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Memorandum

TO: Partnership Technical Advisory Committee

DATE: October 27, 2008

FR: Alix Bockelman and Glen Tepke

W. I.

RE: T2035 Update on Transit Capital and Operating Projections

This memo outlines several changes to the transit capital and operating projections since these items were last reviewed with PTAC in March 2008 (refined projections were reviewed by the Transit Finance Working Group in April). It also provides detail on the capital needs, revenues and shortfalls. In addition, it proposes a change to the Transportation 2035 policy to include STA Revenue-Based Spillover as a source of revenue to cover operator shortfalls, first operating and then capital, taking into consideration comments from the Transit Finance Working Group.

The projections and the STA Revenue-Based Spillover policy were reviewed with the Transit Finance Working Group at their meeting on October 1. The TFWG accepted the revised projections and the proposed distribution of T2035 discretionary funds. A majority of the TFWG members recommended leaving the Revenue-Based Spillover revenues in an unassigned reserve, though VTA and AC Transit representatives recommended assigning the spillover to cover transit capital and operating shortfalls.

Revisions since March 2008:

Operating - T2035 Operating Cost and Revenue Projections

The T2035 transit operating projections presented to PTAC at their meeting in March, and to the TFWG in April, and incorporated in the draft financially constrained element adopted by the Commission in July, included a projected 25-year operating surplus for VTA of \$2.1 billion. Since then, VTA has revised its sales tax revenue projections based on a new economic forecast from the Center for the Continuing Study of the California Economy. Because of the compounding effect of near-term changes in revenue projections over a 25-year period, the revision reduces VTA's projected surplus to \$144 million.

Subsequent to presentation of the revised projections to the TFWG on October 1, Sonoma County Transit staff identified a correction to their operating cost projections that increased their costs and decreased their operating surplus over the 25-year planning period by approximately \$92 million.

Attachment A is the revised summary of transit operating shortfalls.

Capital – Impact on T2035 Transit Capital Shortfalls

Since projected operating surpluses were counted as revenues available for meeting projected transit capital needs, the revision to the operating surplus projection for VTA affects the size of

the region's projected transit capital shortfall, and the proposed distribution of T2035 discretionary funds to help cover the shortfalls.

The projections presented to the MTC Commission included a total capital shortfall of \$21.6 billion and a Score 16 shortfall of \$12.2 billion. The revision to VTA's projected operating surplus increased these figures to \$23.6 billion and \$13.2 billion, respectively. VTA's projected capital shortfall increased from \$362 million to \$2.4 billion, and its Score 16 shortfall increased from \$0 to \$962 million. The Sonoma County Transit correction increased SCT's projected capital shortfall from \$0 to \$72 million, but did not result in a Score 16 shortfall for SCT. Attachment B summarizes the revised transit capital dedicated revenues, needs and shortfalls by operator.

Proposed Distribution of T2035 Transit Capital Discretionary Funding

In its adopted Draft Financially Constrained Investment Plan, the Commission elected to devote \$6.4 billion of the \$31.6 billion in projected discretionary revenues to addressing transit capital shortfalls. The Commission's policy direction was to cover all of the region's revenue vehicle needs first, and as much as possible of other Score 16 needs, such as fixed guideway and major systems. Of the \$6.4 billion total, \$4.5 billion was intended to meet revenue vehicle needs, and \$1.9 billion was for other Score 16 needs. These amounts would cover all of the remaining shortfalls for revenue vehicles, and 25% of the remaining shortfall for other Score 16 needs (before accounting for the VTA adjustment).

The projected revenue vehicle and other Score 16 shortfalls were calculated by distributing projected dedicated capital revenues to vehicle and other Score 16 needs in proportion to those needs at a regional level. MTC staff subsequently refined these projections by calculating vehicle and other Score 16 shortfalls using the same approach at the operator level. This was done to provide a more accurate basis for distributing the discretionary revenues. The revised methodology (offset by the increase in the total shortfall due to the VTA adjustment) reduced the regional revenue vehicle shortfall to \$4.1 billion, which leaves \$2.3 billion for other Score 16 needs, which (coincidentally) is still 25% of the other Score 16 shortfall.

