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Memorandum

TO: Partnership Technical Advisory Committee

DATE: March 17, 2008

FR: Glen Tepke and Christina Atienza

RE: Draft Transportation 2035 Transit Capital and Operating Needs and Shortfall Assessment

This memorandum provides updates to the draft Transportation 2035 needs and shortfalls for transit operations and capital replacement. The draft projections were initially presented to the Partnership Board for information at their February 29 meeting, and the same were presented to MTC's Planning Committee at their March 14 meeting. More detailed projections were presented to the Transit Finance Working Group on March 5. Several updates have since been incorporated to the projections as a result of changes in assumptions, as well as refinements presented by the transit operators. Attachment A provides a summary of the issues that were discussed with the Transit Finance Working Group at their March 5 meeting, and MTC staff's resulting next steps.

Updated Transit Operating Needs and Shortfalls

The summary of the revised transit operating needs and shortfalls are as follows. Detailed information by operator is shown in Attachment B. Note that dollars are escalated unless otherwise noted.

- The total cost to operate and maintain the current system is estimated to be \$98.1 billion.
- The total revenue available for transit operations is estimated to be \$97.9 billion.
- The total shortfall over the 25-year plan period is estimated to be \$4.1 billion. Nine operators are expected to have net operating deficits over the plan period: of the large operators, Golden Gate, SamTrans, and SF MTA; and of the small operators, Alameda-Oakland Ferry, LAVTA, Marin County, Vallejo Transit, WestCAT, and Vallejo Ferry.
- Several operators are expected to have revenues in excess of their total operating need. This "surplus" revenue is estimated to be \$3.9 billion. In the analysis, MTC has assumed that these surplus revenues are assigned to capital replacement where a deficit is projected.

Significant changes from the original draft projections are as follows:

- Revisions to AC Transit, Golden Gate and Marin County, Caltrain and SamTrans, and LAVTA projections.
- Addition of FTA 5303 revenues.
- Assignment of FTA 5307 10% Flexible Set-Aside revenues to operating where a deficit is projected.

Updated Transit Capital Needs and Shortfalls

The transit capital need projections summarized in Attachment C remain unchanged from the previous presentations discussed above. However, adjustments to projected capital revenues, as discussed in Attachment A, resulted in larger shortfall projections for several operators.

- The total cost to replace and rehabilitate all capital assets over the plan period is currently estimated to be \$43.3 billion. The cost for Score 16 assets is \$31.5 billion.
- The total revenue available for transit operations is estimated to be \$16.8 billion, resulting in projected shortfalls of \$26.5 billion for all assets and \$14.7 billion for Score 16 assets.
- Eleven operators are expected to have capital shortfalls for all needs over the plan period: all of the large operators, plus Alameda-Oakland Ferry, Sonoma County Transit, Vallejo Transit and WestCAT.

MTC staff is working with BART and Caltrain staff to address capital need issues, which may result in revisions to the need projections. BART's projected capital needs are substantially higher than the corresponding costs in their CIP. BART staff has made some adjustments to their capital inventory to reconcile to their CIP. Additional adjustments may result from the discussion of rehab costs described in Attachment A. Caltrain has submitted a revised transit capital inventory with proposed bridge replacement costs which are much higher than standard costs used by other operators. MTC staff will evaluate the proposed costs in consultation with the transit capital inventory consultants. The transit capital projections presented today do not include the revised costs for Caltrain.

