

A blurred background image of a person standing on a bus, looking out the window. The person is wearing a dark jacket and a backpack. The bus interior is visible, including the ceiling and windows.

BLUE RIBBON



**TRANSIT RECOVERY
TASK FORCE**

CARES ACT PHASE 2 FUNDING DISTRIBUTION CONSIDERATIONS

A close-up background image of a person wearing a black beanie, a white face mask, and a purple jacket, sitting on a bus. The person is looking out the window. The bus interior and a window view of trees are visible.

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Deputy Executive Director, Policy
Metropolitan Transportation Commission

June 15, 2020

Agenda Item 5

CARES ACT BACKGROUND

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TRANSIT RECOVERY
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- **Federal Action:**

On March 27, 2020, President signs the CARES Act, providing \$2 trillion for programs to respond to and prepare for the COVID-19 pandemic

- **Transit Funding For Bay Area:**

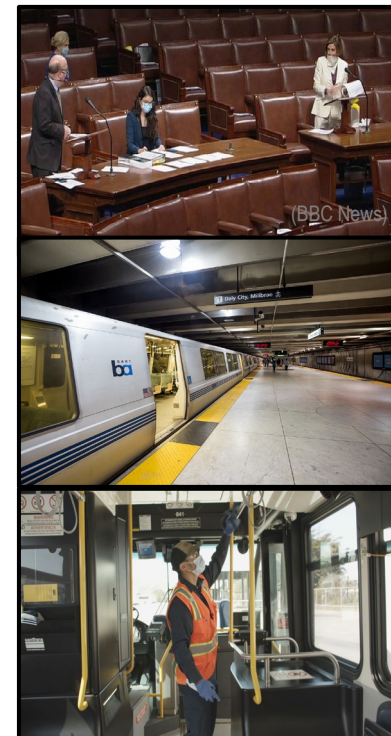
\$1.3 Billion in public transit funding directed to Bay Area operators through Federal Transit Administration (FTA) formulas (Sections 5307 and 5311)

- **Intent:**

- Fund operating losses as a result of the pandemic, including reduced funding sources and increased costs.
- Keep workers paid and employed

- **Transit Eligible Uses:**

COVID-19 emergency-related capital and operating expenses



ADOPTED FUNDING DISTRIBUTION PRINCIPLES

1. **Move quickly** to distribute the first allocation of funds to operators as soon as possible
2. Distribute funding in a manner that **best addresses operators' needs** arising from the COVID-19 crisis
3. **Allow flexibility** to enable the region to address uncertainty/changed circumstances
4. **Address urbanized area (UZA) constraints** associated with federal funds with a needs-based funding distribution of any COVID-19 **supplemental state funds**
5. Future distribution(s) will be subject to a comprehensive COVID-19 **recovery strategy** for each operator that considers any recommended regional adjustments to ensure network connectivity, lifeline service needs, and financial sustainability.

CARES ACT FUNDING DISTRIBUTION

Transit operator consensus is to distribute CARES Act funding in multiple tranches to allow flexibility to adjust to uncertain revenue impacts.

Phase 1 Distribution \$781 M (61%)

- **Intended to provide funding for immediate needs and revenue losses**
- Preserves flexibility to make up for revenue losses not yet known
- Hybrid formula recognizes variation in revenue mix that operators rely on:
 - **1/3 - Share of Operating Costs as Budgeted for FY 2019-20**
 - **1/3 - FY 2020-21 State Transit Assistance (STA) Revenue-based formula (inclusive of AB1107 sales tax)**
 - **1/3 – Share of Farebox Revenue as Budgeted for FY 2019-20**
- Guarantees small and medium-sized operators receive at least 17% of FY 2019-20 operating costs

Subsequent Distribution \$507 M (39%)

- **Distribution: TBD**
- **Reconcile Phase 1 distribution with actual needs and revenue losses that are not yet known**
- **Will consider the larger transit recovery strategy to be fully defined and guided by Principle 5**
- Targeted for July Commission Approval

CARES ACT IN THE BAY AREA



CARES Act Bay Area Total = \$1.3 billion

CARES Act Phase 1 Distribution

\$781 million

April 2020 (MTC Res. 4420)

