

**Metropolitan Transportation Commission
Programming and Allocations Committee**

December 11, 2024

Agenda Item 3b-24-1363

MTC Resolution No. 4644, Revised

Subject:

Approval of revisions to the FY2024-25 Regional Measure 3 (RM3) Operating Program to support express bus operations. In accordance with MTC Resolution 4619, Revised, approved by the Commission in November, this item includes funding commitments to satisfy the \$300 million regional contribution to address public transit operator shortfalls.

Background:**Introduction**

The RM3 Operating Program receives a maximum of 16 percent of the revenue generated from the voter approved RM3 toll increases in that fiscal year [SHC Section 30914.7(c)]. Of this revenue, statute determines that 8 percent of operating program funds go to the Transbay Joint Powers Authority (TJPA) to support operations of the Salesforce Transit Center Transbay Terminal, 34 percent go to operators of express bus service to support operations of existing or enhanced express bus service, and 58 percent go to the San Francisco Bay Area Water Emergency Transportation Authority (WETA) to support operations of existing or enhanced ferry service.

On January 1, 2025, the third and final \$1 toll increase under RM3 will go into effect. This will expand programming capacity for the RM3 Operating Program, providing additional funding for transportation improvements. The proposed programming levels reflect additional revenues for infrastructure development and transit operations across the Bay Area, including ferry service expansion and transit projects aimed at reducing congestion and improving regional connectivity.

Transit Operating Shortfall Nexus

In December 2023, MTC submitted to the California State Transportation Agency its Senate Bill (SB) 125 Short-Term Financial Plan. This plan established a \$774 million collective funding shortfall for Bay Area operators across fiscal years (FY) 2024-25 and 2025-26, which is based on a standardized set of assumptions shared across all operators. These needs will be addressed through a combination of SB 125 funds and a \$300 million regional contribution, which includes RM3 Operating Program funds. The regional funding framework was adopted by the Commission in November 2024 through MTC Resolution No. 4619, Revised.

In FY2023-24, MTC programmed \$8 million in RM3 Operating Program funds as the first commitment of the \$300 million funding framework. These funds addressed most FY2024-25 shortfalls for eligible recipients. The proposed FY2024-25 RM3 Operating Program builds on this precedent by programming another year of funds toward the standardized shortfalls.

Operators that receive less RM3 Operating Program funding across FY2023-24 and FY2024-25 than their standardized FY2024-25 shortfall due to the limits established in the RM3 Policies and Procedures will receive the remainder of their standardized shortfall needs in FY2024-25 through an allocation of SB 125 funds or other regional funding sources.

Proposed FY2024-25 Programming

In May 2024, the Commission approved MTC Resolution No. 4644, establishing the FY2024-25 funding levels for the Transbay Terminal and expanded ferry service components of the RM3 Operating Program. Following further analysis and stakeholder coordination, the proposed revisions to MTC Resolution No. 4644 incorporate \$15 million in funding for the Express Bus component of the RM3 Operating Program.

The proposed FY2024-25 programming for the Express Bus component first funds \$1.4 million in remaining FY2024-25 standardized shortfalls projected by RM3-eligible operators. Next, roughly \$500,000 in funding is directed to Eastern Contra Costa Transit Authority (ECCTA), which supplements funding provided by Contra Costa Transportation Agency to address an unanticipated budget deficit for FY2024-25. Additionally, while Central Contra Costa Transit Authority (CCCTA) does not project a near-term deficit, \$100,000 is programmed to that operator to support the continued provision of service connecting to BART stations. The remaining FY2024-25 RM3 Operating Program funding will then be directed to operators’ FY2025-26 standardized shortfalls, allowing operators to roll over revenues from FY2024-25 into FY2025-26 to address their shortfalls and reduce the total amount of SB 125 funds needed in FY2025-26. Proposed programming amounts for FY2024-25 are summarized in Table 1 below.

