

**Metropolitan Transportation Commission
Programming and Allocations Committee**

January 11, 2012

Item Number 4a

Resolution No. 3916, Revised

Subject: Release of \$10 million in FTA Section 5307 funding to the Alameda-Contra Costa Transit District (AC Transit) to support transit operations.

Background: In response to a 2009 AC Transit request, the Commission authorized the reassignment of \$35 million in federal funds from the AC Transit Berkeley/Oakland/San Leandro Bus Rapid Transit project to implement restructured AC Transit bus services due to the operating budget challenges facing AC Transit.

Over the past decade, AC Transit has relied on capital fund transfers to operations at an average rate of \$10 million per year. This ongoing practice effectively has masked a structural operating budget deficit for AC Transit.

In June 2011, AC Transit requested the redirection of an additional \$17 million in capital funds to operating purposes. The Commission authorized the immediate release of \$7 million and delayed the release of the remaining \$10 million subject to AC Transit meeting certain conditions. The Commission conditioned the release of the remaining \$10 million in FTA Section 5307 funding on the AC Transit Board adopting policy committing to the following:

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

On December 14, 2011, the AC Transit Board adopted a resolution that partially addressed the conditions above. The AC Transit Board is scheduled to consider adoption of additional policy, specifically related to the first condition, on January 11, 2012.

The attached Executive Director Memorandum details the AC Transit response to the four conditions.

Recommendation: Refer MTC Resolution No. 3916, Revised to the Commission for approval, conditioned on the adoption of the related AC Transit Board Resolution scheduled for action on January 11, 2012.

Attachments: Executive Director Memorandum
MTC Resolution No. 3916, Revised
AC Transit Board Resolution No. 11-050 – December 14, 2011



**METROPOLITAN
TRANSPORTATION
COMMISSION**

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Programming and Allocations Committee

DATE: January 11, 2012

FR: Executive Director

RE: Release of \$10 million in FTA Section 5307 funding to the Alameda-Contra Costa Transit District (AC Transit) to support transit operations

Summary

Staff recommends that the Commission authorize the release of \$10 million in FTA Section 5307 funding to AC Transit conditioned on the proposed January 11, 2012 Board of Directors action described below.

Background

Over the past decade, AC Transit has relied on capital fund transfers to operations at an average rate of \$10 million per year. This ongoing practice effectively has masked a structural operating budget deficit.

In response to a 2009 AC Transit request, the Commission authorized the reassignment of \$35 million in federal funds from the AC Transit Berkeley/Oakland/San Leandro Bus Rapid Transit project to implement restructured AC Transit bus services due to the operating budget challenges facing AC Transit. As a condition of the \$35 million reassignment, AC Transit agreed to an independent, comprehensive, financial review that considered cost control and revenue enhancement strategies sufficient to support AC Transit's long-term financial viability. This financial review revealed the following:

1. AC Transit's financial challenges are significant but not unique in the region.
2. AC Transit has implemented multiple strategies as part of the recent labor negotiations and other agency efforts to contain costs and stabilize revenues 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 to remain, estimated at roughly \$260 million over the next ten-year period, or roughly \$26 million on average annually.
4. The financial review outlined potential solutions combining additional cost control measures and new revenues sources that could eliminate the deficit.

In June 2011, AC Transit requested the redirection of an additional \$17 million in capital funds to operating purposes. The Commission authorized the immediate release of \$7 million and delayed the release of the remaining \$10 million subject to AC Transit meeting certain conditions.

Background on these conditions and AC Transit's responses to them are summarized below:

1. Spend federal capital funds on capital improvements and bus purchases

While permitted by federal regulations, MTC policy discourages the practice of using federal Section 5307 capital funds for operating purposes. This practice results in deferred replacement of aging vehicle fleets and capital assets that will ultimately require more service and maintenance, compounding the stress on the transit agencies operating budgets. Over the period from FY1999-00 to FY2008-09, AC Transit has consistently expended federal capital funding to support transit operations at an annual average rate of over \$10 million. This practice, in MTC's view, is not sustainable, especially when carried out on a year-to-year emergency basis.

