Date: February 25, 2009
W.I.: 1511
Referred by: PAC

<u>ABSTRACT</u>

Resolution No. 3886

This resolution approves the FY 2009-10 Fund Estimate, including the distribution and apportionment of Transportation Development Act (TDA), State Transit Assistance (STA), Assembly Bill (AB) 1107 sales tax and transit-related bridge toll funds.

Further discussion of this action is contained in the Summary Sheet / MTC Executive Director’ s Memorandum dated February 11, 2009.

Date: February 25, 2009
W.I.: 1511
Referred by: PAC

RE: Determination of Transportation Development Act (TDA) Area Apportionments and Proposed Distribution of Operating Funds for FY 2009-10

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 3886

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Section 66500 *et seq*.; and

WHEREAS, the Transportation Development Act (TDA), Public Utilities Code (PUC) Sections 99200 et seq., provides that funds are made available from the Local Transportation Fund (LTF) for various transportation purposes; and

WHEREAS, pursuant to 21 California Code of Regulations Section 6620, the County Auditor for each of the nine counties in the Bay Area has submitted the revised and new TDA fund estimates for FY 2008-09 and FY 2009-10 as shown in Attachment A to this resolution, attached hereto and incorporated herein as though set forth at length; and

WHEREAS, MTC is required to determine and advise all prospective claimants, prior to March 1 each year, of all area apportionments from the LTF for the following fiscal year pursuant to 21 California Code of Regulations Section 6644; and

WHEREAS, all area apportionments of TDA funds for the 2009-2010 fiscal year are shown in Attachment A to this resolution, attached hereto and incorporated herein as though set forth at length; and

WHEREAS, MTC has prepared a proposed distribution of operating assistance funds, including TDA, State Transit Assistance (STA) pursuant to Public Utilities Code § 99310 et seq.), the twenty-five percent (25%) of the one-half cent transaction and use tax collected pursuant to PUC Section 29142.2 (AB 1107), and estimates of certain toll bridge revenues (SHC §§ 30910 et. seq.), in order to provide financial information to all prospective claimants to assist them in developing budgets in a timely manner; and

WHEREAS, the proposed distribution of such operating assistance funds is also shown in Attachment A; now, therefore, be it

RESOLVED, that MTC approves the area apportionments of TDA funds, and the proposed distribution of operating assistance funds for the 209-10 fiscal year as shown in Attachment A, subject to the conditions noted therein; and, be it further

RESOLVED, that MTC intends to allocate operating assistance funds for the 2009-10 fiscal year, based on the area apportionments of TDA funds, the proposed distribution of operating assistance funds and upon the receipt of appropriate claims from eligible claimants; and, be it further

RESOLVED, that Attachment A may be revised by the MTC Executive Director or his designee to reflect funds returned to the Local Transportation Fund and expired capital allocations or by approval of the MTC Programming and Allocations Committee, except that any significant changes shall be submitted to the full Commission for approval.

METROPOLITAN TRANSPORTATION COMMISSION

Bill Dodd, Chair

The above resolution was entered into by the
Metropolitan Transportation Commission
at a regular meeting of the Commission held
in Oakland, California, on February 25, 2009.

METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Programming and Allocations Committee DATE: February 11, 2009

FR: Deputy Executive Director, Policy

RE: FY 2009-10 Annual Fund Estimate: MTC Resolution No. 3886

Under state law, MTC is required to publish an estimate of available transportation revenues that it allocates on a yearly basis and the distribution of those funds among eligible claimants. The FY 2009-10 Annual Fund Estimate includes an estimate of expected revenue generations for the coming year, and a reconciliation of carryover funds from the prior fiscal year as well as an adjustment to the remaining revenue levels for this year. Fund sources included in this proposal are Transportation Development Act (TDA), State Transit Assistance (STA), Assembly Bill 1107, and transit-related bridge toll revenues.

This memo highlights several issues related to the economy and distribution of funds and provides estimates of TDA, STA, and AB 1107 revenues.

