

AC Transit Financial Review and Funding Recommendations

Programming and
Allocations Committee
June 8, 2011



METROPOLITAN TRANSPORTATION COMMISSION

Subject of Today's Action

1. Review of independent AC Transit Financial Review
2. Authorize a funding exchange for \$17.5 million to complete a December 2009 action that provided AC Transit with additional operating funds
3. Approve \$7 million in additional preventive maintenance funding (subject of item 4b)

Background

In December 2009, MTC approved AC Transit's request to reassign \$35 million in CMAQ funds from their Bus Rapid Transit (BRT) project to address an operating budget shortfall

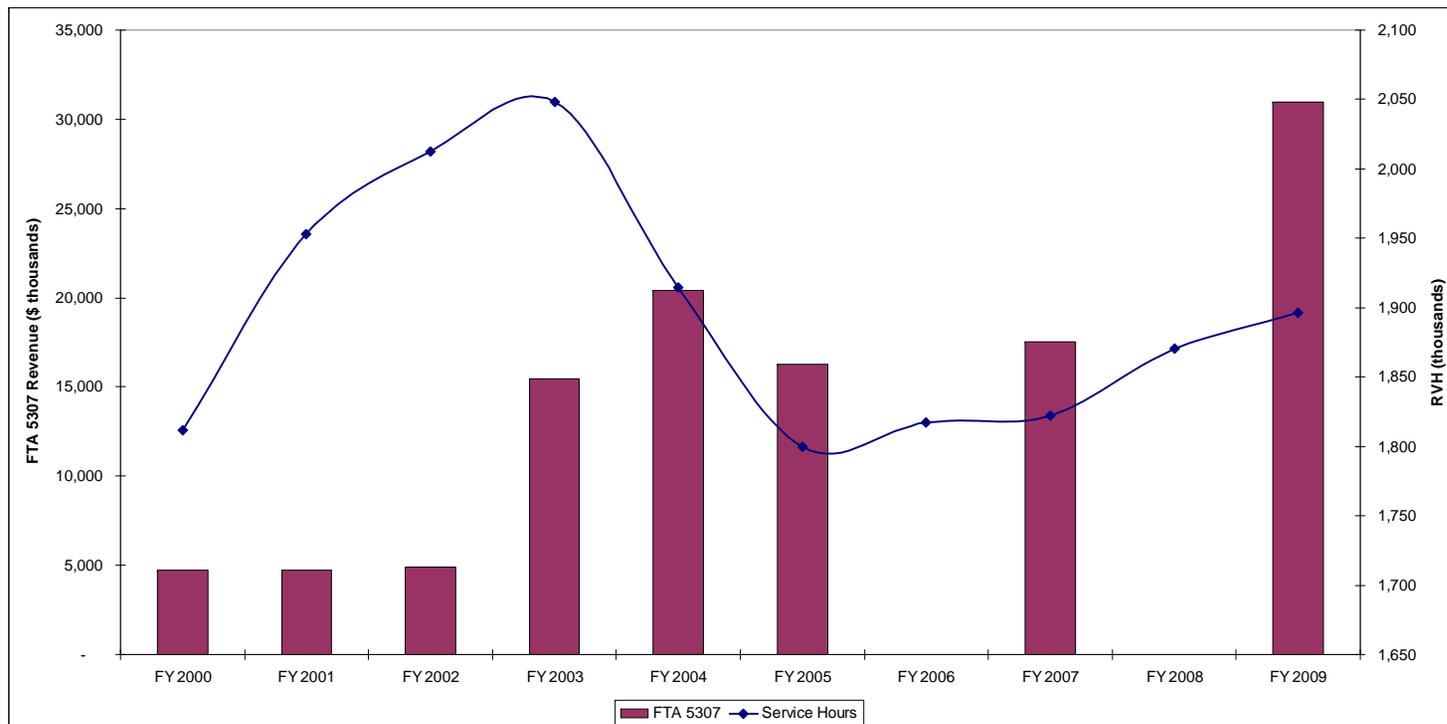
- Objective of 2009 action: Minimize service cuts despite decline in sales tax and loss of state funding
- Conditions added to release of funds because frequency of requests to redirect capital to operating suggested long-term challenge to be addressed

Background:

Redirection of Federal Capital Funds

- From FY1999-2000 to FY2008-09, AC Transit expended \$10 million annually in capital funding to support transit operations
- This practice results in an older fleet requiring more maintenance; also inconsistent with regional capital needs

AC Transit FTA 5307 Operating Revenue and Revenue Vehicle Hours (Fixed Route Bus)



Conditions on Funding Reassignment

AC Transit agreed to the following conditions:

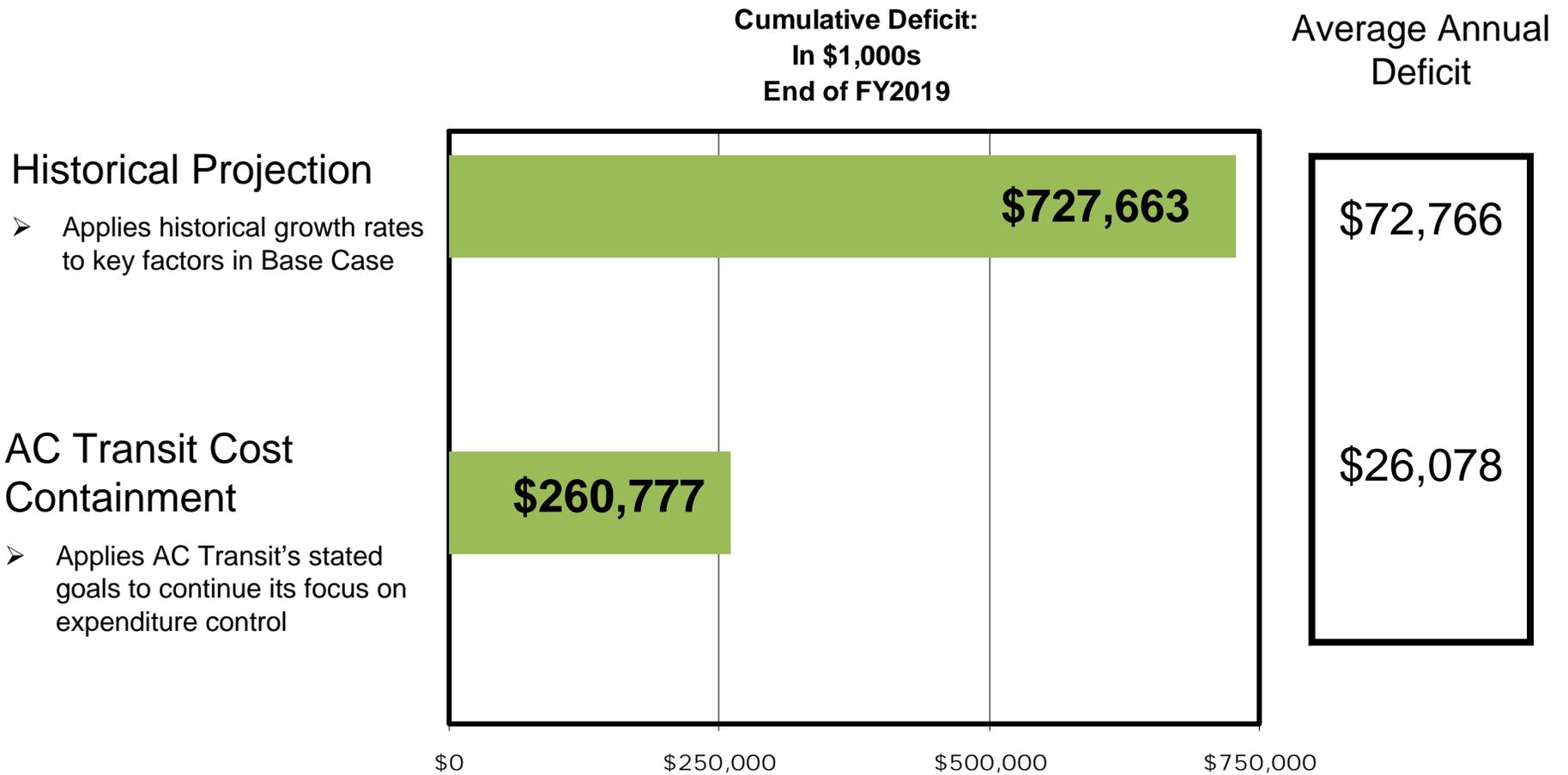
1. An independent comprehensive agency financial review and implementation of identified strategies
2. An independent comprehensive subregional analysis of service effectiveness as part of the Transit Sustainability Project
3. Meet the eligibility requirements for CMAQ funding or facilitate a funding exchange

Independent Financial Review: Key Findings

1. AC Transit's financial challenges are significant but not unique in the region.
2. AC Transit has implemented multiple strategies that have resulted in real cost savings and revenue increases in the short term and over a ten-year period.
3. Even with the cost control and revenue measures, a structural deficit is forecast, estimated at roughly \$260 million over the next 10-year period.
4. The financial review outlined potential solutions combining additional cost control measures and new revenues sources that could eliminate the deficit.

Source: AC Transit Financial Review, Nancy Whelan and Associates

Independent Financial Review: Scenario Results



Source: AC Transit Financial Review, Nancy Whelan and Associates

Financial Review: Potential Cost Savings and New Revenues

<i>Expenditures</i>	<i>Annual Impact (Millions)</i>
Part Time Operators	(\$5.0)
Split Shift Payments	(\$3.4)
Remove Sign Off Times	(\$0.4)
Extraboard to 25%	(\$2.5)
Service Contracting (excluding capital)	(\$13.2 - \$17.6)
Two-Tiered Pension Plan	TBD
<i>Subtotal, Expenditures</i>	<i>(\$24.5 - \$28.9)</i>
<i>Revenues</i>	
Alameda Sales Tax Reauthorization	\$10.0
Regional Funds (bridge tolls, gas tax)	TBD
<i>Subtotal, Revenues</i>	<i>\$10.0</i>

Source: AC Transit Financial Review, Nancy Whelan and Associates

Staff Recommends

Release of Final \$17.5 M in CMAQ Funds

AC Transit has satisfied the conditions:

1. Financial Review Completed
2. Subregional analysis of service effectiveness in progress – focus on inner east bay (AC Transit and BART service areas) – Transit Sustainability Project
3. Funding exchange in progress

AC Transit CMAQ Exchange \$ millions	Fund Source			
	CMAQ	Prop 1B	Federal Transit Capital	Total
AC Transit				
Bus Rapid Transit	-17.5			-17.5
Operating Assistance			17.5	17.5
BART				
Fixed Guideway Improvements		17.5		17.5
Fixed Guideway Improvements			-17.5	-17.5
SFMTA				
Central Subway	17.5	-17.5		0

New Request – \$17 Million in Capital Funds to Support Transit Operations

Staff recommends the following:

- Authorize immediate release of \$7 million to support transit operations
- Condition the release of the remaining \$10 million on AC Transit Board's adoption of a policy that responds to the following recommendations:
 1. Spend federal capital funds on capital improvements and bus purchases
 2. Avoid or limit service reductions
 3. Continue to reduce operating costs
 4. Seek additional revenues