In keeping with the Commission's policy direction, MTC staff proposes to distribute the \$6.4 billion in projected T2035 discretionary revenues as follows. The \$4.1 billion for revenue vehicle needs would be distributed to operators with projected Score 16 shortfalls in proportion to each operator's share of the total revenue vehicle shortfall for those operators. The \$2.3 billion for other (non-vehicle) Score 16 needs would be distributed to operators with projected Score 16 shortfalls in proportion to each operator's share of the total other (non-vehicle) Score 16 shortfall for those operators. **It is important to note that these Transportation 2035 funding assignments are based on projections of aggregate need over 25 years; actual programming will vary year to year and will take into account actual project eligibility and readiness.**

Attachment C details the proposed distribution of the T2035 discretionary revenues.

T2035 will include a transit maintenance project for each large operator, with smaller operators combined into a single regional project. The maintenance projects will include projected needs and funding for operations and capital replacement and rehabilitation combined.

Attachment D summarizes the capital and operating needs and revenues, and the maintenance project totals by operator.

Policy Discussion: Assignment of Spillover Revenues

As a reminder, the Transportation 2035 revenues include \$3.2 billion in spillover revenues in the financially constrained element of the Plan. The assumptions of spillover revenue are based on current law with only 50% of total spillover funds available to transit; however, as seen this year, there continues to be unpredictability from year-to-year on the availability of these funds. When this was discussed with the Partnership Board in February 2008, it was proposed that Revenue-Based Spillover funds would be treated as committed while the Population-Based funds net of existing commitments were proposed as discretionary. Currently, Revenue-Based spillover revenues are unassigned in Transportation 2035, meaning that they are part of the revenues but are not assumed to cover the costs for specific projects or program categories. In other words, currently these funds act as a reserve for yet to be determined transit purposes.

MTC staff is proposing an alternative approach that would revisit these assumptions about spillover revenues. The proposal is revised, based on input from the Transit Finance Working Group, to direct any Revenue-Based spillover for an operator in the following priority order:

- To cover any projected operating shortfalls.
- To cover non-score 16 capital rehabilitation shortfalls.
- To unassigned reserve.

The table below summarizes how this policy would affect the projected shortfalls for Bay Area operators. We welcome your feedback on this proposal. If this policy is supported, we will work with the Partnership and make necessary changes moving toward the final development of Transportation 2035. This would include an update to Attachments A-D described above.

DRAFT T2035 Impact of Spillover on Transit Operating & Capital Shortfalls (In Inflated \$1,000,000s)

	25-Year Shortfall Before Spillover			Potential Spillover Revenue	25-Year Shortfall After Spillover		
	Operating Baseline	Capital Total	Score 16		Operating Baseline	Transit Capital Total	Score 16
LARGE OPERATORS							
1. AC Transit	\$115	\$664	\$232	\$250	\$0	\$529	\$232
2. BART	\$0	\$9,956	\$6,434	\$575	\$0	\$9,381	\$6,434
3. Caltrain	\$0	\$2,040	\$1,029	\$104	\$0	\$1,936	\$1,029
4. Golden Gate Transit (inc. MCTD contract)	\$287	\$442	\$235	\$101	\$186	\$442	\$235
5. SamTrans	\$1,322	\$463	\$115	\$104	\$1,219	\$463	\$115
6. SF MTA	\$2,034	\$7,191	\$3,809	\$771	\$1,263	\$7,191	\$3,809
7. VTA	\$0	\$2,370	\$962	\$336	\$0	\$2,034	\$962
<i>SUBTOTAL LARGE OPERATORS</i>	<i>\$ 3,758</i>	<i>\$ 23,126</i>	<i>\$ 12,815</i>	<i>\$ 2,241</i>	<i>\$ 2,668</i>	<i>\$ 21,975</i>	<i>\$ 12,815</i>
SMALL OPERATORS							
<i>SUBTOTAL SMALL OPERATORS</i>	<i>\$ 545</i>	<i>\$ 553</i>	<i>\$ 361</i>	<i>\$ 60</i>	<i>\$ 532</i>	<i>\$ 535</i>	<i>\$ 361</i>
TOTAL LARGE & SMALL OPERATORS	\$ 4,303	\$ 23,679	\$ 13,177	\$ 2,301	\$ 3,200	\$ 22,510	\$ 13,177
DIFFERENCE (BEFORE-AFTER)					\$ 1,103	\$ 1,169	\$ -

