



DATE: June 11, 2018

TO: Transportation Authority of Marin Programming and Projects Executive Committee

FROM: Dianne Steinhauser, Executive Director
David Chan, Programming Manager

SUBJECT: Authorize Programming Distribution of State Transit Assistance (STA) Population-Based Funds (Action), Agenda Item No. 8b

RECOMMENDATION

Receive staff presentation and refer to the TAM Board the recommendation to authorize staff to communicate to MTC on the percentage breakdown, as shown below, that each transit agency in Marin will receive in STA Population-based funds under the County Block Grant Program.

BACKGROUND

State Transit Assistance (STA) funds are generated by the sales tax on diesel fuel, and the amount available for transit agencies varies from year to year based on the fluctuations of diesel prices. The STA Program entails two funding sources:

- **Revenue-based funds:** The State allocates funds to transit operators based on their revenue as defined state statute. Congestion Management Agencies (CMAs) have no role in the STA Revenue-based funds.

STA Revenue-Based Fund Estimates			
Operator	FY16/17	FY 17/18	FY 18/19
GGBHTD	\$3,432,072	\$2,695,195	\$3,653,968
Marin Transit	\$639,229	\$943,233	\$1,296,086
SMART	\$0	\$706,994	\$971,472

(Source: Governor’s FY 18/19 Budget May Revision)

- **Population-based funds:** MTC receives STA Population-Based funds based on the Bay Area’s share of the state’s population. The use of these funds is governed by the new MTC Resolution 4321 (see below) that establishes an STA County Block Grant Program whereby the nine Bay Area CMAs determine how to invest the funds in public transit services/projects.

Operators have full discretion over the use of STA-Revenue Based apportioned to them. Funds may be used by transit operators for both capital projects and transit operations.

MTC controls the Population-Based funds, and after retaining 30% for regional needs, the remaining 70% is set aside for the CMAs.

FUNDS AVAILABLE

Senate Bill (SB) 1 provided a significant infusion of funds for public transit including increases for the STA Program. Prior to the passage of SB 1, the STA Program generated approximately \$294 million statewide for FY 17/18. SB 1 is projected to increase the annual STA Program by approximately \$250 million statewide from the increase in the diesel sales tax of 3.5 percent starting in FY 18/19. This represents more than 85% in increased funding from FY 17/18 to FY 18/19 moving forward.

Of the new STA Population-Based funds expected to flow to the Bay Area that were generated by SB 1, approximately \$34 million will augment existing STA funds. MTC has set aside \$24 million to the existing STA Population Based Program (discussed below) and \$10 million to the new State of Good Repair Program that is separate from the County Block Grant Program and the Regional Program. The \$10 million for the State of Good Repair Program is taken off the top, leaving \$24 million in new STA Population-based funds for the County Block Grant Program and the Regional Program. The increase for the existing STA Program is summarized in the below table:

Bay Area STA Population-Based Funds (County and Regional Shares)			
	FY 17/18	SB 1 Increase	FY 18/19
County Block Grant Program	\$20,692,795	\$16,407,205	\$37,100,000
Regional Program	\$7,598,638	\$8,301,362	\$15,900,000
Total	\$28,291,433	\$24,708,567	\$53,000,000

MTC Resolution 4321

MTC adopted Resolution 4321 on February 28, 2018 to set aside 30% of the STA Population-based funds for a Regional Program, managed by MTC, and 70% for programming to STA-eligible operators by CMAs. Resolution 4321 affects STA Population-based funds starting in FY 18/19.

The funding (30%) for the Regional Program will include the Clipper Program, 511, transit connectivity, and regional means-based fare program. The remaining 70% of the funds will be reserved for programming to STA-eligible operators by CMAs 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 needs. .

MTC developed the below STA Population-based estimates for Marin under the County Block Program:

	Percent Share	FY 17/18	SB 1 Increase	FY 18/19
Marin	5.7%	\$1,187,619	\$941,657	\$2,129,276 **

According to Resolution 4321, CMA’s must submit to MTC the county’s programming distribution of STA Population-based funds amongst STA-eligible operators. The STA-eligible operators include Golden Gate Transit, Marin Transit, and SMART.

** MTC Resolution 4321 adopted estimates were based on the Governor’s FY 18/19 Budget that was released in January 2018. The May Revision has since increased Marin’s STA Population-based funds from \$2,129,276 to \$2,573,249, which is a difference of \$443,973 or an increase of 21% over the original estimates. MTC intends to adopt the revised estimates in September 2018.