Deteriorating Economic Picture

The bursting of the housing bubble and the subsequent meltdown of the financial sector has had a negative impact on consumer spending ~~to~~ a degree not experienced for fifty years. In addition, projected deficits for the current year state budget combined with the legislative stalemate that exists in Sacramento to address budget shortfalls for the long term have led to a high degree of uncertainty surrounding state funding for transit operations. Information gathered on regional transit operator budgets suggest that that the decline in taxable sales revenue and the cuts in STA revenue will translate into a nearly 10 percent reduction of available operating revenue for the current fiscal year and FY 2009-10. These reductions will necessitate service-level cutbacks and fare increases for a majority of the region' s transit operators.

According to research compiled by the Association of Bay Area Governments (ABAG), median housing prices for the Bay Area fell 44% in calendar year 2008, over the previous year, with the hardest hit counties being Contra Costa, Alameda and Solano. The percentage decrease in median price almost exactly equals the percent increase in real estate notices of default in the region, indicating that the economic crisis for the Bay Area will likely deepen in early 2009. Unemployment in the region averaged about 7% as of November, 2008 with Solano County suffering the worst at 7.9%. The Bay Area is expected to suffer fewer job losses than California as a whole, due to the diversity of industry in the region. ABAG estimates that the Bay Area will shed about 52,000 jobs in 2009 and another 5,200 in 2010. On the brighter side, the predicted job losses are of a much smaller magnitude than what was experienced in the 2001 economic downturn, where the Bay Area lost about 450,000 jobs. Inflation is expected to be 0% in 2008, attributable mostly to the decline in fuel prices, and about 2% in 2009. For taxable sales in the region, ABAG projects -0.9% growth over calendar year 2007 and an optimistic +2.2% growth in 2009.

While it is impossible to know how much worse the economy will get, hopeful predictions are that recovery will begin in mid-FY 2009-10, and that the current economic downturn will fall somewhere in between the last two recessions in terms of severity level. Table A below illustrates the average annual historic growth rates in TDA revenue over the two last major economic downturns—FYs 1992-1996 and FYs 2002-2006. In each of the downturns, it took about five years for TDA revenue to climb back up to where it would have been, if year-to-year generations followed long term trends in growth. The columns on the far right show the loss in revenue that was experienced in each of the counties at the peak of each downturn.

Table A: -- TDA Revenue Growth in Prior Economic Downturns

	Economic Downturn Periods		Peak of Downturn	
	FY 1991-1996	FY 2002-2006	FY 1991-92	FY 2001-02
Alameda	3.6%	0.7%	-5.0%	-8.1%
Contra Costa	3.1%	2.3%	-4.0%	-2.7%
Marin	2.3%	0.7%	-2.7%	-5.5%
Napa	3.2%	3.9%	-0.4%	-0.9%
San Francisco	2.9%	-0.6%	-7.1%	-17.1%
San Mateo	2.3%	-1.9%	-6.4%	-13.9%
Santa Clara	4.7%	-2.8%	-5.8%	-21.1%
Solano	3.9%	6.7%	-1.9%	4.8%
Sonoma	2.9%	2.3%	-2.9%	-3.5%
REGION TOTAL	**3.5%**	**-0.3%**	**-5.2%**	**-12.4%**

TDA

MTC is required to use County Auditor estimates for TDA revenue. Most County Auditors elected to revise their FY 2009 TDA estimates lower in response to the information on actual revenue receipts through the first two quarters of the year. The County Auditors also generally projected negative growth for FY 2009-10. For the region as a whole, County Auditors estimate that TDA revenue will decrease by 4.2% in FY 2009 over FY 2008. For FY 2009-10, a further 3.6% decrease is projected for the combined region.

Figure A illustrates the actual and projected TDA revenue trend in the Bay Area for a 10-year time period. After the dramatic decrease following FY 2001, TDA generations for the region increased steadily beginning in FY 2003-04. The healthy growth over the next several years began to taper off in FY 2007-08 and actual generations through the second quarter indicate that there will be a significant dip in FY 2008-09. County Auditors decreased their original FY 2008-09 revenue projection by $15.4 million and are projecting a further $10.7 million decrease for FY 2009-10 region-wide.

