Attachment A: Transit Capital Priorities Policy and Program Revisions FYs 2021-22 - 2023-24 Detail

This supplemental memo provides additional detail and background on the changes to the TCP Process and Criteria and the programming of $77.6 million in FTA Formula Revenues.

Policy Updates:

The TCP Process and Criteria (MTC Resolution No. 4444) governs the TCP program of projects to fund basic capital requirements and maintain reasonable fairness to all operators, both through incorporation of federal requirements and MTC-specific rules. Several aspects of the policy are updated via this item: Fixed Guideway spend-down timeline, a new timely obligation of funds policy, UZA eligibility, Fixed Guideway caps, and an interim policy for bus and van purchases in FYs 2021-22 through 2023-24.

Fixed Guideway Caps (FG)

In September 2022, this body approved a 20% increase to the Fixed Guideway cap, due to increased funding levels for FTA Section 5337 State of Good Repair funds from the Bipartisan Infrastructure Law and ongoing need in the region for these projects, representing an approximately $23 million per year increase over the existing $121 million Fixed Guideway cap. For FYs 2021-22 and 2022-23, a flat 20% increase per operator was applied to the original Fixed Guideway caps; today, staff proposes updates to the TCP Process and Criteria (MTC Resolution No. 4444) to reflect the below proposed cap amounts.

Operator	**Former FG Cap: $121,000,000**	***FG Cap Increase: $23,121,930***	**Proposed FG Cap: $144,121,929**
ACE	$1,594,000	*$208,017*	$1,802,017
BART	52,646,000	*14,201,732*	66,847,732
Caltrain	13,673,000	*1,784,327*	15,457,327
GGBHTD	5,350,000	*698,175*	6,048,175
SFMTA	33,324,000	*4,348,782*	37,672,782
VTA	8,103,000	*1,057,442*	9,160,442
WETA	6,310,000	*823,455*	7,133,455

The proposed FG caps are determined by identifying each operator's share of the region's fixed guideway need projections (per Plan Bay Area 2050). ACE's share of the total need is calculated separately, due to Union Pacific owning their track. Ultimately, while most operators' absolute need did increase – the region's projected FG needs went up from $14.5 billion to $24.3 billion – the FG caps are calculated based on the share of the total need, thus reflecting the relative need. The only operator with a reduction in total need is Caltrain, primarily due to recent state of good repair investments including the electrification project. Per the Policy, no agency's cap can be reduced by more than 5% in this adjustment, regardless of how much their share of the total need falls. In keeping with past practice, in order to keep reductions capped at 5% while simultaneously not capping any given operator's increased share of the total cap, the total cap amount increases slightly, from $143.9 million to $144.1 million. The following table illustrates the change from the interim 20% FG cap increase in place for FYs 22 and 23.

Operator	Interim FG Cap	Proposed FG Cap	Change	% Change
ACE	1,896,860	1,802,017	(94,843)	-5.0%
BART	62,648,740	66,847,732	4,198,992	6.7%
Caltrain	16,270,870	15,457,327	(813,870)	-5.0%
GGBHTD	6,366,500	6,048,175	(318,325)	-5.0%
SFMTA	39,655,560	37,672,782	(1,982,778)	-5.0%
VTA	9,642,570	9,160,442	(482,129)	-5.0%
WETA	7,508,900	7,133,455	(375,445)	-5.0%
Total	**143,990,000**	**144,121,929**	**131,929**	**0.1%**

Urbanized Area (UZA) Updates

Due to the transition of the Concord UZA and Livermore UZAs to the new Concord-Walnut Creek UZA and the Livermore-Pleasanton-Dublin UZA based on 2020 Census data, the TCP's UZA eligibility chart and ADA formulas are proposed for updates. While the UZAs are largely similar, some lines have been redrawn such that eligible operators have changed. The most prominent change is around the Contra Costa/Alameda county line in the Tri-Valley area. BART will now draw from a fourth UZA, Livermore-Pleasanton-Dublin (LIV), as the Census Bureau has shifted eastern Alameda county into that UZA. Altamont Corridor Express (ACE) will only draw from the new Livermore-Pleasanton Dublin UZA and the San Francisco-Oakland UZA, and will no longer be eligible for Concord funds. In addition to the UZA changes, 2022 NTD data has been utilized to re-calculate each operator's share of the program's 10% ADA set-aside, based on a formula that incorporates annual demand response operating expenses and ridership, as well as annual overall ridership. The policies and procedures governing UZA eligibility and the new ADA set-aside formulas are proposed for incorporation into the TCP Process and Criteria. Further detail is found in MTC Resolution No. 4444.