Lifeline Transportation Program (LTP)

MTC established the LTP to fund projects that result in improved mobility for low income residents of the Bay Area. The LTP has been in existence for about 13 years, encompassing five cycles of Call of Projects. The current Fifth Cycle is in process and the TAM Board will be authorizing projects for funding in June 2018.

MTC has funded the LTP with various funds from Federal Surface Transportation Program (STP) funds, Federal Congestion Mitigation and Air Quality (CMAQ) funds, Federal Job Access and Reverse Commute (JARC) funds, Federal Transit Administration (FTA) Section 5307 funds, State Proposition 1B funds, and STA funds.

With STP and CMAQ funds fully dedicated to the One Bay Area Grant (OBAG) Program and JARC and Proposition 1B funds expiring, the LTP is now being funded primarily with STA funds and a smaller portion with Federal Section 5307 funds.

In all five cycles of the LTP, MTC determined the specific funding sources and amounts for each CMA. A cycle of LTP may be two to three years of funding and one year of funding for Marin equates to approximately \$300,000 to \$350,000 depending on the funds available to MTC. The CMAs executed the LTP based on funds provided by MTC.

Resolution 4321 has changed the LTP as previously constructed. Instead of MTC setting aside funding from various sources for the LTP for each CMA, Resolution 4321 dictates that CMAs may set aside STA funds from the County Block Grant Program for the LTP before determining the county's programming distribution of STA funds amongst STA-eligible operators. Since there is no requirement to set aside STA funds for the LTP, CMAs may choose not to fund their LTP, effectively ending the LTP for their counties.

Staff is able to ascertain to date that Alameda and Contra Costa will fund their LTP and the remaining counties will not, under the new County Block Grant Program. San Francisco's decision is still pending.

Marin's County Block Grant Program Proposal

Staff is proposing to suspend setting aside STA funds for the LTP under the new County Block Grant Program in its first year – FY 18/19. TAM uses LTP funds for projects identified in CBTPs. Many projects, particularly in the Canal Neighborhood CBTP, has been completed or partially completed. There is still a fair amount of projects that still need funding, but staff is proposing to suspend funding LTP in FY 18/19. After the November 2018 election, TAM will convene the three transit agencies to reevaluate this decision since the results of Regional Measure (RM) 3, Repeal of SB 1, and TAM's Sales Tax Reauthorization will be determined, and Marin's overall funding availability will be better understood.

If no STA funds are set aside for LTP, all STA funds under the County Block Grant Program will go to the three transit agencies. The three agencies have determined among themselves to divide the funds in accordance to service hours performed by each agency. The governing body for each agency has passed a resolution in support of the breakdown. The breakdown based on service hours is shown below:

GGBHTD	56.24%
Marin Transit	37.57%
SMART	<u>6.19%</u>
	100.00%

Staff concurs with this agreement. It is an equitable formula to share the funds. However, staff also recognizes that this agreement is only for the FY 18/19 funds because the Lifeline Transportation Program will be reconsidered for future STA funds when we reconvene after the November 2018 Election. The three transit operators concur with this plan.

FISCAL IMPACTS

There are no fiscal impacts with establishing the programming distribution of STA Population-Based funds. STA funds are distributed directly to transit agencies only. TAM's budget will not be affected by this action.

NEXT STEPS

- 1) After the TAM Board approves the programming distribution, staff will communicate the result to MTC. MTC will facilitate the distribution of funds with the State to recipients based on the percentage established by the TAM Board.
- 2) After the November 2018 Election, reconvene a meeting with Marin transit operators to discuss possible changes to the abovementioned formula for the Block Grant Program in consideration for setting aside funds for the Lifeline Transportation Program.

ATTACHMENTS:

Attachment A: MTC's Memo

**Metropolitan Transportation Commission
 Programming and Allocations Committee**

February 14, 2018

Agenda Item 3b. ii.

MTC Resolution No. 4321

State Transit Assistance (STA) Population-Based Funds Distribution Policy

Subject: A proposed new policy framework for State Transit Assistance (STA) Population-Based funds, which have been augmented with new funding through SB 1.

Background: **State Transit Assistance:** STA is the state’s flexible transit funding program which may be used for capital or operating purposes. STA provides an important source of operations funding for the Bay Area’s transit operators and is a key funding source for regional priorities such as Clipper® and 511.

Senate Bill (SB) 1 provided a significant infusion of funding for public transit through several programs including an augmentation of the existing STA program. MTC estimates the Bay Area would receive approximately \$99 million per year from this augmentation of the STA program.