Attachment A
T2035 Transit Operating and Capital Shortfall Projection Issues

Issue	TFWG Recommendation	Resolution or Next Steps
Operating Shortfall Issues		
How should we treat spillover revenues?	Treat like other STA, i.e., it should be counted on the operating side.	Will show as possible offset for operating deficits, as necessary. Given uncertainty of revenues, not planning to reduce shortfalls at this time.
How should we treat 5303 planning revenues?	Operating cost projections include SRTP costs, so operating revenues should include 5303 revenues assigned to operators.	5303 revenues have been added to operating projections.
Should all FTA 5307 flexible set-aside revenues be assigned to the capital shortfall projections or to the operating shortfalls?	Some operators use flexible set-aside to fund preventive maintenance in their operating budgets.	The shortfall projections have been revised to count 5307 flexible set-aside on the operating side if needed to cover projected operating deficits; otherwise, it remains on the capital side.
Capital Shortfall Issues		
Should transit capital needs in the RTP tradeoff discussion be based on total replacement and rehab needs, score 16 needs, or the cost of achieving a state of good repair?	Ideally needs should be based on cost of achieving a state of good repair, but the required asset condition data is not available. Total capital replacement and rehab needs should be on the table, and transit operators should start with that position in the RTP discussions.	MTC staff has been presenting both total and score 16 costs and shortfalls so that the universe of need as well as sub-elements are available. This is consistent with T2030. With the available data we can estimate the change in average asset age relative to useful life at various levels of investment, and we will use that measure to inform the RTP discussion.
Preventive maintenance costs for vehicles, including mid-life overhauls, were assumed to be included in operators' operating cost projections, but rehab costs for fixed guideway assets are included in the capital projections, resulting in higher projected costs for rail and ferry operators relative to bus operators.	Confirmed that vehicle rehab costs are considered preventive maintenance and are generally (but not always) included in operating budgets.	MTC staff will meet with rail operators to ascertain if any of the rehab costs currently included in the capital projections are also included, or should be included, in operating cost projections, and will make adjustments to the operating and capital projections accordingly.

Issue	TFWG Recommendation	Resolution or Next Steps
Should we assume that operating surpluses can help cover capital shortfalls?	TFWG agreed that operating revenue surpluses should help offset capital shortfalls.	The transit capital shortfall projections assume that operating surpluses are used to help cover capital shortfalls.
How should we treat county sales tax revenues?	Get expenditure plans from each sales tax authority and count sales tax revenues that are planned for transit capital maintenance on the capital side.	MTC staff is currently working with the sales tax authorities and operators to determine which sales tax revenues will be devoted to capital replacement and rehab vs. expansion and enhancement, and will add sales tax revenues for replacement/rehab to the transit capital shortfall projections.
Should we deduct additional local revenues needed to match FTA capital revenues from the operating projections?	Mixed reaction; generally not supportive.	Previous presentations of transit capital shortfalls included additional local revenues (in addition to operating surpluses) required to match projected FTA funds, but these revenues have been dropped from the projections.

Attachment B

DRAFT T2035 25-Year Transit Operating Needs & Revenues for Existing Service Levels *(In Inflated \$1,000,000s)*