Table 1. Urbanized Area Eligibility

Urbanized Area	Eligible Transit Operators
San Francisco-Oakland	AC Transit, ACE, BART, Caltrain, GGBHTD, Marin County Transit District, SFMTA, SamTrans, SMART, Union City Transit, Water Emergency Transportation Authority, WestCAT
San Jose	ACE, Caltrain, VTA
Concord-Walnut Creek	~~ACE~~, BART, CCCTA, LAVTA
Antioch	BART, ECCTA
Livermore-Pleasanton-Dublin	ACE, BART, LAVTA
Santa Rosa	GGBHTD, Santa Rosa City Bus, SMART, Sonoma County Transit
Vallejo	Napa Vine on behalf of American Canyon, Solano County Transit
Fairfield	FAST (formerly Fairfield-Suisun Transit)
Vacaville	Vacaville Transit
Napa	Napa VINE
Gilroy-Morgan Hill	Caltrain, VTA
Petaluma	GGBHTD, Petaluma Transit, Sonoma County Transit

Fixed Guideway Spend-down and Timely Obligation of Funds

The policy is updated with this item to reflect the next set of spend-down targets and dates (now reflecting program years FY 2024-25 through 2028-29, and referring to fixed guideway programming obligated (placed in an approved FTA grant) in federal FY 2021-22 or earlier. Additionally, the policy is updated to add timely obligation of funds guidelines.

Proposed FY2024-25 to FY2028-29 Program Grant Spend-Down Policy

The language surrounding the fixed guideway spend-down policy remains the same, with the following updated chart added in:

Program Year	**Basis for Balance**	**Spend-Down Target**	**Spend-Down Period**
FY2024-25	Undisbursed balance of FG grants awarded FFY2017-18 or earlier, as of 9/2020	Remaining balance, as of 9/2023	9/2023 to 9/2024
FY2025-26	Undisbursed balance of FG grants awarded FFY2021-22 or earlier, as of 9/2024	1/4 of balance, as of 9/2024	9/2024 to 9/2025
FY2026-27		1/3 of remaining balance, as of 9/2025	9/2025 to 9/2026
FY2027-28		1/2 of remaining balance, as of 9/2026	9/2026 to 9/2027
FY2028-29		Remaining balance, as of 9/2027	9/2027 to 9/2028

Proposed FY2024-25 to FY2029-30 Program Timely Obligation of Funds Policy

The proposed Timely Obligation of Funds provision in the policy will require operators, by January 31 of the year funds will lapse, to: obligate programmed funds; signal intention that the operator will obligate by September 30; or request a voluntary deferral of those funds. Voluntary deferrals will be programmed in the year of the operator's choosing, programmed as a prior-year commitment. This policy encourages operators to be proactive about obligating funds, or defer as needed, and will eliminate the risk of lapsing funds by systematizing their re-programming, ensuring their obligation. This policy aligns with federal requirements: Section 5307 funds must be obligated by the year of apportionment plus five years, and Section 5337 and Section 5339 funds must be obligated by the year of apportionment plus three years, as detailed below:

Program Year	**Lapsing Funds Program Year**	**Deadline to Obligate or Defer**	**Funds Lapse**
FY2024-25	FFY 2019-20 – 5307 FFY 2021-22 – 5337/5339	1/2025	9/30/2025
FY2025-26	FFY 2020-21 – 5307 FFY 2022-23 – 5337/5339	1/2026	9/30/2026
FY2026-27	FFY 2021-22 – 5307 FFY 2023-24 – 5337/5339	1/2027	9/30/2027