Table 1. Proposed FY2024-25 RM3 Operating Program

Operator	FY2024-25 RM3 Programming for Fiscal Cliff (\$M)	FY2024-25 RM3 Programming for Other Purposes (\$M)	FY2024-25 RM3 Total Programming (\$M)
AC Transit	\$7.5	\$0	\$7.5
CCCTA	\$0	\$0.1	\$0.1
GGBHTD	\$1.9	\$0	\$1.9
LAVTA	\$0.7	\$0	\$0.7
NVTA	\$0.7	\$0	\$0.7
SolTrans	\$1.0	\$0	\$1.0
ECCTA	\$0.2	\$0.5	\$0.7
WestCAT	\$2.5	\$0	\$2.5
Total	\$14.5	\$0.6	\$15.1

As the remaining FY2025-26 standardized shortfalls for RM3-eligible operators are greater than the remaining FY2024-25 RM3 programming capacity, operators will receive the remainder of their shortfall funding in FY2025-26 through FY2025-26 RM3 Operating funds, escrowed RM3 Operating funds from prior years, SB 125 funds, or other regional funds.

In accordance with the RM3 Policies and Procedures (MTC Resolution No. 4404, Revised), total RM3 programming amounts will be limited such that the combined RM2 and RM3 operating revenue received by each operator is not greater than the cost of operating RM3-eligible service, less fare revenue.

Funding Availability

MTC's RM3 Operating Policies and Procedures state that MTC will adopt a project specific budget for RM3 operating funds prior to allocation. The proposed FY2024-25 programming levels are consistent with Bay Area Toll Authority (BATA) revenue projections for RM3. However, should actual revenues be lower than budgeted revenues, revisions to programming will be necessary to stay within the statutory 16 percent maximum. Operators will continue to have flexibility to direct funding to any eligible service so funds can be used where operators determine they are most needed.

Issues:

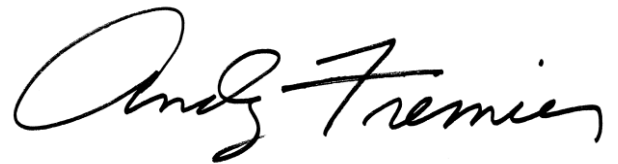
1. The proposed RM3 Express Bus program for FY2024-25 was developed to help address the needs of transit operators facing fiscal challenges and to help MTC adhere to the commitment made to the State to ensure near-term public transit sustainability in exchange for SB 125 funding. MTC expects that the RM3 Express Bus program will change from year to year until transit operating funding becomes more certain. In budgeting, transit operators should not expect funding levels for the program to be fixed. Looking ahead, MTC staff will holistically assess express bus service needs regionwide to identify routes that support RM3's statutory objective of reducing bridge corridor congestion.
2. Over the period spanning FY2018-19 to FY2021-22, roughly \$24 million in RM3 funding for express bus operations was accrued but not disbursed while RM3 was under legal challenge. Now that legal challenges have been dismissed, MTC is able to disburse this funding to eligible recipients. This funding is anticipated to be used to support operators facing a fiscal cliff, representing a portion of MTC's commitment of up to \$300 million in regional dollars to supplement state funding to address projected near-term transit operator shortfalls. Staff will return to PAC at a later date to request approval of allocations of escrowed RM3 Operating Program funds, following further coordination with operators and an assessment of their needs.
3. MTC and Bay Area transit operators will continue to work together to better understand the structural/financial challenges and operational inefficiencies that contribute to the operating shortfall funding. Notably, through the implementation of SB 125 Regional Accountability Measures, staff will provide updates to PAC summarizing operator efforts to improve service efficiencies, curtail fare evasion, and incentivize ridership recovery.

Recommendation:

Refer MTC Resolution No. 4644, Revised to the Commission for approval.

Attachments:

- MTC Resolution No. 4644, Revised
 - Attachment A
- Presentation

A handwritten signature in black ink, reading "Andrew B. Fremier". The signature is written in a cursive, flowing style.

Andrew B. Fremier