Attachment A. T2035 25-Year Transit Operating Needs & Revenues for Existing Service Levels (In Escalated \$1,000,000s)

	Revenue Vehicle Hours (1,000s)			Operations Expense	Operations Revenue	Deficit	
	FY 2007	FY 2033	Percent Change			Amount	Percent of Operations Expense
LARGE OPERATORS							
1. AC Transit	1,854	1,854	0.0%	\$11,745	\$11,630	\$115	1.0%
2. BART	1,961	1,961	0.0%	\$22,076	\$22,076	\$0	0.0%
3. Caltrain	40	41	2.0%	\$3,467	\$3,467	\$0	0.0%
4. Golden Gate Transit (inc. MCTD contract)	405	419	3.2%	\$2,941	\$2,654	\$287	9.7%
5. SamTrans	957	991	3.4%	\$6,794	\$5,472	\$1,322	19.5%
6. SF MTA	3,710	3,710	0.0%	\$28,921	\$26,887	\$2,034	7.0%
7. VTA	1,506	1,533	1.7%	\$15,097	\$15,097	\$0	0.0%
SUBTOTAL LARGE OPERATORS	10,434	10,509	0.7%	\$91,042	\$87,284	\$3,758	4.1%
SMALL OPERATORS							
8. ACE Train	19	19	0.0%	\$497	\$497	\$0	0.0%
9. Benicia Breeze	24	24	0.0%	\$60	\$60	\$0	0.0%
10. County Connection	336	542	38.1%	\$1,125	\$1,125	\$0	0.0%
11. Fairfield-Suisun Transit	94	120	21.7%	\$292	\$292	\$0	0.0%
12. LAVTA	152	152	0.0%	\$656	\$656	\$0	0.0%
13. MCTD (exc. GGBHTD contract)	64	64	0.0%	\$535	\$291	\$245	45.7%
14. NCTPA	87	87	0.0%	\$362	\$362	\$0	0.0%
15. Petaluma Transit	22	22	0.0%	\$97	\$97	\$0	0.0%
16. Rio Vista Delta Breeze	5	5	0.0%	\$13	\$13	\$0	0.0%
17. Santa Rosa CityBus	111	111	0.0%	\$354	\$354	\$0	0.0%
18. Sonoma County Transit	125	125	0.0%	\$581	\$581	\$0	0.0%
19. Tri-Delta Transit	202	202	0.0%	\$635	\$635	\$0	0.0%
20. Union City Transit	48	48	0.0%	\$147	\$147	\$0	0.0%
21. Vacaville City Coach	31	31	0.0%	\$102	\$102	\$0	0.0%
22. Vallejo Transit*	140	140	0.0%	\$679	\$582	\$97	14.3%
23. WestCAT	118	118	0.0%	\$381	\$381	\$0	0.0%
24. WETA: Alameda-Oakland Ferry	7	7	0.0%	\$224	\$131	\$93	41.5%
25. WETA: Vallejo Ferry*	10	10	0.0%	\$623	\$513	\$110	17.7%
SUBTOTAL SMALL OPERATORS	1,594	1,827	12.7%	\$7,363	\$6,818	\$545	7.4%
TOTAL LARGE & SMALL OPERATORS	12,028	12,336	2.5%	98,404	94,101	4,303	4.4%

Notes:

1. The total available revenues may exceed the revenues need for operations. In that case, the surplus revenues were assumed to be available to capital replacement & rehabilitation.
2. VTA provided updated sales tax revenues in August 2008 based on June 2008 revisions from CCSCE.
3. Vallejo Transit submitted reductions in service levels totaling 19% over the plan period. Above assumes maintenance of existing service levels.
4. Sonoma County Transit provided corrected operating expense projections in October 2008.