FY2027-28	FFY 2022-23 – 5307 FFY 2024-25 – 5337/5339	1/2028	9/30/2028
FY2028-29	FFY 2023-24 – 5307 FFY 2025-26 – 5337/5339	1/2029	9/30/2029
FY2029-30	FFY 2024-25 – 5307 FFY 2026-27 – 5337/5339	1/2030	9/30/2030

Interim Bus/Van Pricelist Policy

This item proposes the incorporation of a new interim policy for bus and van purchases in FYs 2021-22 through 2023-24 to address vehicle pricing that has far outpaced the TCP Process and Criteria's established bus/van pricelists. Under the TCP Process and Criteria, requests for funding for buses and vans cannot exceed the prices in the Regional Bus-Van Pricelist. Pricing for all types of buses have seen high inflation, especially on zero-emission buses, making both the region's ability to maintain transit state of good repair and to transition to an all zero-emission fleet more challenging. The rising cost of buses is of paramount concern both regionally and nationally; the recently announced FY24 federal discretionary bus programs (Low and No Emission Grant Program and Bus and Bus Facilities Program) are placing a new priority on efforts to reduce bus costs through large joint procurements and/or procurements of standardized bus models.

The current pricelist was last updated in 2020, and was developed through a subcommittee of the Transit Finance Working Group based on a survey of prices paid by operators in the Bay Area. The bus/van pricelist subcommittee convened in April, May, and August 2023. Operators completed a survey of recent procurements and quotes, and staff gathered data from operators with bus or van purchases programmed in FYs 22-24 to understand each operator's plan and identify how to accommodate vehicle purchases within the current TCP program period. Based off this work, staff recommends that a new pricelist be developed to be put into place for the TCP in FY 2024-25 and beyond, and propose an interim approach for FYs 22-24 programming to be incorporated into the TCP Process and Criteria (MTC Resolution No. 4444).

In general, staff recommends a 20% increase in TCP programming for each bus included for replacement in the FYs 22-24 program. This can take place two ways:

a. In UZAs where balances are available, staff will work with operators to add up to 20% additional TCP funding to each bus, more closely reflecting an 80% FTA funding level for the true cost of buses today.
b. In UZAs with insufficient balances, operators may work within their existing programming to have an up to 20% higher TCP contribution per bus, and defer up to 20% of their planned bus purchases. Deferral of buses will be voluntary and deferred replacements will be treated equally with all other score-16 project requests in the desired year of programming (i.e., replace 80 of 100 planned replacements now at the increased cost, and program remaining 20 buses in a later programming year at that year's increased pricelist amount).

A one size fits all approach is complex due to the nature of the TCP, particularly due to operator eligibility in different UZAs –operators in the competitive San Francisco-Oakland (SF-O), Concord (CON), and Antioch (ANT) UZAs are in a different position than the rest. This option – 20% over pricelist, or 20% deferral – aims to balance the competing needs of keeping the policy exception simple, applicable to all operators, and reasonably fair. In no case shall the federal amount programmed to an operator exceed 80% of the actual bus cost. Staff recommend incorporation of the 20% increase/20% deferral interim option into the TCP Policy in March, and will return to this body to program ensuing changes in the coming months, as operators determine the best fit for their fleet procurements.

Considering the high level of competition for score-16 needs in the region, future vehicle procurements may involve further analysis regarding actual service provided, spare ratios, miles in service, and other factors related to fleet size and vehicle replacement to ensure all procurements demonstrate replacement need. Relatedly, staff may initiate discussion on the compensation for deferred replacement policy. MTC staff will continue analysis on vehicle procurement policies before incorporation into the TCP Policy.

TCP FYs 2021-22 through 2023-24 Programming Updates

The TCP programs 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. In May 2022, the Commission approved set-asides of approximately $23 million and $20 million annually for a fixed guideway (FG) cap increase and a Zero Emission Bus (ZEB) Infrastructure Set-Aside program, respectively. Today's item programs out those set-asides, as requested by operators via calls for projects, and makes other programming changes as requested by operators.

