

**Metropolitan Transportation Commission
Programming and Allocations Committee**

December 13, 2023

Agenda Item 3b - 23-1446

**MTC Resolution 4619, Revised, and Approval of Regional Short-Term Financial Plan for
Senate Bill 125 Transit Funding**

Subject:

A request for approval of the Short-Term Financial Plan for the MTC region, which provides documentation required under Senate Bill 125 to the California State Transportation Agency (CalSTA) in exchange for the release of \$1.1 billion in Transit and Intercity Rail Capital Program (TIRCP) and Zero-Emission Transit Capital Program (ZETCP) funding to MTC between FY 2023-24 and FY 2026-27, and associated revision to MTC Resolution 4619.

Background:

Amendments to the California State Budget Act of 2023 provided immediate transit operating assistance to help avert the near-term transit operating fiscal cliff that has resulted from the COVID-19 pandemic and associated changes in travel patterns. Based on adopted formulas, the Bay Area is expected to receive an estimated \$400 million from the newly created Zero-Emission Transit Capital Program (ZETCP) over the next four years and an additional \$770 million from the Transit and Intercity Rail Capital Program (TIRCP) over the next two years. State action allows these funds to be used flexibly for capital or operating purposes, pursuant to Regional Transportation Planning Agency (RTPA) discretion.

Consistent with prior MTC advocacy and supported by the possibility of leveraging between \$6 and \$8 billion in federal funds, in October 2023, the Commission committed \$725 million in TIRCP funding for two capital projects: BART Core Capacity and BART to Silicon Valley Phase II. The remaining \$45 million in TIRCP and \$400 million in ZETCP are envisioned to be used for operating purposes.

In November 2023, the Commission adopted MTC Resolution No. 4619. This resolution adopted regional principles for distributing SB 125 operating funding, the operator-level SB 125 funding distribution framework, and regional accountability measures that operators must meet or make significant progress toward in exchange for receiving SB 125 funding. In response to direction received by the Commission in November, staff is recommending revisions to MTC Resolution

4619 to provide additional detail on the accountability measures and to reflect the mechanism for ensuring transit agency board acceptance and tracking progress in implementation of the measures

Short-Term Financial Plan

Senate Bill (SB) 125 guides the use of transit funding provided through the Budget Act of 2023 and establishes accountability measures for RTPAs and transit operators receiving funding from ZETCP or TIRCP. By December 31, 2023, MTC must submit a Short-Term Financial Plan summarizing the regional strategy for using SB 125 funding, including the contribution of regional funds, the distribution of funding between operators, and a summary of benefits rendered from the use of SB 125 funding. The Short-Term Financial Plan for the MTC region is included as Attachment A.

As further detailed in Attachment A, MTC estimates that SB125 funding (state and regional) preserves more than 800,000 transit service hours (15%) relative to 2022 service levels in FY2024-25 and over two million hours (36%) in FY2025-26. Without SB125 funding, service cuts would be particularly severe for agencies such as BART and SFMTA that have large total shortfalls.

Additionally, SB 125 requests that operators provide information on a variety of topics as part of the “Regionally Representative Transit Operator Data” submittal, including expenditures on safety, opportunities for enhanced coordination and improvements, and ridership statistics. This data must be submitted to CalSTA by December 31, 2023. By June 30, 2026, MTC must submit a Long-Term Financial Plan that demonstrates the implementation of ridership recovery strategies and provides a 5-year operating funding outlook.

Regional Accountability Requirements and Implementation Process

MTC Resolution No. 4619 includes a set of Regional Accountability Measures which will incentivize operators to advance enhancements to efficiency and customer experience. These accountability measures voluntarily instate additional conditions that operators must satisfy or make significant progress toward to receive a disbursement of SB 125-related funds. For all operators receiving funding, these requirements will include participation in ongoing Transit Transformation Action Plan initiatives, and implementation of schedule coordination and real-

time transit data improvements. Other accountability requirements are specific to individual operators and center around safety and security, fare evasion reduction, and comprehensive service improvements.