Attachment B: T2035 Transit Capital Revenues, Needs and Shortfalls
25-Year Totals, Escalated \$, \$ Thousands

Operator	Transit Capital Revenues								Transit Capital Needs & Shortfalls						
	FTA 5307/ 5309 FG	AB 664	2% Bridge Tolls	County Sales Taxes	BART Seismic GO Bonds	HBRR/Prop 1B Seismic	Operating Surpluses	Total	Total			Score 16			
									Need	Surplus/(Shortfall)	Shortfall Only	Need	Surplus/(Shortfall)	Shortfall Only	
Large Operators															
AC Transit	\$ 1,024,376	\$ 57,361					\$ -	\$ 1,081,737	\$ 1,745,785	\$ (664,047)	\$ (664,047)	\$ 1,313,568	\$ (231,830)	\$ (231,830)	
BART	\$ 3,567,428	\$ 114,675		\$ 37,576	\$ 704,126	\$ 113,339	\$ 625,342	\$ 5,162,486	\$ 15,118,975	\$ (9,956,489)	\$ (9,956,489)	\$ 11,596,168	\$ (6,433,682)	\$ (6,433,682)	
Caltrain	\$ 1,286,891	\$ 13,019		\$ 111,339		\$ 3,193	\$ 1,006	\$ 1,415,449	\$ 3,455,590	\$ (2,040,142)	\$ (2,040,142)	\$ 2,444,328	\$ (1,028,879)	\$ (1,028,879)	
GGBHTD	\$ 605,244						\$ -	\$ 605,244	\$ 1,046,799	\$ (441,556)	\$ (441,556)	\$ 839,751	\$ (234,507)	\$ (234,507)	
SamTrans	\$ 544,189	\$ 11,255					\$ -	\$ 555,444	\$ 1,018,412	\$ (462,969)	\$ (462,969)	\$ 670,595	\$ (115,151)	\$ (115,151)	
SFMTA	\$ 3,059,693	\$ 64,979		\$ 1,072,939			\$ -	\$ 4,197,611	\$ 11,388,240	\$ (7,190,629)	\$ (7,190,629)	\$ 8,006,929	\$ (3,809,317)	\$ (3,809,317)	
VTA	\$ 1,860,544						\$ 143,882	\$ 2,004,425	\$ 4,374,394	\$ (2,369,969)	\$ (2,369,969)	\$ 2,966,461	\$ (962,036)	\$ (962,036)	
Subtotal Large Operators	\$ 11,948,365	\$ 261,290	\$ -	\$ 1,221,854	\$ 704,126	\$ 116,532	\$ 770,229	\$ 15,022,396	\$ 38,148,196	\$ (23,125,800)	\$ (23,125,800)	\$ 27,837,799	\$ (12,815,403)	\$ (12,815,403)	
Small Operators															
ACE	\$ 108,836						\$ 11,693	\$ 120,528	\$ 453,019	\$ (332,490)	\$ (332,490)	\$ 448,933	\$ (328,405)	\$ (328,405)	
Alameda-Oakland Ferry	\$ 36,900		\$ 12,396				\$ -	\$ 49,296	\$ 98,777	\$ (49,481)	\$ (49,481)	\$ 82,184	\$ (32,887)	\$ (32,887)	
Benicia	\$ 17,318						\$ 3,824	\$ 21,141	\$ 21,141	\$ -	\$ -	\$ 14,716	\$ 6,425	\$ -	
CCCTA	\$ 230,515	\$ 10,766					\$ 30,904	\$ 272,185	\$ 272,185	\$ -	\$ -	\$ 217,462	\$ 54,723	\$ -	
ECCTA	\$ 124,388	\$ 4,014					\$ -	\$ 128,402	\$ 121,119	\$ 7,283	\$ -	\$ 94,364	\$ 34,038	\$ -	
Fairfield	\$ 105,110						\$ 20,075	\$ 125,185	\$ 125,185	\$ -	\$ -	\$ 53,746	\$ 71,439	\$ -	
LAVTA	\$ 161,602	\$ 7,597					\$ -	\$ 169,199	\$ 127,372	\$ 41,826	\$ -	\$ 120,325	\$ 48,873	\$ -	
Napa	\$ 72,953						\$ -	\$ 72,953	\$ 56,024	\$ 16,929	\$ -	\$ 49,494	\$ 23,459	\$ -	
Petaluma	\$ 8,955						\$ 4,758	\$ 13,714	\$ 13,714	\$ -	\$ -	\$ 9,287	\$ 4,427	\$ -	
Santa Rosa	\$ 129,285						\$ -	\$ 129,285	\$ 116,792	\$ 12,492	\$ -	\$ 69,466	\$ 59,819	\$ -	
Sonoma County	\$ 74,930						\$ 22,362	\$ 97,291	\$ 169,305	\$ (72,013)	\$ (72,013)	\$ 87,319	\$ 9,972	\$ -	
Union City	\$ 21,869	\$ 1,267					\$ 20,655	\$ 43,791	\$ 43,791	\$ -	\$ -	\$ 25,093	\$ 18,698	\$ -	
Vacaville	\$ 76,012						\$ 71,920	\$ 147,932	\$ 147,932	\$ -	\$ -	\$ 21,198	\$ 126,734	\$ -	
Vallejo	\$ 184,672	\$ 9,969	\$ 11,664				\$ -	\$ 206,306	\$ 257,334	\$ (51,028)	\$ (51,028)	\$ 191,405	\$ 14,901	\$ -	
Westcat	\$ 61,605	\$ 2,609					\$ 10,271	\$ 74,485	\$ 122,950	\$ (48,465)	\$ (48,465)	\$ 71,883	\$ 2,602	\$ -	
Subtotal Small Operators	\$ 1,414,949	\$ 36,222	\$ 24,061	\$ -	\$ -	\$ -	\$ 196,462	\$ 1,671,694	\$ 2,146,640	\$ (553,477)	\$ (553,477)	\$ 1,556,876	\$ (361,292)	\$ (361,292)	
Grand Total	\$ 13,363,314	\$ 297,511	\$ 24,061	\$ 1,221,854	\$ 704,126	\$ 116,532	\$ 966,692	\$ 16,694,090	\$ 40,294,836	\$ (23,679,277)	\$ (23,679,277)	\$ 29,394,675	\$ (13,176,695)	\$ (13,176,695)	

