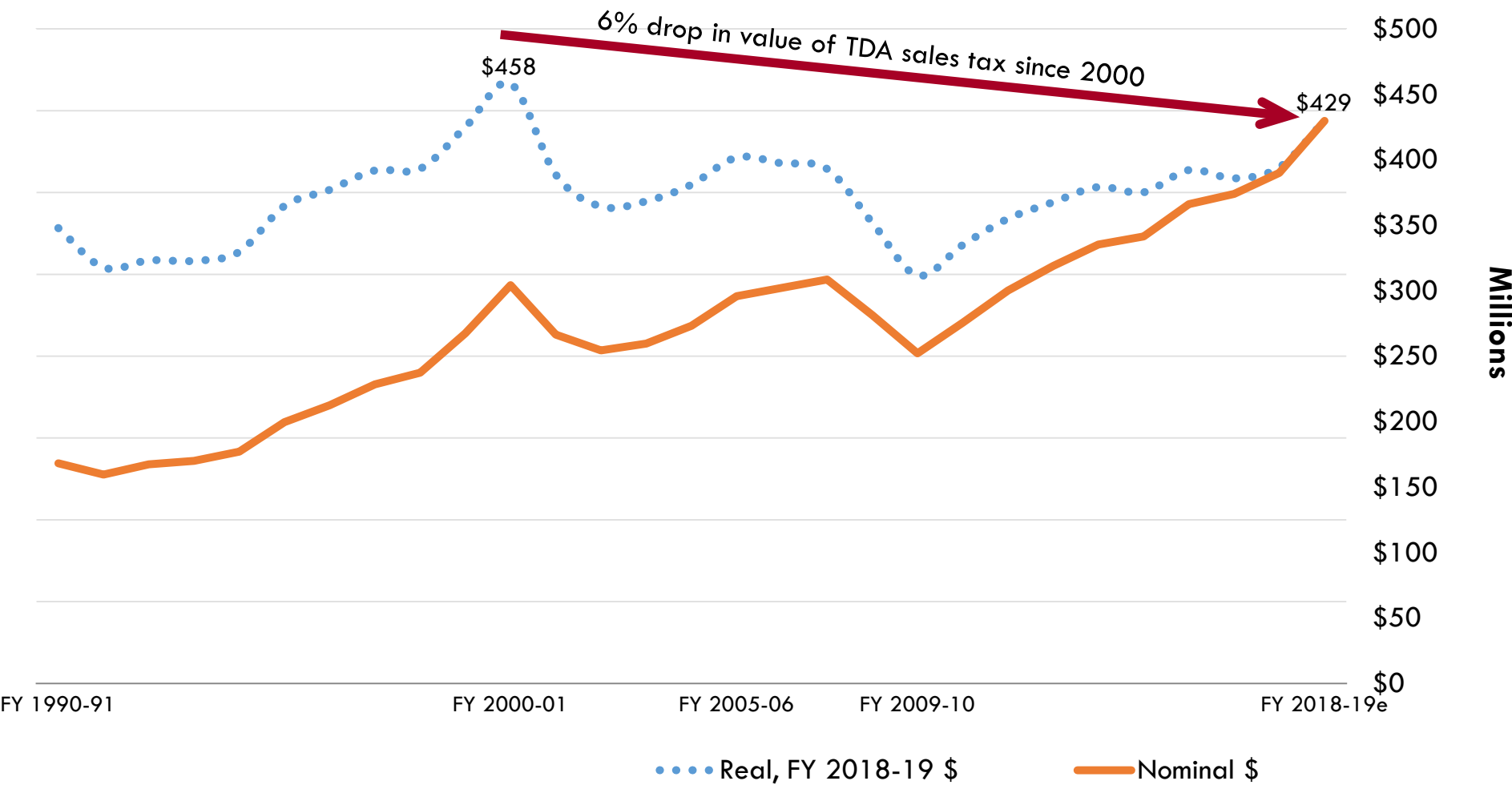


2.6% Unemployment Rate – An All Time Low



Data current as of December 2018 (most recent available data).
Source: California Employment Development Department, Labor Market Information Division – www.labormarketinfo.edd.ca.gov

Real Sales Tax Revenue: 6% Drop Since 2000



Source:
1. Actuals reported by CA Dept. of Tax & Fee Admin.
2. FY 2018-19 estimates from FY 2019-20 Fund Estimate

TDA Sales Tax Forecast FY 2019-20



Estimates for each county prepared by individual county Auditor/Controllers



Return to source, revenue earned in a county is spent in that county



Revenue primarily used for transit operations and capital expenses



Operators should be extra cautious due to uncertainty in County Auditor forecasts resulting from sales tax distribution changes



FY 2019-20 forecast of \$430 million is a **2.2% increase** above the Auditor/Controllers' revised forecast for FY 2018-19 (\$420.5 million)

- Revised FY 2018-19 forecast represents a 7.8% increase over original forecast – may be unrealistically high