MTC will monitor operator progress toward the accountability requirements and will assess opportunities to augment existing Transit Transformation Action Plan funding to assist with the delivery of customer experience and efficiency enhancements. To operationalize transit agency board acceptance and monitoring, the Regional Accountability Measures will be identified as projects in MTC's annual Productivity Improvement Program (PIP) for any agency receiving funding under SB125. The annual PIP, typically adopted in January, has long been used in accordance with Transportation Development Act (TDA) legislation to ensure operators demonstrate a reasonable effort to implement productivity improvements in exchange for transit funding. Staff proposes using the PIP as a way to monitor progress on implementation of SB125-related accountability requirements.

Staff further proposes to incorporate the FY 2024-25 SB 125-related funding, as programmed in MTC Resolution 4619, in the FY 2024-25 Fund Estimate that will be adopted by the Commission in February 2024. Prior to the adoption of the February 2024 Fund Estimate, MTC will confirm funding needs with operators and make revisions as needed, based on operator financial projections. As SB 125-related funding is limited, revisions are not anticipated to increase individual operator funding totals except in the instance of assigning interest earned on SB 125 funds or transferring funding from one operator to another to reflect updated shortfalls.

Following the adoption of the Fund Estimate for a given fiscal year, operators will claim SB 125-related funding following established procedures for requesting an allocation of other transit operating funding administered by MTC. As part of the claim process, operators will report on progress toward the accountability measures. Consistent with the process for requesting other transit operating revenues administered by MTC, operators will be required to submit a board resolution approving the claim request, including acknowledgement of the SB125-related Regional Accountability Measures, and operator-provided information on progress toward implementation of the measures.

Staff will review the claim, including accountability performance information, and allocate SB 125 funds if it is determined that sufficient progress has been made. The Programming and Allocations Committee will receive a summary of operator progress toward accountability measures when they approve allocations of SB 125-related funding. If sufficient progress has not been made, MTC may impose remedies that the operators must complete prior to receiving SB 125 funding or may withhold funding until satisfactory progress has been made.

Next Steps

Following Commission approval of the Short-Term Financial Plan, MTC will submit its documentation to CalSTA for evaluation. Materials are due to CalSTA by December 31, 2023. MTC will receive FY 2023-24 SB 125 funds no later than April 30, 2024, and will be eligible to receive FY 2024-25 funds early in that fiscal year, pending CalSTA's review of MTC's allocation package.

Issues:

SB 125 guidelines require RTPAs to demonstrate their ability to address shortfalls relative to a 2022 service level baseline in their Short-Term Financial Plans. However, Bay Area operators have already restored service beyond 2022 baselines in response to recovering demand, with the region providing roughly one million more service hours in 2023 than in 2022. Accordingly, the shortfalls discussed in the Short-Term Financial Plan and the funding distribution amounts are likely not sufficient to sustain today's service levels, much less continue to restore service to reduce passenger wait times and reinstate routes canceled during the COVID-19 pandemic. This underscores the importance of securing new revenue streams to provide sustained support for transit operations.

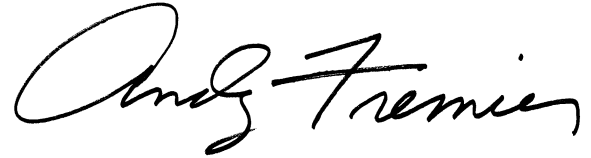
Recommendations:

Refer MTC Resolution No. 4619 and the Short-Term Financial Plan for the MTC Region to the Commission for approval.

Attachments:

- MTC Resolution 4619, Revised
- Attachment A: Short-Term Financial Plan for the MTC Region

- Attachment B: Presentation

A handwritten signature in black ink, reading "Andrew B. Fremier". The signature is written in a cursive style with a large initial "A" and "F".

Andrew B. Fremier