Notes:
SFMTA total based on vehicle inventory, and CIP projects submitted in lieu of inventory for other asset types.

Attachment C: Proposed Distribution of T2035 Discretionary Revenues for Transit Maintenance Shortfall
Escalated \$ millions

	Operators with Score 16 Shortfalls						Total Funding	% of Total	Remaining Shortfall	% of Total
	Funding for Vehicles Based on Revenue Vehicle Shortfall			Funding for Other Score 16 Based on Other Score 16 Shortfall						
	Vehicle Shortfall	Share of Veh. Shortfall	Share of Funding	Other 16 Shortfall	Share of Other 16 Shortfall	Share of Funding				
Large Operators										
AC Transit	-200	4.9%	200	-32	0.3%	8	208	3.3%	-24	0.3%
BART	-1,496	36.5%	1,496	-4,937	54.4%	1,247	2,743	42.9%	-3,691	54.4%
Caltrain	-326	7.9%	326	-703	7.8%	178	503	7.9%	-526	7.8%
GGBHTD	-133	3.2%	133	-102	1.1%	26	159	2.5%	-76	1.1%
SamTrans	-86	2.1%	86	-29	0.3%	7	93	1.5%	-22	0.3%
SFMTA	-1,428	34.8%	1,428	-2,381	26.2%	601	2,029	31.7%	-1,780	26.2%
VTA	-324	7.9%	324	-638	7.0%	161	485	7.6%	-477	7.0%
Subtotal Large Operators	-3,993	97.3%	3,993	-8,822	97.2%	2,228	6,221	97.3%	-6,595	97.2%
Small Operators										
ACE	-79	1.9%	79	-250	2.8%	63	142	2.2%	-187	2.8%
Alameda-Oakland Ferry	-32	0.8%	32	0	0.0%	0	33	0.5%	0	0.0%
Benicia										
CCCTA										
ECCTA										
Fairfield										
LAVTA										
Napa										
Petaluma										
Santa Rosa										
Sonoma County										
Union City										
Vacaville										
Vallejo										
Westcat										
Subtotal Small Operators	-111	2.7%	111	-250	2.8%	63	174	2.7%	-187	2.8%
Total	-4,104	100.0%	4,104	-9,072	100.0%	2,291	6,395	100.0%	-6,782	100.0%