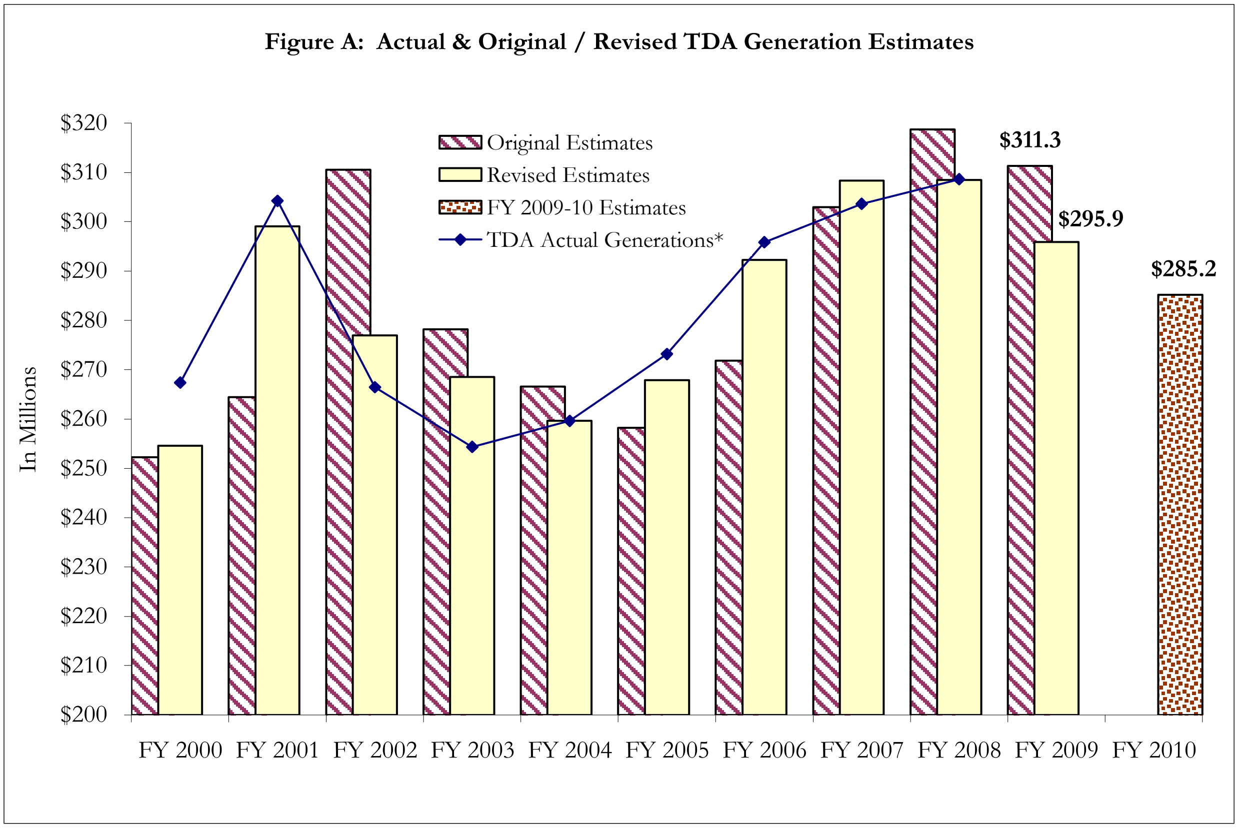


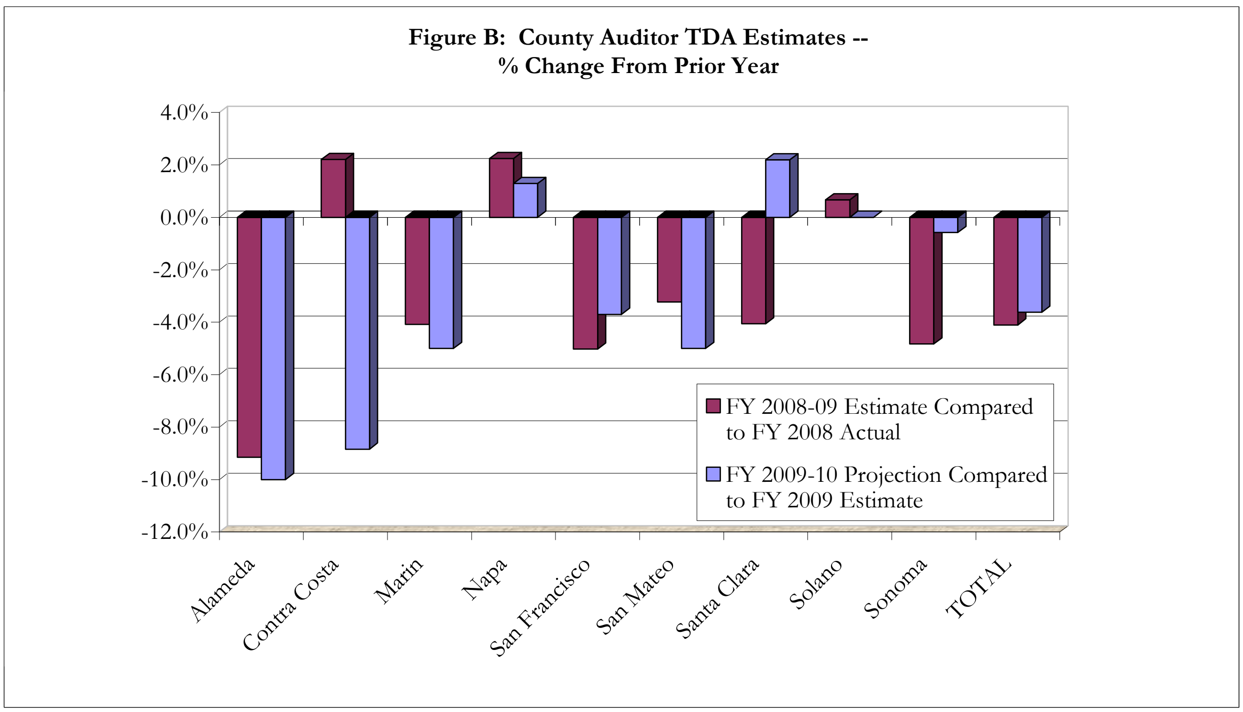
Table B summarizes the change in expected revenue, as estimated by the County Auditors, by county for FY2008-09. Where the figures are negative, this translates into lower expected revenues for operators in the county as compared to the information used in preparing their FY2008-09 budgets.

Table B: Change in FY 2008-09 TDA Revenue Estimate

	Change from Original Estimate	Percent Change from Original Estimate
Alameda	$ (6,381,314)	-9.5%
Contra Costa	$ 2,062,814	6.1%
Marin	$ (555,000)	-7.3%
Napa	$ 85,824	1.3%
San Francisco	$ (3,815,420)	-9.7%
San Mateo	$ (106,542)	-0.3%
Santa Clara	$ (3,672,445)	-4.3%
Solano	$ (1,172,137)	-7.0%
Sonoma	$ (1,892,288)	-9.2%
TOTAL	**$ (15,446,509)**	**-5.0%**

In two cases, revised estimates in Contra Costa and Napa counties for FY 2008-09 increased. In these counties the original auditor' s estimates had been very conservative and actual payment data from the Board of Equalization has indicated that final revenue totals may be better than had been expected. Staff will continue to monitor the current years' disbursements closely and alert operators as additional data becomes available on current year revenues.

Figure B illustrates TDA expected growth rates for FY2009 with County Auditors' revised estimates for the current year and new estimates for FY 2009-10. Alameda County is being the most conservative with projected decreases in revenue for FY 2008-09 and FY 2009-10 of 9.2 and 10 percent, respectively. Three counties, Contra Costa, Napa, and Solano are projecting modest increases over FY 2007-08 actual revenue and only Napa and Santa Clara counties are projecting positive revenue growth for FY 2009-10. MTC staff is particularly concerned about optimistic growth expectations in Solano County, where current trends indicate that TDA revenue growth in FY 2008-09 will be significantly less than actual revenue in FY 2007-08.