Zero-Emission Bus (ZEB) Infrastructure Set-Aside Programming

With direction from the Commission in May 2022, staff set aside $20 million for the ZEB Infrastructure Set-Aside program. The annual set-aside per UZA was calculated first, based on each UZA's proportional share of 5339 (Bus and Bus Facility) programming. The table below shows prior year programming, the $16.5 million of programming to operators in FY 2023-24, and $6 million in deferrals for FY 2023-24 ($9.4 million total). The Antioch UZA was allocated $1 million annually to Tri-Delta Transit (ECCTA), which they deferred to FY 2024-25.

UZA	FY 2021-22	FY 2022-23	FY 2023-24	3-Year Total
SF-O	$ 16,624,154	$ 15,470,891	$ 15,470,891	$ 48,719,199
CON	$ 1,478,019	$ 530,159	$ 1,060,318	$ 6,024,531
ANT				
	$ 18,102,172	$ 16,001,050	$ 16,531,209	$ 50,634,431*

** 3-year total not equal to $60 M due to $9.4 M in deferrals.*

A call for projects was released to eligible operators in January 2024, informing operators of their share of the set-aside. Each operator's share was calculated based on their share of the total bus fleet, per the Regional Transit Capital Inventory, as a proxy for overall need. Below shows the $19.6 million of programming in FY 2023-24, as well as $3 million in deferrals.

Operator	UZA	Project	ZEB Set-Aside Amount
AC Transit	SF-O	Construction of Hydrogen Fueling Infrastructure	$5,557,743
LAVTA	CON	LAVTA Atlantis Facility*	1,060,318
Marin	SF-O	ZEB Charging Infrastructure	693,184
SFMTA	SF-O	Facility Development – Battery Electric Buses	6,312,271
SamTrans	SF-O	South Base Near-Term Battery Electric Bus (BEB) Charging Infrastructure	2,907,693
TOTAL FY 2023-24 ZEB Infrastructure Set-Aside Programming			**$16,531,209**
			Deferrals
CCCTA	CON	*Deferred to FY 2024-25*	$1,478,018

ECCTA	ANT	*Deferred to FY 2024-25*	3,035,628
GGBHTD	SF-O	*Deferred to FY 2024-25*	1,012,172
Union City	SF-O	*Deferred to FY 2024-25*	141,091
WestCAT	SF-O	*Deferred to FY 2024-25*	355,794
		TOTAL FY 2023-24 Set-Aside Deferrals	**$ 6,022,700**
		TOTAL	**$22,553,909**

**LAVTA's FY 2023-24 programming includes their FY 2021-22 deferral.*

CCCTA, ECCTA, GGBHTD, Union City, and WestCAT elected to defer to later years of the program. ECCTA, as the only bus operator in the Antioch UZA, had already indicated deferral of its three-year set-aside until FY 2024-25. These funds remain as unprogrammed balances in the SF-O, CON, and ANT UZAs. Staff is closely tracking these deferrals such that they will be fully restored to the operators when the operators request to program them.

Fixed Guideway Cap Programming

In September 2022, this body approved a 20% increase to the Fixed Guideway cap, due to increased funding levels for FTA Section 5337 State of Good Repair funds from the Bipartisan Infrastructure Law and ongoing need in the region for these projects, representing an approximately $23 million per year increase over the existing $121 million Fixed Guideway cap. For FYs 2021-22 and 2022-23, a flat 20% increase per operator was applied to the original Fixed Guideway caps; today, staff proposes updates to the TCP Process and Criteria (MTC Resolution No. 4444) and TCP program for FY 2023-24 (MTC Resolution No. 4510) to program the increase to the operators based on updated Fixed Guideway Cap shares.