Revenue derived from a new Transportation Improvement Fee (TIF) is used to establish a new State of Good Repair (SGR) Program which will be distributed using the STA formulas, but is targeted at capital improvements focused on modernizing transit vehicles and facilities. The Bay Area will receive approximately \$37 million per year from the SGR Program.

This item was presented for information and discussion at the January 10, 2018 Programming and Allocations Committee meeting.

STA and SGR Program Population-Based Funds in the Bay Area: The table below shows new STA funding expected to flow to the Bay Area as a result of SB 1.

Funding Program (\$ in Millions)	Estimated FY2018-19 Pre-SB 1	Estimated FY2018-19 SB 1 Increment¹	Estimated FY2018-19 Total	% Increase
STA Revenue-Based	\$72.1	\$72.1	\$144.2	100%
STA Population-Based	\$27.0	\$27.0	\$54.1	100%
Total State Transit Assistance (STA)	\$99.1	\$99.1	\$198.3	100%
SGR Program Revenue-Based	\$0.0	\$27.3	\$27.3	N/A
SGR Program Population-Based	\$0.0	\$10.3	\$10.3	
Total State of Good Repair (SGR) Program	\$0.0	\$37.6	\$37.6	
Total STA + SGR Program	\$99.1	\$136.7	\$235.9	138%

¹ FY 2018-19 SB 1 increment uses Caltrans’ assumption that 50% of STA and SGR Program revenue is derived from SB 1.

MTC Resolution No. 3837, Revised established MTC’s policy for allocating funds from the Population-Based program. Resolution 3837 was originally adopted in January 2008 and designated four major programs as recipients of the Population-Based funding. Coincidentally, Resolution 3837 called for reevaluating the STA Population-Based distribution in 2017.

Proposed Framework: The proposed framework detailed in Attachment 1 would replace MTC Resolution 3837 with a new transit-focused, OBAG-style STA County Block Grant for STA Population-Based funds (70%), with funds continuing for the Regional Program (30%). The policy is also proposed to be accompanied by several policy conditions, largely aimed at improving transit coordination and efficiency while stabilizing funding. Staff will return to the Commission to re-evaluate the proposed policy should there be a major change in the availability of SB 1 funds in the future. For SGR Program funds the proposed framework would dedicate 100% of the funds to the development and deployment of the Clipper® 2.0 system as the first priority for use of the funds with a second priority use to support the incremental cost of replacing the region's bus fleet with zero emission buses (ZEBs). This item is being presented jointly with adoption of the FY2018-19 Fund Estimate.

Issue: The proposed framework provides 30% to a Regional Program. In addition to on-going Clipper®, 511, and transit coordination programs, this funding is also intended to support the administrative costs and partially offset revenue losses for a means-based fare program. The Committee asked for more information and alternatives at the January meeting. Staff is working with the operators to ensure comprehensive responses and will return at a future meeting with a recommended approach for the means-based program.

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

Attachments: Attachment 1 – MTC Resolution 4321
Attachment 2 – January 3, 2018 Memo on SB 1 and STA Pop.-Based Funds from Executive Director
Attachment 3 – Comparison of STA Population-Based County Distribution Existing Framework vs. Proposed Framework
Presentation Slides (see Agenda Item 3b.i.)

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

ABSTRACT

Resolution No. 4321

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.

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 Sheet dated February 14, 2018.

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

MTC Resolution No. 4321

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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

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. The swaps will be limited to transit-eligible activities unless there is concurrence from the transit operators.
- 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:** 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.

- **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)

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.

**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.

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Resolution No. 4321
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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.

Agenda Item 3b. ii. – Attachment 2

METROPOLITAN
TRANSPORTATION
COMMISSION

Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105
TEL 415.778.6700
WEB www.mtc.ca.gov

Memorandum

TO: Programming and Allocations Committee

DATE: January 3, 2018

FR: Executive Director

RE: SB 1 and State Transit Assistance (STA) Population-Based Funds

State Transit Assistance (STA)

STA is the state's flexible transit funding program which may be used for capital or operating purposes. STA provides an important source of operations funding for the Bay Area's transit operators and is a key funding source for regional priorities such as Clipper®.

The statewide STA program is split equally between a Revenue-Based program (Public Utilities Code 99314) and a Population-Based program (Public Utilities Code 99313). The Revenue-Based program distributes funds directly to transit operators based on each transit operator's share of statewide qualifying revenues used for transit operations, while the Population-Based program distributes funds to regional transportation planning agencies (such as MTC) based on their share of California's population.