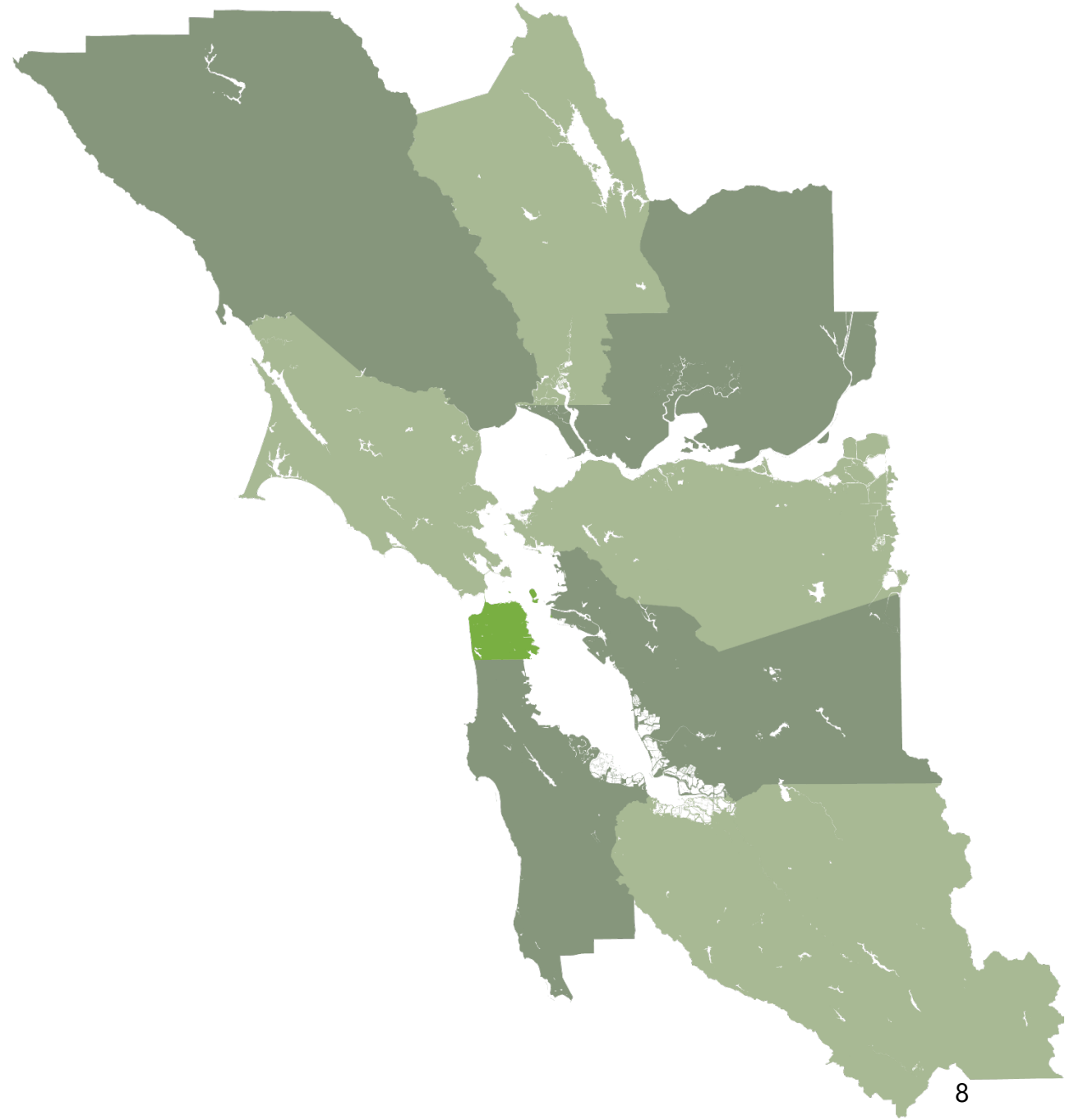
TDA Sales Tax Developments



State Legislature has organized a TDA Task Force to propose major revisions to the TDA statutes, work will be ongoing in 2019 with possible legislative action in 2020



Impact of *South Dakota v. Wayfair Inc.* case could result in additional revenue depending on how CA collects sales tax from out-of-state retailers



AB 1107 Sales Tax Forecast FY 2019-20

- 25% of total revenue from BART's sales tax in Alameda, Contra Costa, and San Francisco counties
- MTC estimates revenue and establishes funding policy
- Only AC Transit, BART, and SFMTA eligible to receive AB 1107 funds per state statute
- Historically, Commission policy is to distribute 50% of funds to AC Transit and 50% to SFMTA
- **FY 2019-20 forecast of \$91 million** is a **2.2 % increase** above the forecast for FY 2018-19 (\$89 million)