Version: 17-Mar-08

	Revenue Vehicle Hours (1,000s)			Operations Expense	Operations Revenue	Deficit		Revenue Available for Other Uses	Fare Revenue Growth Assumption Relative to Inflation
	FY 2007	FY 2033	Percent Change			Amount	Percent of Operations Expense		
LARGE OPERATORS									
1. AC Transit	1,854	1,854	0.0%	\$11,744	\$11,744	\$0	0.00%	\$38	greater
2. BART	1,961	1,961	0.0%	\$22,060	\$22,060	\$0	0.00%	\$641	less
3. Caltrain	40	41	2.0%	\$3,463	\$3,463	\$0	0.00%	\$3	greater
4. Golden Gate Transit (inc. MCTD contract)	405	531	23.6%	\$2,938	\$2,654	\$284	9.67%	\$0	greater
5. SamTrans	957	991	3.4%	\$7,132	\$5,472	\$1,660	23.28%	\$0	less
6. SF MTA	3,710	3,710	0.0%	\$28,377	\$26,810	\$1,567	5.52%	\$0	greater
7. VTA	1,506	1,560	3.4%	\$15,093	\$15,093	\$0	0.00%	\$2,122	less
<i>SUBTOTAL LARGE OPERATORS</i>	<i>10,434</i>	<i>10,648</i>	<i>2.0%</i>	<i>\$90,808</i>	<i>\$87,296</i>	<i>\$3,511</i>	<i>3.87%</i>	<i>\$2,804</i>	
SMALL OPERATORS									
8. ACE Train	19	19	0.0%	\$497	\$497	\$0	0.00%	\$12	less
9. Benicia Breeze	24	24	0.0%	\$60	\$60	\$0	0.00%	\$14	greater
10. County Connection	336	542	38.1%	\$1,125	\$1,125	\$0	0.00%	\$303	less
11. Fairfield-Suisun Transit	94	120	21.7%	\$291	\$291	\$0	0.00%	\$79	less
12. LAVTA	152	152	0.0%	\$656	\$654	\$2	0.31%	\$0	greater
13. MCTD (exc. GGBHTD contract)	64	64	0.0%	\$535	\$291	\$245	45.66%	\$0	greater
14. NCTPA	87	87	0.0%	\$361	\$361	\$0	0.00%	\$60	less
15. Petaluma Transit	22	22	0.0%	\$97	\$97	\$0	0.00%	\$25	greater
16. Rio Vista Delta Breeze	5	5	0.0%	\$13	\$13	\$0	0.00%	\$5	greater
17. Santa Rosa CityBus	111	111	0.0%	\$353	\$353	\$0	0.00%	\$37	less
18. Sonoma County Transit	125	125	0.0%	\$490	\$490	\$0	0.00%	\$114	same
19. Tri-Delta Transit	202	202	0.0%	\$635	\$635	\$0	0.00%	\$227	greater
20. Union City Transit	48	48	0.0%	\$147	\$147	\$0	0.00%	\$66	greater
21. Vacaville City Coach	31	31	0.0%	\$102	\$102	\$0	0.00%	\$120	less
22. Vallejo Transit*	140	140	0.0%	\$678	\$582	\$96	14.20%	\$0	greater
23. WestCAT	118	118	0.0%	\$381	\$369	\$12	3.09%	\$0	greater
24. WETA: Alameda-Oakland Ferry	7	7	0.0%	\$224	\$131	\$93	41.49%	\$0	less
25. WETA: Vallejo Ferry*	10	10	0.0%	\$623	\$513	\$110	17.66%	\$0	greater
<i>SUBTOTAL SMALL OPERATORS</i>	<i>1,594</i>	<i>1,827</i>	<i>12.7%</i>	<i>\$7,267</i>	<i>\$6,709</i>	<i>\$558</i>	<i>7.68%</i>	<i>\$1,061</i>	
TOTAL LARGE & SMALL OPERATORS	12,028	12,475	3.6%	98,075	94,005	4,069	4.15%	3,865	

* Vallejo Transit submitted reductions in service levels totaling 19% over the plan period. Above assumes maintenance of existing service levels.