SB 1's Impact

Senate Bill (SB) 1 provided a significant infusion of funding for public transit through several programs. Among these, the State Transit Assistance (STA) program will be boosted by approximately \$250 million per year from the increase in the diesel sales tax rate of 3.5 percent. These funds would augment the existing STA program (around \$294 million statewide, pre-SB 1). MTC estimates the Bay Area would receive approximately \$94 million per year from this augmentation of the STA program.

Another \$105 million per year derived from a new Transportation Improvement Fee (TIF) is used to establish a new State of Good Repair (SGR) Program which will be distributed using the STA Revenue-Based and Population-Based formulas but is targeted at capital improvements focused on modernizing transit vehicles and facilities. The Bay Area will receive approximately \$39 million per year from the SGR Program.

STA Population-Based Funds in the Bay Area

Of the new STA funding expected to flow to the Bay Area as a result of SB 1, approximately \$34 million per year (\$24 million through existing STA program and \$10 million through the new SGR Program program) will flow through the Population-Based program which is subject to MTC's discretion. The STA Revenue-Based funds, which flows directly to the transit operators, will grow by an estimated \$66 million per year (starting in FY2019) as well.

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Agenda Item 3b. ii. – Attachment 2

MTC Resolution No. 3837, Revised established MTC's policy for allocating funds from the Population-Based program. Resolution 3837 was originally adopted in January 2008 and designated four major programs as recipients of the Population-Based funding: a Northern Counties/Small Operators Program (28.3% of funds), a Regional Paratransit Program (15.6% of funds), the Lifeline Transportation Program (29.2% of funds), and the MTC Regional Coordination Program (26.9% of funds). Coincidentally, Resolution 3837 called for reevaluating the STA Population-Based distribution in 2017.

Proposed Framework

The below table illustrates a proposal for a new distribution framework for STA Population-Based funds.

Table 1. STA Population-Based Distributed Through a County Block Grant Program

				Est. FY 2018-19 STA Population Based	Est. FY 2017-18 STA Population Based (pre-SB 1)	Increase	Percent Increase
Local Program	70%	<i>Alameda</i>	18%	\$6,546,447	\$3,651,329	\$2,895,118	79%
		<i>Contra Costa</i>	22%	\$8,262,187	\$4,608,294	\$3,653,892	
		<i>Napa</i>	4%	\$1,300,377	\$725,295	\$575,082	
		<i>Marin</i>	6%	\$2,129,276	\$1,187,619	\$941,657	
		<i>San Francisco</i>	8%	\$3,109,937	\$1,734,590	\$1,375,347	
		<i>San Mateo</i>	5%	\$1,866,459	\$1,041,031	\$825,428	
		<i>Santa Clara</i>	14%	\$5,193,795	\$2,896,877	\$2,296,918	
		<i>Solano</i>	11%	\$3,913,788	\$2,182,944	\$1,730,844	
		<i>Sonoma</i>	13%	\$4,777,734	\$2,664,816	\$2,112,918	
		Subtotal			\$37,100,000	\$20,692,795	
Regional Program	30%	Subtotal		\$15,900,000	\$7,598,638	\$8,301,362	109%
FY 2018-19 TOTAL				\$53,000,000	\$28,291,433	\$24,708,567	87%

Staff proposes a new framework which would replace MTC Resolution 3837 with a new transit-focused, OBAG-style STA County Block Grant for STA Population-Based funds. Funds would be distributed into a Local Program (70%) and a Regional Program (30%). Within the Local Program, each county CMA would receive a specified share (see Table 1) of STA Population-Based funds each year which could be prioritized by the CMA for use by transit operators within their county or in coordination with other counties/the region. This would allow each county to determine how best to invest in paratransit, transit operating, and lifeline needs and it is MTC's expectation that the funds will continue to support similar needs overall as are funded in the current policy. Each county's share in Table 1 was calculated based on the county's share of STA funds from the current Resolution 3837 formula, totaled across all categories (Northern Counties/Small Operators Program, Regional Paratransit Program, and the Lifeline Transportation Program).

The Regional Program would continue to support existing regional programs like Clipper ® 2.0 and could provide seed funding for a regional means-based fare program (see agenda item 5a on today's agenda). The local and regional shares allow significant funding increases for local programs while providing roughly \$8 million annually for the regional contribution to the Means-Based program.