STA Formula Programs

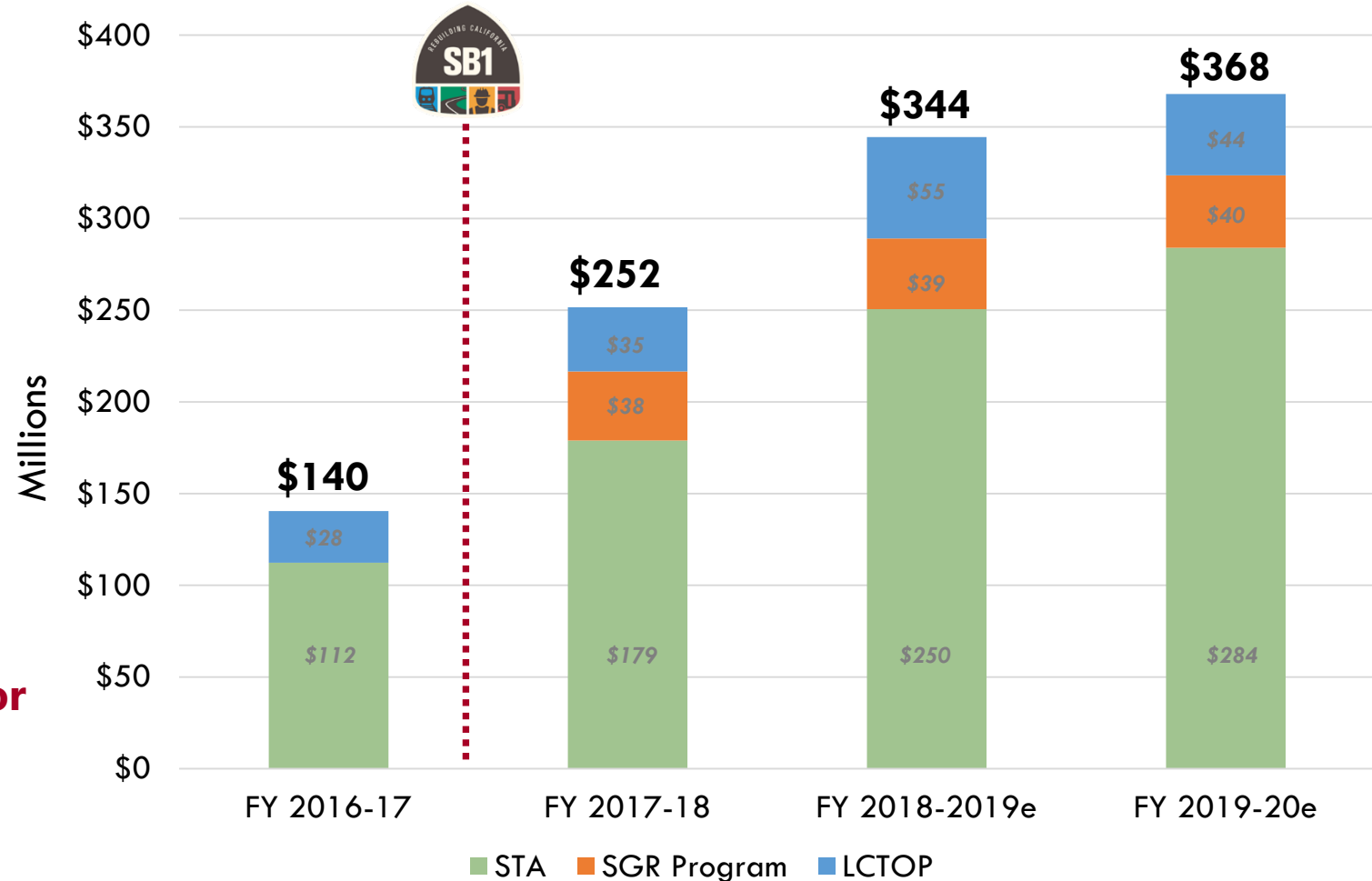
FY 2019-20

State Transit Assistance (STA) formula splits statewide revenue 50/50 between a Revenue-Based program and a Population-Based program

Revenue-Based funds flow to transit operators via MTC based on their qualifying local revenue

Population-Based funds flow to the Bay Area based on our 19.5% share of the state's population and are programmed by MTC

FY 2019-20 forecast of \$368 million for the Bay Area in STA, State of Good Repair (SGR) Program and Low Carbon Transit Operations Program (LCTOP) revenue



MTC Resolution No. 4321 – Proposed Revisions

Within County Block Grant Program:

Small and Medium-Sized Operator Performance Measures

Modify the performance measure requirements for small/medium operators to reflect the consensus approach developed by the operators during 2018 through a subcommittee with MTC staff:

- Maintain operating costs at least **20% below the average cost of the larger operators** in the region (the seven operators covered by the TSP) for the same mode (bus, rail, ferry) for a particular year.
- Limit annual year-over-year increases for each operator to 5%
- Justification process for operators not meeting targets in a given year

SGR Program Revenue-Based Program

Adjust MTC's policies to reflect changes in Caltrans' SGR Program guidelines requiring MTC to approve SGR Program Revenue-Based projects from operators

- Operators to submit projects to MTC annually
- MTC to approve and submit list to Caltrans by deadline
- Projects need to be consistent with operator's TAM plan



Staff recommendation is to forward to the Commission for approval:

MTC Resolution 4360 (FY 2019-20 Fund Estimate)

MTC Resolution 4321, Revised (STA and SGR Program Policies)