Attachment C

DRAFT T2035 Transit Capital Revenues, Needs and Shortfalls

25-Year Totals, Escalated \$, \$ Thousands

Operator	Transit Capital Revenues					Total		Score 16	
	FTA 5307/ 5309 FG	AB 664	2% Bridge Tolls	Operating Surpluses	Total	Need	Surplus/(Shortfall)	Need	Surplus/(Shortfall)
	Large Operators								
AC Transit	\$ 1,037,723	\$ 57,361		\$ 38,034	\$ 1,133,118	\$ 1,898,813	\$ (765,695)	\$ 1,519,648	\$ (386,530)
BART (1)	\$ 3,568,571	\$ 114,675		\$ 640,944	\$ 4,324,190	\$ 18,267,236	\$ (13,943,045)	\$ 14,271,379	\$ (9,947,189)
Caltrain (2)	\$ 1,289,158	\$ 13,019		\$ 3,042	\$ 1,305,219	\$ 2,373,224	\$ (1,068,006)	\$ 1,280,602	\$ 24,616
GGBHTD	\$ 605,317			\$ -	\$ 605,317	\$ 1,099,632	\$ (494,315)	\$ 898,588	\$ (293,271)
SamTrans	\$ 544,189	\$ 11,255		\$ -	\$ 555,444	\$ 1,160,283	\$ (604,839)	\$ 835,704	\$ (280,260)
SFMTA (3)	\$ 3,059,932	\$ 64,979		\$ -	\$ 3,124,911	\$ 11,426,251	\$ (8,301,340)	\$ 7,976,488	\$ (4,851,577)
VTA	\$ 1,893,927			\$ 2,121,994	\$ 4,015,921	\$ 5,172,382	\$ (1,156,461)	\$ 3,340,333	\$ 675,588
Subtotal Large Operators	\$ 11,998,817	\$ 261,290	\$ -	\$ 2,804,014	\$ 15,064,120	\$ 41,397,822	\$ (26,333,702)	\$ 30,122,743	\$ (15,058,623)
Small Operators									
ACE (4)	\$ 108,836			\$ 2,372	\$ 111,208	\$ 111,208	\$ -	\$ 108,315	\$ 2,893
Alameda-Oakland Ferry	\$ 36,900		\$ 12,396	\$ -	\$ 49,296	\$ 57,100	\$ (7,804)	\$ 40,507	\$ 8,789
Benicia	\$ 17,318			\$ 4,382	\$ 21,700	\$ 21,700	\$ -	\$ 17,318	\$ 4,382
CCCTA	\$ 230,515	\$ 10,766		\$ 29,164	\$ 270,445	\$ 270,445	\$ -	\$ 215,722	\$ 54,723
ECCTA	\$ 124,388	\$ 4,014		\$ 8,882	\$ 137,284	\$ 137,284	\$ -	\$ 110,529	\$ 26,755
Fairfield	\$ 105,110			\$ 24,782	\$ 129,892	\$ 129,892	\$ -	\$ 67,949	\$ 61,943
LAVTA	\$ 161,602	\$ 7,597		\$ -	\$ 169,199	\$ 162,915	\$ 6,284	\$ 157,042	\$ 12,157
Napa	\$ 72,989			\$ -	\$ 72,989	\$ 68,442	\$ 4,547	\$ 53,717	\$ 19,271
Petaluma	\$ 8,955			\$ 4,521	\$ 13,476	\$ 13,476	\$ -	\$ 8,955	\$ 4,521
Santa Rosa	\$ 129,285			\$ -	\$ 129,285	\$ 102,552	\$ 26,733	\$ 93,569	\$ 35,716
Sonoma County	\$ 75,233			\$ 113,608	\$ 188,841	\$ 195,806	\$ (6,965)	\$ 107,879	\$ 80,962
Union City	\$ 21,869	\$ 1,267		\$ 12,481	\$ 35,617	\$ 35,617	\$ -	\$ 32,007	\$ 3,609
Vacaville	\$ 76,012			\$ 50,604	\$ 126,616	\$ 126,616	\$ -	\$ 24,670	\$ 101,946
Vallejo	\$ 184,672	\$ 9,969	\$ 11,664	\$ -	\$ 206,306	\$ 326,775	\$ (120,469)	\$ 203,309	\$ 2,997
Westcat	\$ 59,148	\$ 2,609		\$ -	\$ 61,756	\$ 133,476	\$ (71,720)	\$ 90,564	\$ (28,808)
Subtotal Small Operators	\$ 1,412,831	\$ 36,222	\$ 24,061	\$ 250,796	\$ 1,723,910	\$ 1,893,304	\$ (169,395)	\$ 1,332,053	\$ 391,857
Grand Total (5)	\$ 13,411,648	\$ 297,511	\$ 24,061	\$ 3,054,810	\$ 16,788,030	\$ 43,291,126	\$ (26,503,096)	\$ 31,454,796	\$ (14,666,766)

Notes:

- (1) BART totals subject to revision based on reconciliation of RTP projections with BART's CIP.
- (2) Caltrain totals subject to revision based on revised transit capital inventory.
- (3) SFMTA total based on vehicle inventory, and CIP projects submitted in lieu of inventory for other asset types.
- (4) ACE totals subject to revision based on additional analysis of MTC vs. SJCOG funding.
- (5) TransLink® and Connectivity costs will be allocated to individual operators.