Similar to OBAG, the additional funding and flexibility would be accompanied by policy conditions:
County Block Grant Program Conditions:

1. Each CMA must submit to MTC by May 1st of each year a report including the following: 1) the county’s programming distribution of STA Population-Based funds amongst STA-eligible operators and; 2) the anticipated amount of STA population-Based funding that will be spent within or benefitting Communities of Concern.

With this information from the CMAs MTC staff will prepare an annual STA Population-Based “Snapshot” report to ensure transparency for the new SB 1 funds.

2. To respond to comments and concerns raised and ensure that small bus operators in Alameda and Contra Costa counties continue to receive adequate funding from a County Block Grant Program, this proposal would include a minimum amount of funding to be allocated on an annual basis amongst eligible small operators in each county. Based on the share of small operator funding out of the total STA Population-Based funds allocated to Alameda and Contra Costa counties under the current framework, Table 2 below contains the percentage shares which would be required to flow to each county’s eligible small operators.

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

3. CMAs in all counties would be 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 swaps will be limited to transit-eligible activities unless there is concurrence from the transit operators. In addition, the CMA must notify all STA-eligible operators within their county of the request to swap funds before seeking approval from MTC.
4. Direct CMAs and transit operators to coordinate STA Population-Based fund distribution in their county.
 - The CMAs would be expected to play a role in coordinating STA Population-Based claims from operators. CMAs, in cooperation with transit operators, could also consider whether to extend their coordination role in the claims process beyond STA Population-Based funds to include TDA Local Transportation Fund and STA Revenue-Based funds but this would not be required. MTC would still determine the amounts available for TDA and STA Revenue-Based funds through the annual Fund Estimate process.
 - A fully coordinated claim, already in use in Sonoma and Solano Counties, allows for all transit operators in a county to jointly plan their annual operations budgets and

coordinate investments of TDA Local Transportation Fund ¼ cent sales tax revenues and STA Revenue and Population-Based funds.

5. All small and medium sized operators to meet Transit Sustainability Project (TSP) performance requirements similar to the large operators (cost efficiency/effectiveness)
 - The TSP was intended to identify strategies to enable transit operators to remain financially viable so that they can continue to provide service to the public. The performance measures requiring a 5% real reduction in cost per service hour, cost per passenger, or cost per passenger mile currently only apply to the region’s larger transit operators.
 - This proposal would extend the requirement to small and medium-sized operators to further incentivize financial sustainability. For operators already meeting a TSP performance measure as shown in Table 3, the requirement would be to keep future operating cost increases at a level not higher than inflation; no further reduction in costs would be required for these operators. For operators that have not already achieved a TSP performance measure they, would have until FY 2022-2023 to do so. Operators would be able to decide which base year to use in calculating their TSP performance measures, similar to the discretion given to large operators.
 - Similar to the TSP requirement for large operators (MTC Resolution No. 4060), starting in FY2023-24, “MTC will link existing and new operating and capital funds administered by MTC to progress towards achieving the performance target.”
 - If a CMA already has locally voter or board approved transit operator financial performance requirements in place, these measures may be substituted for TSP performance requirements, subject to concurrence from MTC.
 - Given that most small operators have a lower cost per hour and different cost pressures than the large operators, 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. It is worth mentioning, however, that the majority of small operators have already met one of the TSP metrics (as discussed further below). Staff will return within one year to report on whether to retain the current framework or adjust the performance requirements.

Table 3 below provides preliminary information on which small and medium sized operators are already achieving at least one of the TSP performance measures as of FY 2016. If this policy is adopted, MTC would work with operators to confirm the data, select baseline years, and establish a process for monitoring into the future.

Table 3: Small Operator TSP Performance Measures Comparison, Data for Fixed-Route Service Only. (In Constant FY 2012 \$)

Operator	Achieved Cost Reduction of ≥ 5% from FY 2012 to FY 2016	Operator	Achieved Cost Reduction of ≥ 5% from FY 2012 to FY 2016
County Connection	Yes -11% Cost per Passenger	SolTrans	Yes -11% Cost per Passenger
FAST	Yes -15% Cost per Passenger	Sonoma County Transit	No -3% Cost per Service Hour
LAVTA	No -4% Cost per Service Hour	Tri Delta Transit	Yes -18% Cost per Passenger
Marin Transit	Yes -6% Cost per Service Hour	Union City Transit	No +20% Cost per Service Hour
Napa Vine	Yes -49% Cost per Passenger	Vacaville City Coach	Yes -8% Cost per Passenger
Petaluma Transit	Yes -12% Cost per Service Hour	WETA	Yes -31% Cost per Passenger
Rio Vista	No +13% Cost per Service Hour	WestCAT	No +1% Cost per Service Hour
Santa Rosa CityBus	No +13% Cost per Service Hour		