Distribution Formula: 33% Based on % Share of FY 2020-21 STA Revenue-Based Formula (Inc. AB 1107 sales tax), 33% Based on % Share of Farebox Revenue, 33% Based on % Share of FY 2019-20 Operating Costs

Future CARES Act Distribution(s)

\$507 million

TBD

Distribution Formula: TBD

BART: \$251,637,050

SFMTA: \$197,190,672

AC Transit: \$80,366,395

VTA: \$73,023,596

Caltrain: \$49,292,725

Golden Gate Transit + Ferry: \$30,163,006

SamTrans: \$28,519,037

WETA: \$12,529,212

SMART: \$10,375,471

MTC Regional Programs: \$7,808,416

County Connection: \$7,067,680

Marin Transit: \$5,438,808

Tri Delta Transit: \$3,891,364

LAVTA: \$3,501,369

Sonoma County Transit: \$3,014,482

NVTA: \$2,701,734

ACE: \$2,680,453

Soltrans: \$2,590,800

Santa Rosa CityBus: \$2,493,979

WestCAT: \$2,218,204

FAST: \$2,002,985

Union City Transit: \$922,560

Petaluma Transit: \$498,342

Vacaville City Coach: \$488,659

City of Dixon: \$305,302

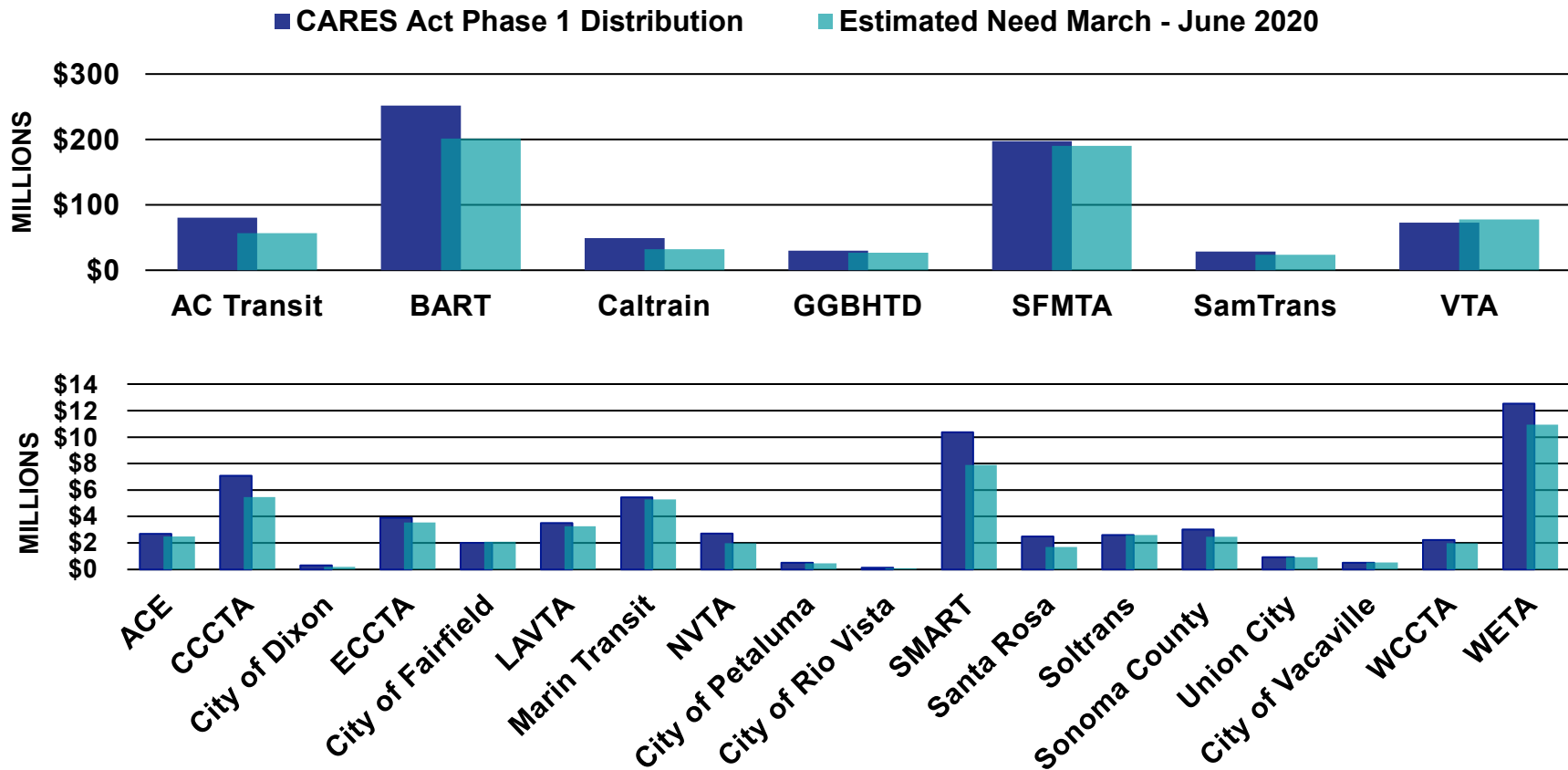
City of Rio Vista: \$119,328

CARES ACT PHASE 1 VS. NEED COMPARISON

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TRANSIT RECOVERY
TASK FORCE



EXPENDITURE PLAN FOR MTC SHARE OF CARES ACT PHASE 1 FUNDS

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CLIPPER

Clipper Operations

\$4.2 million

Support the implementation and operation of the Region's fare payment card in light of revenue losses caused by COVID-19



Regional Transit Connection Card

\$1.0 million

Support the upgrade of data systems for implementation of the discount program and transfer of administration to MTC



Vanpool Program

\$0.4 million

Support continued operation of 130 Vanpool vehicles idled due to COVID-19 and Shelter in Place



Means-Based Pilot (Clipper START)

\$1.7 million

Support the 18-month Clipper Start Means-based Transit Fare Pilot, scheduled to begin in July 2020