Operator	**Former FG Cap: $121,000,000**	***FG Cap Increase: $23,121,930***	**Proposed FG Cap: $144,121,929**
ACE	$1,594,000	*$208,017*	$1,802,017
BART	52,646,000	*14,201,732*	66,847,732
Caltrain	13,673,000	*1,784,327*	15,457,327
GGBHTD	5,350,000	*698,175*	6,048,175
SFMTA	33,324,000	*4,348,782*	37,672,782
VTA	8,103,000	*1,057,442*	9,160,442
WETA	6,310,000	*823,455*	7,133,455

Programming detail can be found below.

Operator	Project	FY 2024 FG Programming (March 2022)	*FG Cap Increase*	FY 2024 FG Programming (TOTAL)
ACE	ACE Capitalized Maintenance	$1,594,000	$175,747	$1,769,747
	Share of Blue Ribbon Swap[1]	-	32,270	32,270
ACE		**1,594,000**	**208,017**	**1,802,017**
BART	Train Control Renovation	10,240,000	*6,041,732*	16,281,732
	Traction Power System Renovation	10,240,000	*6,320,000*	16,560,000
	Rail, Way, and Structures Program	17,406,000	-	17,406,000
	Fare Collection Program	6,360,000	*840,000*	7,200,000
	Elevator Renovation Program	7,000,000	*1,000,000*	8,000,000
BART		**51,246,000**	***14,201,732***	**65,447,732**
Caltrain	Systemwide Track Rehabilitation	12,320,631	*3,704,796*	16,025,427
	Comm. System/Signal Rehab.	505,600	-	505,600
	FY 24 Deferred Cap/March 2024 Programming	*846,769*	*(846,769)*	-
	Programming FY 23 Deferred Cap[2]	-	*(1,073,700)*	*(1,073,700)*
Caltrain		**13,673,000**	***1,784,327***	**15,457,327**
GGBHTD	**Ferry Major Component Rehabilitation**	**5,350,000**	***698,175***	**6,048,175**
SFMTA	Cable Car Infrastructure	6,000,000	-	2,483,000
	Overhead Line Rehabilitation	2,225,000	-	2,930,000
	Muni Rail Replacement	6,887,000	*4,348,782*	11,235,782
	Wayside/Central Train Control & Trolley Signal Systems Rehabilitation	18,212,000	-	24,272,000
SFMTA		**33,324,000**	***4,348,782***	**37,672,782**
VTA	HVAC Replacement Project	404,000	-	404,000
	Light Rail Station Rehabilitation FY24-25	4,296,000	-	4,296,000
	Fiber Optics Replacement Program	9,080,000	-	9,080,000
	Guadalupe Trainwash Replacement	3,376,000	-	3,376,000
	North 1st Street/Tasman Drive-EB Track Switch Addition Proj.-TSP Elements	440,000	-	440,000
	Traction Power Substation	13,386,886	-	13,386,886

[1] ACE indicated that $32,270 of its $335,130 Blue Ribbon swap amount be taken out if the total FY 2023-24 FG cap amount. For more detail, see PAC memo dated September 14, 2022.
[2] Caltrain originally opted to voluntarily defer $846,769 of its FY 2023-24 FG cap amount and $1,073,700 of its FY 2022-23 FG cap amount. The total, $1,920,469, plus their $1,784,327 FG cap increase, is programmed as part of Caltrain's FY 2023-24 program in today's action.

	Audio Frequency Train Activated Circuit (AFTAC) Replacement	2,400,000	-	2,400,000
	FY 23 FG Cap Waiver[3]	*(25,279,886)*	*1,539,570*	*(24,222,444)*
VTA		**8,103,000**	***1,057,442***	**9,160,442**
WETA	Ferry Mid-Life Refurbishment – MV Taurus	3,929,200	-	1,810,560
	Ferry Major Component Rehabilitation	8,062,400	-	3,590,000
	Vessel Engine Injectors Replacement	222,600	-	1,089,600
	Ferry Channel Dredging - Vallejo Terminal	2,605,500	-	600,000
	Passenger Float Rehabilitation – Oakland Ferry Terminal	2,067,000	-	2,455,920
	Fixed Guideway Connectors	-	*823,455*	
	Programming of Deferred Cap[4]	*(10,576,700)*	-	*(10,576,700)*
WETA		**6,310,000**	***823,455***	**7,133,455**

