Attachment A: FY 2024-25 Cap and Trade Low Carbon Transit Operations Program (LCTOP) Additional Background

Cap and Trade Funding Framework

For MTC's share ($19.6 million), the Cap and Trade Funding Framework ("the framework"), MTC Resolution No. 4130, Revised, adopted in April 2016, set funding targets for three categories of investment over the life of Plan Bay Area – North Counties/Small Operators, Clipper and Fare Policy, and Key Transit Corridors. In each prior year of the LCTOP, MTC has programmed the LCTOP population-based funding proportionally to each of these categories.

Within the Key Transit Corridors category, MTC committed to providing at minimum the following shares of these funds to each of three operators:

- AC Transit: 16%
- SFMTA: 28%
- VTA: 17%

These minimum percentages would be achieved over a five-year period, provided that the three operators each have eligible, ready-to-go projects during a five-year cycle. FY 2024-25 will be the fourth year of the current five-year cycle, and it's likely that none of the three operators have met their set asides for this cycle yet, pending actual Cap and Trade revenues for the remainder of this year.

Considerations for Key Transit Corridors Distribution

In previous LCTOP funding cycles, MTC's population-based LCTOP funding in the Key Transit Corridors category has been distributed to transit priority, efficiency, and other investments under MTC's Transit Performance Initiative. In 2023, MTC implemented the Bus Accelerated Infrastructure Delivery (BusAID) program, which funds the delivery of quick-build transit priority projects and is part of the Transit Transformation Action Plan implementation. Staff recommend transitioning distribution of the LCTOP population-based

funding under the Key Transit Corridors category to the BusAID program. The first round of BusAID funding was awarded in spring 2024, followed by an additional project award in fall 2024.

Based on feedback from transit operators on the timing and readiness of upcoming projects, the next BusAID call for projects is planned for late 2025/early 2026. Because of this timing, the BusAID program will not be able to use FY 2024-25 LCTOP funding, but the timeline for the call for projects is aligned with the expected FY 2025-26 LCTOP program schedule. To maximize the amount of regional funding available for this call for projects, staff recommend swapping the funding for the Key Transit Corridors category and the Clipper and Fare Policy Category between this year and next year, so that Clipper and Fare policy gets approximately two-thirds of MTC's population-based funding in the FY 2024-25 program, and the Key Transit Corridors category gets approximately two-thirds of MTC's population-based funding in the FY 2025-26 program, planned for use in the BusAID call for projects.

Details on Proposed FY 2024-25 Distribution

North Counties/Small Operators: The North Counties and Small Operators receive a proportion of MTC's population-based LCTOP funding based on the funding targets set in MTC Resolution No. 4130. The North County CTAs are responsible for distributing the funding within their counties, and the other small operators have discretion over their project selection. The recommended programming for these projects is based on project information provided by these project sponsors. North county and small operators will implement a variety of projects, including service expansion, free or reduced fare programs, and procurement of zero-emission buses and supportive bus-charging infrastructure. At least 60% of the funds from this category will be used for zero-emission buses or infrastructure. A total of $6.6 million is recommended under this project category. The full list of recommended projects is included in Attachment A of MTC Resolution No. 4273, Revised.

Clipper/Fare Policy: Staff recommend applying these funds to Next Generation Clipper Operations to support account-based back office operations in preparation for the public launch of Open Payment capability, including customer communication and education of new account-based features and customer service center operations, expansion of the Clipper START means-

based pilot program, single and multi-operator trip and fare capping (day, week, and monthly pass accumulators), improvements and upgrades to the Regional Transit Connection (RTC) Discount program, expanded regional no-cost/reduced cost inter-operator fare policies, and other regional transit fare programs and initiatives. A total of $13.0 million is recommended under this project category.

Look Ahead to Future LCTOP Funding Cycles

As described above, staff plan to recommend programming two-thirds of the FY 2025-26 LCTOP funding to the BusAID program via the framework's Key Transit Corridors category. The FY 2025-26 program will include funding for SFMTA, VTA, and AC Transit to complete their minimum set aside amounts, if additional funding is needed to meet the minimums. These operators may compete for additional funding above their minimums according to the BusAID program requirements. If staff are unable to align LCTOP funding with a BusAID funding round, staff will recommend programming these funds to projects in key transit corridors via another distribution method, such as the TPI program.

Because LCTOP funding amounts are based on the Cap and Trade Auction Proceeds each year, it's possible the amount available for MTC to program in FY 2025-26 will be significantly higher or lower than the FY 2024-25 amount. In this case, MTC will true up the difference between the framework categories through tweaks to the FY 2025-26 distribution or through commitments of future years of LCTOP funding or other discretionary MTC funding. Staff aim to distribute Key Transit Corridors funding beyond FY 2025-26 via the BusAID program if future calls for projects align with the LCTOP program timelines and may propose repeating this recommended trade-off between years in a future cycle.