AC Transit Response to #1

On December 14, 2011, the AC Transit Board took a positive step by repealing a policy that committed all available revenues to operations. AC Transit Board Resolution No. 11-050 is included as an attachment to this item. Additionally, on January 11, 2012, the AC Transit Board is scheduled to consider specific policies that would eliminate or reduce the expenditure of capital funds for operating purposes should the Alameda County sales tax reauthorization be approved in November 2012. In this case, AC Transit would need to commit a percentage of the future sales tax proceeds or other new revenue to backfill the estimated \$10 million annually needed to fund its operations. A copy of the proposed AC Transit Board resolution will be available and provided at the committee meeting.

2. Avoid or Limit Service Reductions

AC Transit should continue to focus on cost control and revenue opportunities to avoid or limit service reductions on productive and lifeline routes. Additionally, working with MTC and partner agencies on the Transit Sustainability Project, opportunities may be available to improve existing service, remove duplicative service and provide improved travel times and trip coordination with its transit riders.

AC Transit Response to #2

AC Transit continues to work with MTC and partner agencies on the Transit Sustainability Project, including examining opportunities to improve service and control costs. The analysis includes a comprehensive evaluation of the Inner East Bay service area.

3. Continue to Reduce Operating Costs

Since December 2009, AC Transit has reduced operating costs, as a result of administrative staff reductions and recent labor negotiations. AC Transit should continue to pursue short and long-term cost savings based on the strategies identified in the Financial Review and the TSP.

AC Transit Response to #3

Based on preliminary analysis from the MTC Transit Sustainability Project, AC Transit operating cost per revenue hour was reduced by roughly 5% from FY2007-08 to FY210-11. Additionally, if the proposed operating cost reduction target is adopted as part of the MTC Transit Sustainability Project recommendations in 2012, AC Transit would be required to achieve a ten percent reduction in operating cost per hour within five years.

4. Seek Additional Revenues

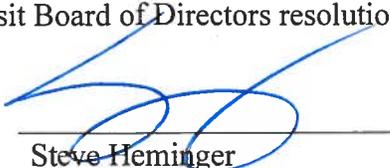
As estimated in the financial review, an approximate \$26 million average annual operating budget deficit remains. While cost savings can and should reduce this deficit, additional dedicated funding is necessary over the 10-year time horizon to achieve financial sustainability. As the Alameda County Transportation Commission considers options for a potential reauthorization of the Measure B Sales Tax Measure and MTC considers placing a regional gas tax on the ballot, AC Transit should communicate the cost control measures underway and demonstrate the value to local residents of an additional annual investment in the public transportation system.

AC Transit Response to #4

The Alameda County Transportation Commission (ACTC) Preliminary Draft Expenditure Plan includes an additional \$16 million for AC Transit operations, maintenance and safety. AC Transit continues to work with ACTC staff to demonstrate cost control and efficiency improvements to demonstrate the need and value of an additional investment in transit service.

Recommendation

Staff recommends the referral of Resolutions 3916, Revised to the Commission for approval, subject to adoption of the January 11, 2012 AC Transit Board of Directors resolution.



Steve Heminger

Date: July 22, 2009
W.I.: 1512
Referred By: PAC
Revised: 04/28/10-C 05/26/10-C
06/22/11-C 11/16/11-C
01/25/12-C

ABSTRACT

Resolution No. 3916, Revised

This resolution approves the FY 2009-10 through FY 2011-12 FTA Section 5307 and FTA Section 5309 Fixed Guideway (FG) programs for inclusion in the 2009 Transportation Improvement Program (TIP).

This resolution was revised on April 28, 2010 to reprogram \$17.5 million in Section 5307 funds from SFMTA to AC Transit as part of funding exchange with CMAQ funds.

This resolution was revised on May 26, 2010 to reconcile the FY 2009-10 program with the final FY 2009-10 FTA apportionments, and to program the FY 2010-11 and FY 2011-12 Vehicle Procurement Reserve to BART (\$80 million) and Caltrain (\$70 million) for their rail car replacement projects.