Recovery Planning

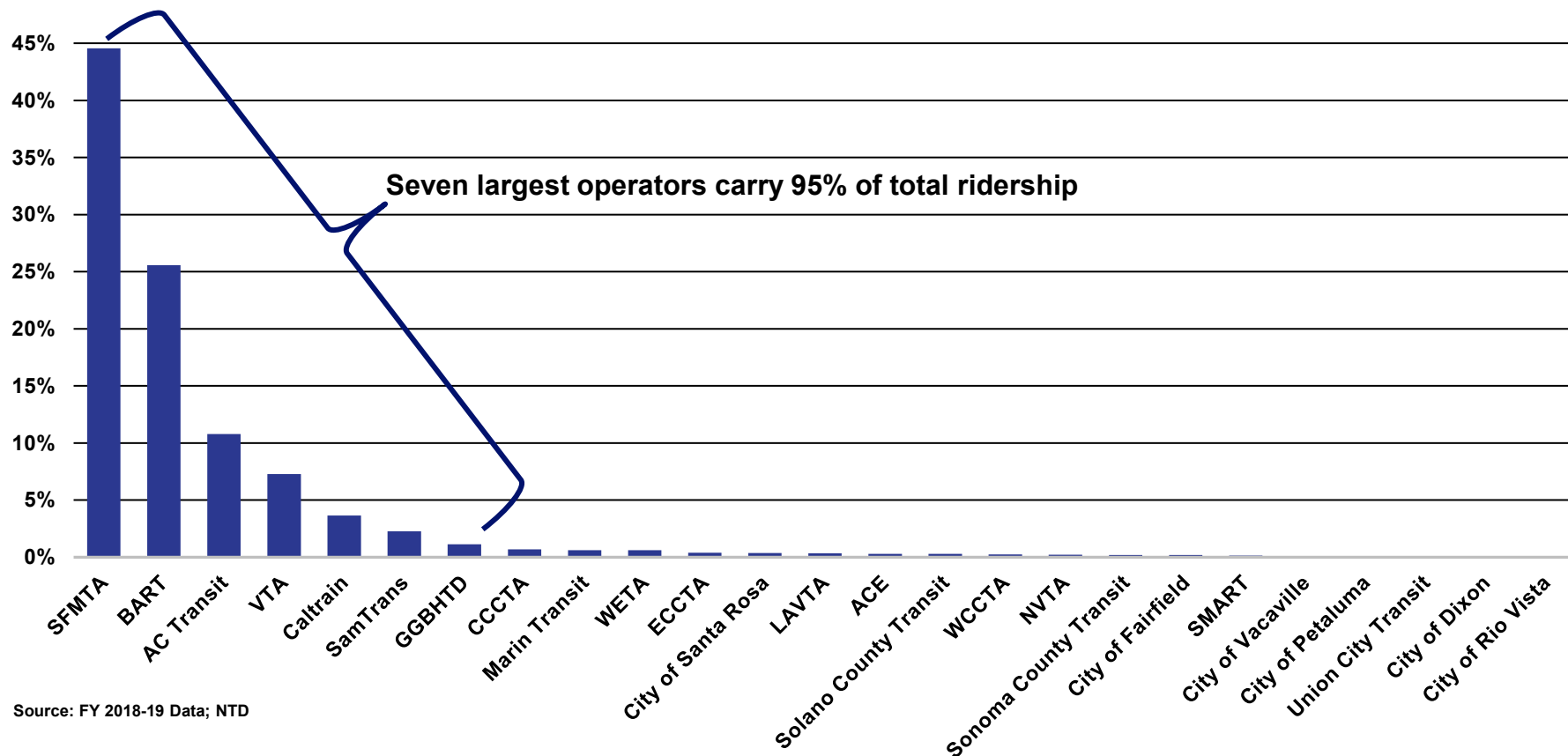
\$0.5 million

CARES Act funding is proposed to support efforts related to public transit recovery necessitated by the COVID-19 crisis