Other Updates to FYs 2021-22 through FY 2023-24 TCP Programming

The programming updates proposed for the FYs 2021-22 through 2023-24 TCP include updates, as requested, by County Connection (CCCTA), Soltrans, VTA, and MTC Staff. These requests reprogram $42.5 million and program $40.6 million from unprogrammed balances. Details on each of the changes to the program follow:

- *County Connection (CCCTA):* CCCTA had originally programmed 10 battery electric bus (BEB) replacements in FY 2023-24, but they will reprogram them to diesel to match their updated zero-emission vehicle rollout plan timeline. The 10 BEB replacements were budgeted at $7.6 M, and updating to diesel using the pricelist price, the new programming will be $4.7 M, adding $2.9 M to unprogrammed balances in the CON

[3] VTA is programmed 5337 funds above its $8,103,000 cap. Original programming above the cap for FY 2023-24 was $25,279,886, the FG cap increase thus reduces the size of the waiver to $24,222,444. VTA staff requested and was granted a waiver of the cap due to additional funds available in the San Jose UZA after meeting other VTA funding needs and in recognition of the Caltrain funding agreement.
[4] WETA has opted to reinstate voluntarily deferred caps from prior years in the proposed program, $10,576,700 of which is reinstated in FY 2023-24.

UZA. This bus purchase will be subject to the 20% increase/20% deferral proposal laid out above, and staff will likely propose a 20% increase in an April programming action.

- *VTA*: This item includes reprogramming of $42.5 M in current programming and programming of $26.3 M from unprogrammed balances for FG state of good repair projects; facilities improvements; and equipment replacements.
  - Specifically, this item includes programming of $15.3 M from unprogrammed balances to Preventive Maintenance, which VTA normally would have funded using local funds. They are performing an internal fund swap to use federal funds for Preventive Maintenance, and local funds to purchase two pilot next-generation light rail vehicles (LRVs), utilizing the Funding Exchange provision of the TCP Policy. Operators who wish to exchange a capital project for preventive maintenance funding to use their local or state funds to ease federal constraints or strictly as a financing mechanism may do so providing that the replacement asset funded with local funds is comparable to the asset being replaced and is maintained in service by the purchasing operator for its full useful life.

    These pilot LRVs will be classified as replacements for two previous LRVs damaged beyond repair. VTA's strategy of piloting two LRVs allows them to test new technologies, find the best car size and configuration, and ultimately determine the best solution for a new fleet before committing to a full procurement to replace its entire fleet, which will begin to reach the end of its useful life in 2031.

  - VTA's other program updates reprogram $42.5 million, including deferring $15.3 million in bus purchases and updating their fixed guideway program to match current needs. Today's item programs $33.0 million in fixed guideway state of good repair projects, including $13.4 million for a replacement traction power substation and $9.1 million to replace the fiber optic network at several light rail stations. Additional programming includes $16.8 million toward the Cerone Operations Command and Control Center, $7.1 million for safety enhancements at grade crossings, and $2.4 million to expand the Chaboya bus yard for electric and fuel cell vehicles.

  - VTA's fixed guideway cap waiver decreases from $25.3 million to $24.2 million based on their increased fixed guideway cap.

- *Soltrans*: Soltrans has requested to program $1.9 million in unprogrammed Vallejo UZA balances to Operating Assistance in FY 2022-23.
- *MTC*: In September 2022, $13.8 million was set aside within the TCP program for MTC's Blue Ribbon Transit Transformation Plan. Today's item allocates $1.4 million of those funds specifically to the Mapping and Wayfinding project, per MTC Resolution No. 4519.

Next Steps

Staff plan to return to the Commission with programming principles, proposed programming of remaining balances, and, if needed, amendments to the TCP Policy in the coming months. Amendments to the FYs 2021-22 through 2023-24 program will be brought to the Commission for consideration as appropriate.