Source: FY 2011-12 Through 2015-16 Transit Statistical Summary (Note: data is preliminary)

6. In the Northern Counties (Marin, Napa, Solano, and Sonoma) as an alternative to meeting TSP performance requirements shown above, develop a plan to consolidate into a single county operator (e.g. Napa).
 - Sonoma and Solano Counties have already expressed interest in pursuing consolidation and this initiative would support those efforts and encourage other counties to investigate consolidation.
7. In the five other counties (Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara) in addition to meeting the TSP performance requirements shown on page 3, establish or enhance mobility management programs.
 - Each CMA/county, working with the transit operators, should establish or enhance mobility management programs within their county to help provide equitable and effective access to transportation.

SGR Program

As noted on page 1 of this memo, the Bay Area can expect to receive approximately \$39 million per year from a new SGR Program, \$10.2 million of which will be Population-Based funds. The following priorities are proposed to inform how to invest these SGR Program Population-Based funds.

State of Good Repair Program Priority 1: Clipper® 2.0

State of Good Repair priority 1 would allow MTC to invest in the development and deployment of the Bay Area's next generation transit fare payment system, Clipper® 2.0. Clipper® is funded jointly by MTC and transit operators, however there are significant unfunded anticipated capital and operating costs associated with Clipper® 2.0 which will need to be funded to ensure a successful deployment. If Regional Measure 3 is approved by the voters, all these funds may not be needed to support the development and deployment of Clipper® 2.0.

State of Good Repair Program Priority 2: Green Transit Capital Priorities

If not needed for Clipper® 2.0, the Population-Based funds from the new STA State of Good Repair program could fund the acquisition of zero emission buses (ZEB) by the Bay Area's transit operators.

The STA State of Good Repair funds would be used to pay for the cost increment of ZEBs over diesel or hybrid vehicles or for charging or hydrogen infrastructure to support ZEBs. Staff is working with the Air District in an effort to leverage this investment with their funding to be able to accelerate the conversion of the transit fleet toward zero emission. With a 1:1 leverage, the region could replace roughly 65 buses with ZEBs annually based on current ZEB costs.

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Comparison of STA Population-Based County Distribution
 Existing Framework vs. Proposed Framework

Estimated Base FY 2018-19 STA Population-Based Funds \$27,035,119
 Estimated SB 1 Increment FY 2018-19 STA Population-Based Funds \$27,035,119
Total Estimated FY 2018-19 STA Population-Based Funds \$54,070,237 (106% increase from FY 2016-17 to FY 2018-19)

Exiting STA Population-Based Framework Resolution 3837, Revised Estimated FY 2018-19	
Northern Counties/Small Operators - 28%	
Marin	\$1,615,908
Napa	\$873,258
Solano	\$2,629,875
Sonoma	\$3,090,592
CCCTA	\$3,063,285
ECCTA	\$1,850,361
LAVTA	\$1,265,910
Union City	\$443,167
WCCTA	\$408,113
SUBTOTAL	\$15,240,469
Regional Paratransit - 16%	
Alameda	\$1,673,411
Contra Costa	\$1,184,578
Marin	\$228,560
Napa	\$185,360
San Francisco	\$1,327,716
San Mateo	\$654,628
Santa Clara	\$1,874,928
Solano	\$511,869
Sonoma	\$733,171
SUBTOTAL	\$8,374,220
Lifeline - 29%	
Alameda	\$3,552,865
Contra Costa	\$2,246,683
Marin	\$411,303
Napa	\$319,011
San Francisco	\$1,966,974
San Mateo	\$1,322,712
Santa Clara	\$3,627,417
Solano	\$1,004,551
Sonoma	\$1,237,804
SUBTOTAL	\$15,689,320

Proposed STA Population-Based Framework Resolution 4321 Estimated FY 2018-19 70% County Block Grant Distribution	
County Block Grant - 70%	
Alameda	\$6,650,479
Contra Costa	\$8,343,192
Marin	\$2,147,864
Napa	\$1,312,793
San Francisco	\$3,182,299
San Mateo	\$1,903,361
Santa Clara	\$5,300,071
Solano	\$3,949,662
Sonoma	\$4,826,111