**\$7.8 million
in Phase 1
CARES Act
Funds**

CARES ACT

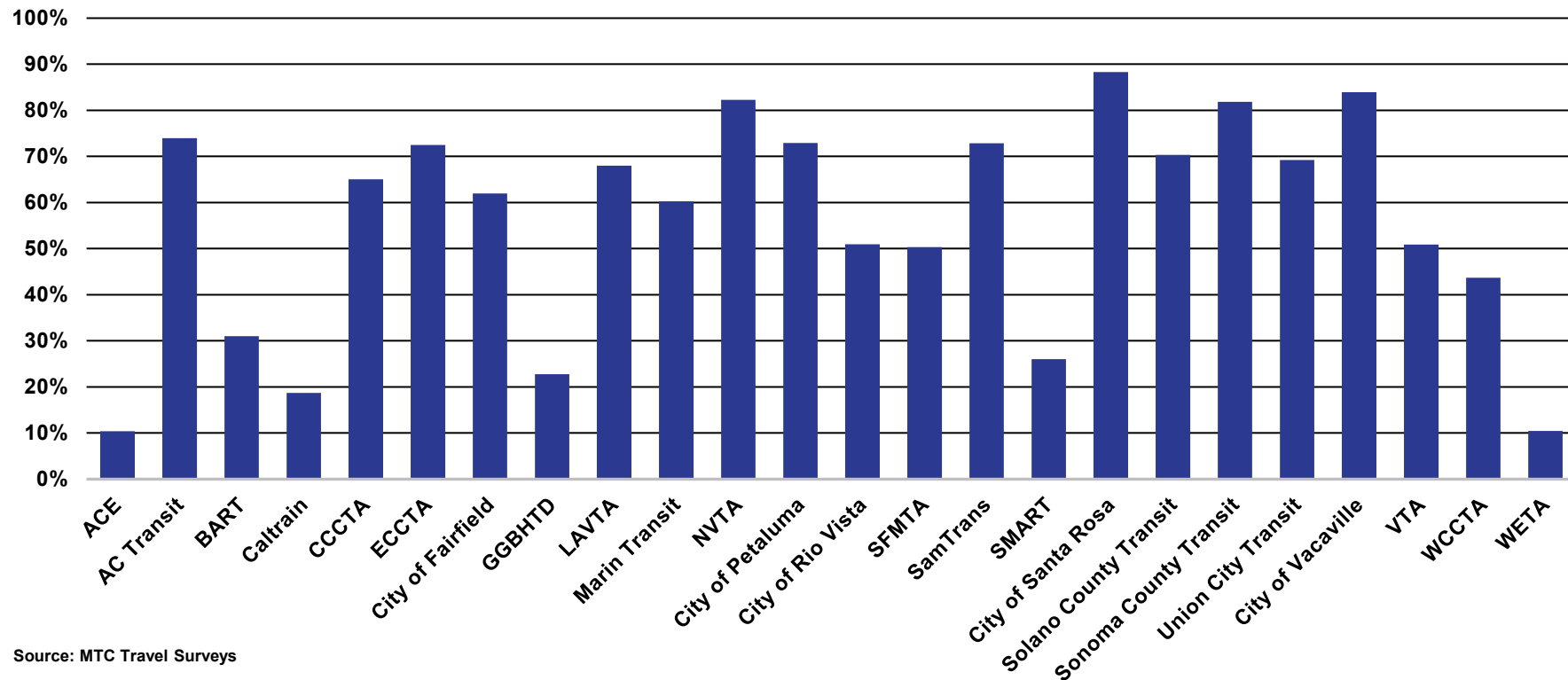
SHARE OF ANNUAL PRE-COVID RIDERSHIP BY OPERATOR



Source: FY 2018-19 Data; NTD

CARES ACT

% OF RIDERS FROM HOUSEHOLDS WITH INCOMES <\$50,000

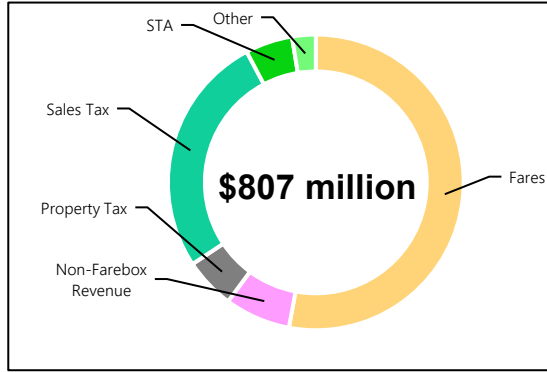


Source: MTC Travel Surveys

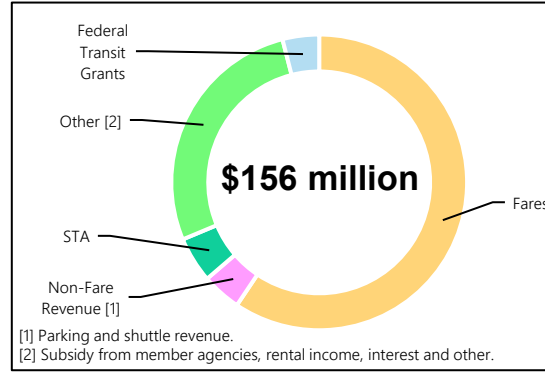
CARES ACT

REVENUE MIX CAUSES VARIED VULNERABILITIES

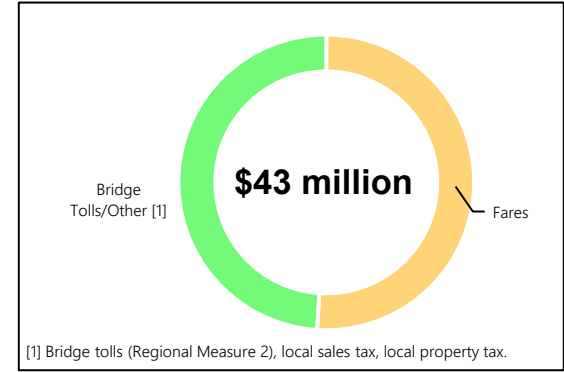
BART



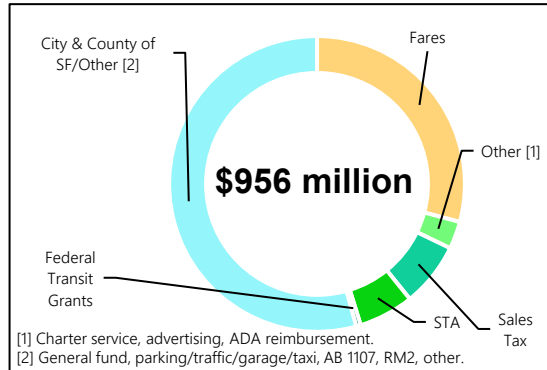
Caltrain



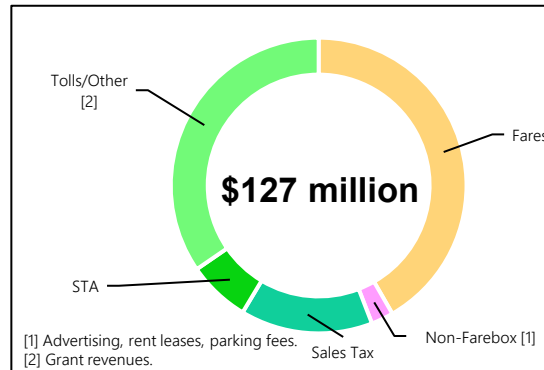
SF Bay Ferry (WETA)



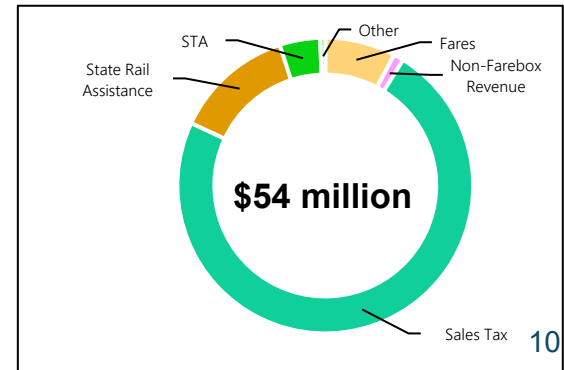
Muni (SFMTA)



Golden Gate Transit + Ferry



SMART



Heavily Fare-Reliant

Unique Revenue Mix

PHASE 2 CONCEPTS

OPTION 1: Revenue-Loss Approach

- Forward-looking approach to revenue loss over the coming year; does **not** look back at Phase 1 of CARES Act
- Calculates annualized projected losses for each transit operator using consistent assumptions
- Calculates each operator's share of the anticipated total annualized revenue loss then forms the basis of the amount of Phase 2 CARES Act funds an operator would receive

OPTION 2: Service Horizon Approach

- This option "trues up" funding in Phase 1 + Phase 2 distributions with anticipated need
- Seeks to fully fund operators pre-COVID-19 operating costs through December 31, 2020 across Phase 1 + Phase 2 of the CARES Act
- Uses a consistent set of revenue loss assumptions for all operators across two time periods (March to August 2020 and September to December 2020) to determine a monthly revenue loss amount

EQUITY CONSIDERATIONS

- Apply equity adjustment to Option 1 and Option 2 to provide additional funding to operators serving predominantly vulnerable populations: consider a 25% weight in formula
- Household income may be best measure available (200% federal poverty level)

CONSISTENT REVENUE LOSS ASSUMPTIONS

- Unprecedented uncertainty about impact to key revenue sources for transit
- Use of consistent assumptions across all operators allows for CARES Act distribution options to be considered on a level playing field

March – August 2020

- Fares – **90%**
- Sales taxes – **50%**
- BATA bridge tolls – **60%**
- Golden Gate Bridge tolls – **60%**
- SFMTA Parking – **90%**
- SFMTA General Fund – **20%**
- Park n Ride revenues – **90%**
- State Transit Assistance – **32%**
- State Rail Assistance – **32%**