Attachment D: T2035 Transit Maintenance Summary: Capital and Operations

Escalated \$ millions

Operator	Capital (All Scores)				
	Total	Committed	Discretionary	Total	Shortfalls
	Need	Funds	Funds	Funds	
Large Operators					
AC Transit	1,745.8	1,081.7	208.1	1,289.9	455.9
BART	15,119.0	5,162.5	2,743.1	7,905.6	7,213.4
Caltrain	3,455.6	1,415.4	503.2	1,918.7	1,536.9
GGBHTD	1,046.8	605.2	158.5	763.8	283.0
SamTrans	1,018.4	555.4	93.1	648.6	369.8
SFMTA	11,388.2	4,197.6	2,029.4	6,227.0	5,161.2
VTA	4,374.4	2,004.4	485.2	2,489.6	1,884.8
Subtotal Large Operators	38,148.2	15,022.4	6,220.7	21,243.1	16,905.1
Small Operators					
ACE	453.0	120.5	141.7	262.2	190.8
Alameda-Oakland Ferry	98.8	49.3	32.6	81.9	16.9
Benicia	21.1	21.1	-	21.1	-
CCCTA	272.2	272.2	-	272.2	-
ECCTA	121.1	121.1	-	121.1	-
Fairfield	125.2	125.2	-	125.2	-
LAVTA	127.4	127.4	-	127.4	-
MCTD (exc. GGBHTD contract)					
Napa	56.0	56.0	-	56.0	-
Petaluma	13.7	13.7	-	13.7	-
Rio Vista Delta Breeze					
Santa Rosa	116.8	116.8	-	116.8	-
Sonoma County	169.3	97.3	-	97.3	72.0
Union City	43.8	43.8	-	43.8	-
Vacaville	147.9	147.9	-	147.9	-
Vallejo	257.3	206.3	-	206.3	51.0
Westcat	122.9	74.5	-	74.5	48.5
Subtotal	2,146.6	1,593.2	174.3	1,767.4	379.2
Total	40,294.8	16,615.6	6,395.0	23,010.6	17,284.3

Operations		
Total	Committed	Shortfalls
Need	Funds	
11,744.5	11,629.5	115.0
22,076.5	22,076.5	-
3,467.3	3,467.3	-
2,940.9	2,654.3	286.6
6,794.5	5,472.1	1,322.3
28,921.1	26,887.0	2,034.1
15,096.9	15,096.9	-
91,041.7	87,283.6	3,758.0
497.1	497.1	-
224.4	131.3	93.1
60.0	60.0	-
1,124.6	1,124.6	-
634.6	634.6	-
291.9	291.9	-
656.1	656.1	-
535.5	291.0	244.5
362.2	362.2	-
96.7	96.7	-
12.7	12.7	-
354.1	354.1	-
581.3	581.3	-
146.7	146.7	-
101.6	101.6	-
1,302.6	1,095.2	207.5
380.6	380.6	-
7,362.7	6,817.7	545.1
98,404.4	94,101.3	4,303.1

T2035 Project Totals		
Total Project	Financially Constrained	Vision
Cost	Element	Element
13,490.3	12,919.4	570.9
37,195.5	29,982.1	7,213.4
6,922.9	5,386.0	1,536.9
3,987.7	3,418.1	569.6
7,812.9	6,120.7	1,692.1
40,309.3	33,114.0	7,195.3
19,471.2	17,586.5	1,884.8
129,189.9	108,526.8	20,663.1
950.1	759.3	190.8
323.2	213.2	110.0
81.2	81.2	-
1,396.8	1,396.8	-
755.7	755.7	-
417.1	417.1	-
783.4	783.4	-
535.5	291.0	244.5
418.2	418.2	-
110.5	110.5	-
12.7	12.7	-
470.9	470.9	-
750.6	678.6	72.0
190.5	190.5	-
249.6	249.6	-
1,560.0	1,301.5	258.5
503.6	455.1	48.5
9,509.4	8,585.1	924.3
138,699.3	117,111.9	21,587.4