This resolution was revised on June 22, 2011 to reconcile the FY 2010-11 program with the final FY 2011 FTA apportionments, implement an exchange of \$17.5 million in CMAQ funds programmed to AC Transit's Bus Rapid Transit project for FTA preventive maintenance funding, and transfer \$5 million from Caltrain's Railcar Replacement project to preventive maintenance.

This resolution was amended on November 16, 2011 to reconcile the FY 2011-12 program with revised estimates of FY 2012 FTA apportionments prior to amending the program into the TIP. The revisions address a potential \$38 million revenue shortfall by withholding Flexible Set-Aside funds, deferring projects and making other program reductions; and also reprogram funds previously programmed to Vallejo in FY 2011 and FY 2012 to Solano County Transit (SolTrans) to reflect the merger of Benicia and Vallejo transit services under SolTrans.

This resolution was amended on January 25, 2012 to program an additional \$10 million of FY 2011-12 FTA Section 5307 funds for AC Transit's Preventive Maintenance. The funds had been

ABSTRACT

MTC Resolution No. 3916, Revised

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held in reserve pending AC Transit Board action responding to recommendations adopted by the Commission as part of MTC Resolution Nos. 3831 and 3880, Revised.

Further discussion of the FTA program of projects is contained in the Programming and Allocations Committee summary sheets dated July 8, 2009, April 14, 2010, May 12, 2010, June 8, 2011 November 9, 2011, and January 11, 2012.

FY 2011-12 FTA Section 5307 and 5309 Fixed Guideway Program

TIP ID	Operator	Project Description	FTA Section 5307	FTA Section 5309 FG
			Projected Apportionment	213,257,094
			Previous Year Carryover	3,752,803
			Funds Available for Programming	217,009,897
<u>Flexible Set-Aside Reserve</u>			0	
<u>ADA Set-Aside</u>				
ALA990076	AC Transit	ADA Operating Assistance	3,961,150	
ALA050042	ACE	ADA Operating Assistance	506,887	
BRT99T01B	BART	ADA Paratransit Capital Accessibility Improve	2,972,888	
REG090051	Caltrain	Revenue Vehicle Rehab Program	1,045,789	
CC-99T001	CCCTA	ADA Operating Assistance	672,718	
CC-030035	ECCTA	ADA Operating Assistance	487,639	
MRN99T001	GGBHTD	ADA Operating Assistance	1,122,296	
ALA990077	LAVTA	ADA Operating Assistance	295,715	
NAP030004	Napa Vine	ADA Operating Assistance	24,070	
SF-990022	SFMTA	ADA Operating Assistance	3,758,618	
SM-990026	SamTrans	ADA Operating Assistance	999,343	
SOL990040	SoITrans	ADA Operating Assistance	593,943	
SCL050046	VTA	ADA Operating Assistance	3,638,697	
CC-990045	WestCat	ADA Operating Assistance	108,655	
<u>Economic Reserve</u>				
CC-030037	ECCTA	Preventative Maintenance	278,564	
CC-030025	WestCat	Preventative Maintenance	146,362	
REG110020	WETA	Facilities Rehabilitation	64,411	
<u>Vehicle Procurement Reserve</u>				
REG090037	BART	Railcar Replacement	36,775,134	10,000,000
REG050020	BART	BART Car Exchange Preventive Maintenance	22,979,594	1,000,000
New	Caltrain	Railcar Replacement - RESERVED	18,289,069	9,144,200
			Total Program Set-asides and Commitments	20,144,200
			Funds Available for Programming	121,515,607
<u>Capital Projects</u>				
ALA990052	AC Transit	Paratransit Van Leasing	1,740,381	
ALA991070	AC Transit	Preventive Maintenance	22,191,982	
ALA991070	AC Transit	Preventive Maintenance - Reserved	40,000,000	
ALA010056	ACE	Santa Clara Track Improvements	1,460,000	
BRT030004	BART	Train Control		8,000,000
BRT030005	BART	Traction Power	4,590,774	3,409,226
BRT97100B	BART	Track Replacement Rehabilitation	566,055	7,433,945
BRT030005	BART	Replacement of Fixed Guideway Elements and Fare Collection Equipment		20,000
SM-03006B	Caltrain	Systemwide Track Rehabilitation & Related Structures		13,270,000
REG090053	Caltrain	Preventive Maintenance	3,333,333	1,666,667
New	CCCTA	Replace (10) 40' buses - Hybrid	5,627,420	
New	CCCTA	Replace (4) LINK Vans	371,840	
New	CCCTA	Replace (4) Minivans	173,556	
New	ECCTA	1995 Transit Bus Replacement	2,774,881	
CC-090039	ECCTA	Clipper Fareboxes	102,299	
CC-050029	ECCTA	Park and Ride Facility Land Purchase - Security Project	0	
SOL010006	Fairfield	Operating Assistance	2,460,379	
New	GGBHTD	Replace 2 - 1998 45' Over-the-Road Buses	1,048,234	
New	GGBHTD	Replace 3 - 2005 paratransit vans	195,897	
MRN030010	GGBHTD	Fixed Guideway Connectors	1,000,000	
MRN030011	GGBHTD	Ferry Major Component Replacement	400,000	
MRN090025	GGBHTD	Ferry Propulsion	4,260,000	