Sept. 2020 – March 2021

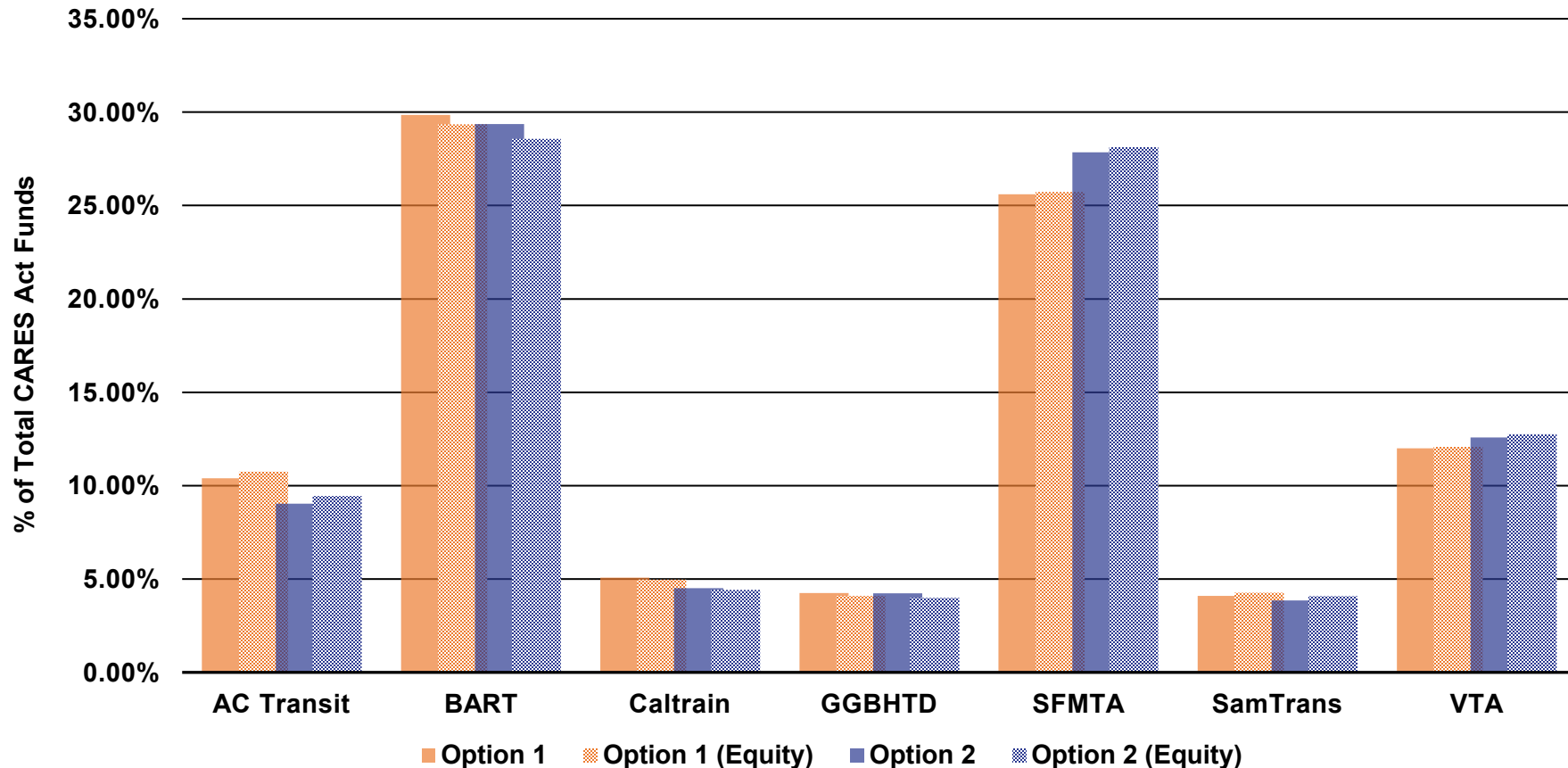
- Fares – **75%**
- Sales taxes – **35%**
- BATA bridge tolls – **30%**
- Golden Gate Bridge tolls – **40%**
- SFMTA Parking – **20%**
- SFMTA General Fund – **20%**
- Park n Ride revenues – **75%**
- State Transit Assistance – **40%**
- State Rail Assistance – **40%**