AB 1107

MTC is responsible for estimating funds for a portion of AB 1107–25% of the BART half-cent sales tax revenue generated in Alameda, Contra Costa, and San Francisco Counties. Based on trends in this year' s receipts, and reduced sales tax estimates from the County Auditors in the three relevant counties, staff is decreasing the current year estimate from $68 million to $64 million with a further expected decline to $60 million for FY 2009-10. The revised FY 2009 estimate represents a 5.2% decrease over actual revenues in FY 2007-08.

MTC's long-standing policy is to allocate 50% of these funds to AC Transit and 50% to the San Francisco Muni. Because our allocations are based not on a fixed dollar amount, but instead a percentage of AB 1107 generations for each operator, any additional funds generated beyond the estimate for FY 2009 and FY 2010 will automatically flow to AC Transit and SFMTA during the remainder of the fiscal year.

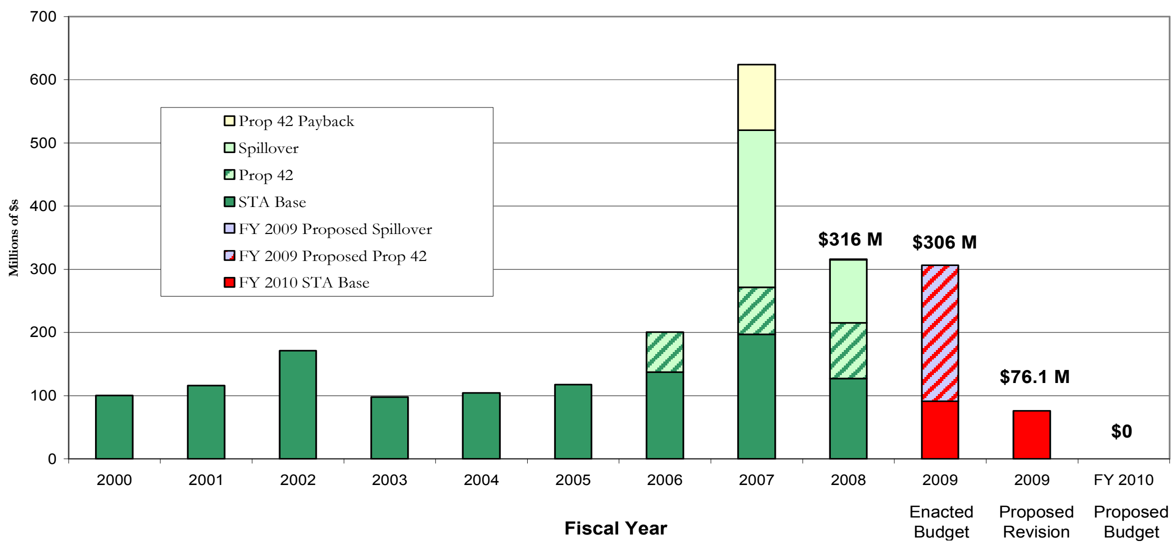
State Transit Assistance Funding

While the STA program traditionally includes several components including base revenue (from diesel fuel sales tax) Proposition 42 and Spillover, these funds first flow into the Public Transportation Account (PTA) where a portion is then split off to form the STA program. Recent actions taken by the state indicate that there is no legal requirement barring the state from diverting PTA funds to pay for expenditures typically handled by the general fund, or from setting the STA funding level at an arbitrary amount, instead of an amount based on expected fuel tax generations.

This month the Governor released a proposed revision to the FY 2008-09 Budget as well as a proposed budget for FY 2009-10. For FY 2009, the Governor proposed to limit the STA program to $76 million statewide, which would effectively cut off all further funding beyond the first quarter payment that has already been released by the State Controller. The FY 2008-09 enacted Budget held $306 million statewide. For FY 2009-10 and beyond, the Governor is proposing to eliminate the STA program entirely. A more optimistic–albeit still dismal–outlook has the STA program held to a $150 million statewide level for FY 2008-09 and each year after, indefinitely. As has been the custom, the FY 2009-10 Fund Estimate reflects the funding level that is included in the Governor’ s budget proposal ($0). Staff will revise the Fund Estimate to reflect any changes to STA funding levels made in the Governor’ s May Revise budget proposal, and/or an enacted revision to the FY 2008-09 State Budget.