PHASE 2 CONCEPTS, EXAMPLES

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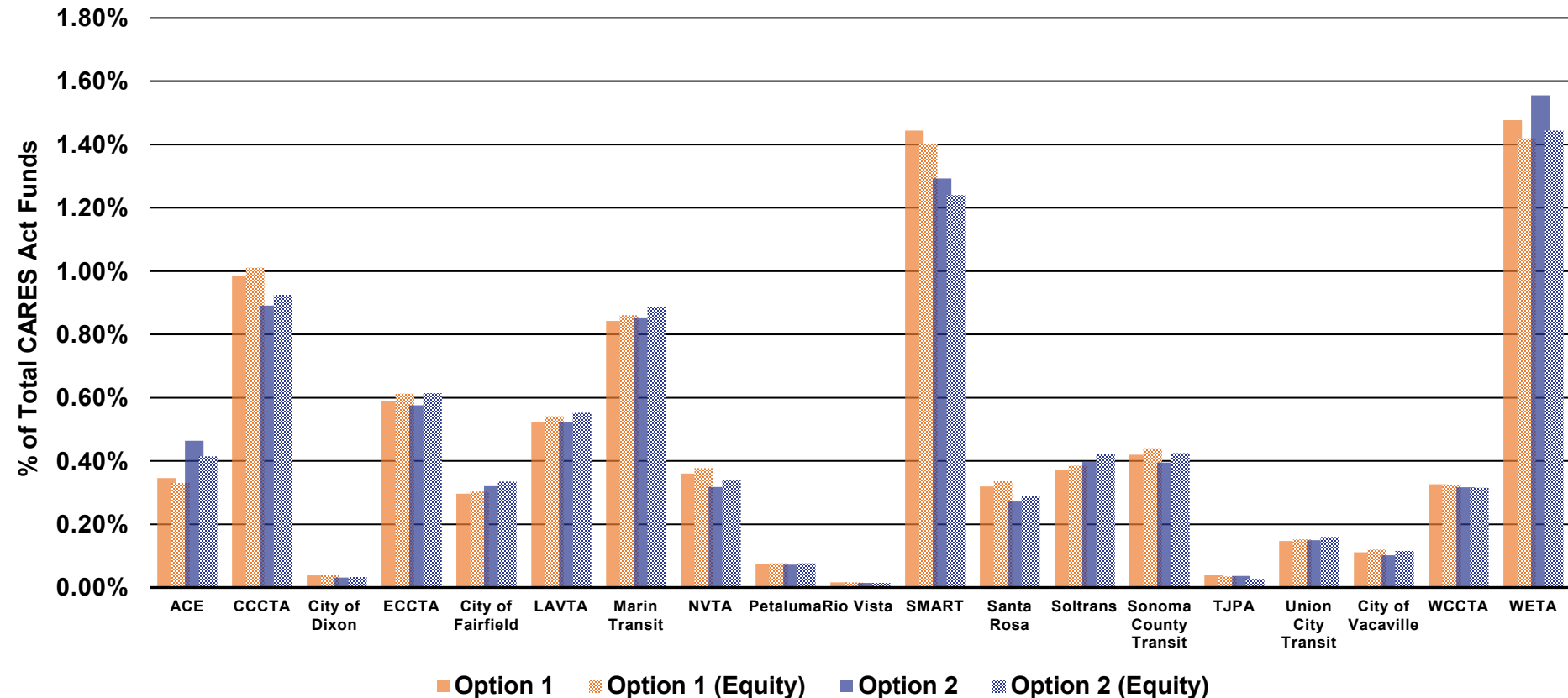


PHASE 2 CONCEPTS, EXAMPLES

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PRELIMINARY TRANSIT OPERATOR FEEDBACK



A "Needs-Based" approach is consistent with CARES Act intent



Including a "True-Up" is in line with commitments made during the first **CARES** Act distribution



Equity is important to consider even if it results in redistributing funds between operators



Operators that are heavily reliant on fares may be the most vulnerable in the current environment and face more significant long-term risk




A few operators request adjustments to assumptions / methodology

- Look at revenue losses over a longer period-of-time
- Adjust equity weighting or equity factors used
- Include revenue losses specific to certain operators

A woman with dark hair, wearing a light blue surgical face mask and a vibrant, multi-colored geometric patterned scarf, is walking on a city street. She is carrying a black and white patterned bag. The background is a blurred urban scene with buildings and trees.

QUESTIONS?

1. After this presentation, are you able to understand the fundamental difference between the options presented? If not, what additional clarification would help?
2. Is it important to incorporate a “true-up” of the Phase 1 distribution amounts with the Phase 2 distribution?
3. Do you support the inclusion of an equity adjustment based on supporting needs of vulnerable populations in the Phase 2 allocation?
4. Are you satisfied with the use of low-income boardings as the proxy for vulnerable populations?



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THANK YOU.

www.mtc.ca.gov/mtc.ca.gov/blue-ribbon-transit-recovery-task-force