Figure B below illustrates the volatility of STA funding over the past few years. While the Fund Estimates reflects FY 2008-09 funding based on the current enacted budget, it is unlikely that this funding level will remain, and transit operators have been advised not to expect to be able to claim the full amount of carryover that is shown.

Figure C: Statewide STA Funding Levels



Transit Coordination and Inter-Operator Agreements

The STA program has supported several regional initiatives, in addition to providing critical operating funds for transit operators. Therefore, the proposed elimination or severe cuts to STA will negatively affect the region's ability to carry out the provisions of MTC Resolution 3814 and the consolidated policy, as well as the implementation of the BART Feeder Bus and inter-operator agreements. As a reminder, the consolidated policy distributed population-based STA as follows:

Northern Counties / Small Operators	28.3%
Regional Paratransit	15.6%
Lifeline Program	29.2%
Regional Coordination	26.9%

Further, Spillover funds were to be directed to the SamTrans right-of-way payment and to several expansion projects, the Lifeline Program and Small Operators / Northern Counties.

For the BART Feeder Bus Program, the existing MOU between BART and MTC states that MTC will execute the Feeder Bus agreements using BART's apportionment of TDA Article 4 and STA Revenue-based funds. In the event that BART's apportionment is not sufficient to cover the Feeder Bus and transfer payments, BART is required to contribute up to $2.5 million from their general fund towards fulfilling these obligations. Under the optimistic scenario that the state continues to fund the STA program at $150 million statewide, that level of funding combined with a contribution from BART that is less than $2.5 million, is expected to be sufficient to fund the Feeder Bus program and transfer payments for FY 2010. In the event that the STA program is eliminated altogether, MTC will need to work with the affected operators to determine an alternative to the current program. The Feeder Bus funding contributes anywhere from 5% to 25% of the Feeder Bus operator's annual operating budgets.

Bridge Tolls

FY 2010 revenue estimates are expected to be lower than the original estimates for FY 2008-09 because of lower revenues in the current year. Total bridge toll revenues for the transit programs included in the Fund Estimate are expected to be approximately 1 percent lower for FY 2009-10 than the revised projections for FY 2008-09.

Revisions to the Fund Estimate

The current economic downturn combined with a particularly erratic STA program has intensified the cash flow issues for several small transit operators in the region. These operators have requested that MTC provide more frequent updates to the annual Fund Estimate in order to make returns to the Local Transportation Fund (LTF) and TDA refunds or expired capital allocations available for re-allocation as soon as possible. Staff is recommending that minor revisions to the Fund Estimate to account for refunds and capital expirations be allowable under the Executive Director' s signature.

As has been the practice for the last several years, staff will prepare an end-of-year cleanup to the FY 2009-10 Fund Estimate in July 2009. This will allow MTC to reconcile FY 2008-09 estimates with the actual revenues. Staff will then make any excess funds available to claimants, or make negative adjustments to the amounts available for allocation if the final FY 2008-09 revenues are lower than estimated.

Table C below shows the projected rescissions of roughly $17 million that may be required based on the revised estimates of TDA revenue for FY 2008-09 and the existing allocations that have been made through January 2009. Expected rescissions for the STA program are not reported here due to uncertainty about the final funding level for the current year.

Table C: Projected Required TDA Rescissions

County / Claimant	Rescission Amount	
Alameda		
AC Transit	$	(1,139,515)
BART	$	(4,757)
Marin		
GGBHTD	$	(508,462)
San Francisco		
SFMTA	$	(5,235,534)
San Mateo		
SamTrans	$	(1,853,672)
Santa Clara		
VTA	$	(7,741,320)
Solano		
Suisun City	$	(57,149)
Sonoma		
GGBHTD	$	(427,055)
Total TDA	**$**	**(16,967,464)**

Recommendation

The FY 2009-10 Fund Estimate is set forth in Attachment A to MTC Resolution No. 3886. Staff recommends that this Committee refer MTC Resolution No. 3886 to the Commission for approval.

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Therese W. McMillan

TM/TR

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