FY 2011-12 FTA Section 5307 and 5309 Fixed Guideway Program

TIP ID	Operator	Project Description	FTA Section 5307	FTA Section 5309 FG
ALA030030	LAVTA	Preventative Maintenance	116,780	
NAP970010	Napa	Operating Assistance	1,416,610	
New	Petaluma	Communication Equipment	46,371	
SF-99T005	SFMTA	Historic Vehicle Rehabilitation		13,146,553
SF-970073	SFMTA	Cable Car Vehicle Renovation		1,157,625
New	SFMTA	Paratransit Van Replacement	206,824	
SF-070046	SFMTA	Rehab 170 Neoplan Motor Coaches	4,800,000	
SF-070045	SFMTA	Trolley Car Replacement	1,174,792	18,825,208
SF-950037B	SFMTA	Rail Replacement		10,290,000
SF-99T002	SFMTA	Cable Car System Rehabilitation		7,500,000
SF-970170	SFMTA	Overhead Rehabilitation		10,290,000
SF-050024	SFMTA	Wayside Train Control Equipment Rehab and Replacement		7,500,000
SF-030013	SFMTA	Wayside Fare Collection Equipment Rehab and Replacement		700,000
New	SamTrans	Advanced Communication System (ACS) Upgrades	2,115,216	
New	SamTrans	Replacement of 10 2005 El Dorado 22' Cutaways	1,231,388	
SON030011	Santa Rosa CityBus	Operating Assistance	1,318,170	
SON090024	Santa Rosa CityBus	Preventive Maintenance	1,491,261	
SON030012	Santa Rosa CityBus	Bus Stop Enhancements	34,173	
SON070020	Santa Rosa CityBus	Hybrid Electric Bus Purchase (Replacement)	573,713	
New	SoITrans	Fare Collection Equipment	7,200	
SOL050012	SoITrans	Stations/Curtola/Lemon Bus Transit Center	2,500,000	
SON070024	Sonoma County Transit	Bus Replacement	1,565,233	
SON030005	Sonoma County	Preventive Maintenance	135,000	
SON050021	Sonoma County Transit	Bus Stop Improvement Project	11,391	
SOL010007	Vacaville	Operating Funds	983,000	
SCL050045	VTA	ADA Bus Stop Improvements	460,559	
SCL990046	VTA	Preventive Maintenance	38,286,489	
SCL050002	VTA	Rail Replacement Program		2,586,048
SCL090044	VTA	TP OCS Rehab & Replacement		2,209,701
SCL050049	VTA	Rail Substation Rehab/Replacement		978,000
New	VTA	Light Rail Bridge and Structure - SG Repair		1,360,000
New	VTA	Kinkisharyo LRV Overhaul Program		1,029,600
New	VTA	LRV Body Shop Dust Separation Wall		436,000
New	VTA	LRV Maintenance Shop Hoist		2,749,856
New	VTA	LR Signal Assessment / SCADA System Replacement		2,800,000
New	VTA	Light Rail Track Crossovers and Switches		579,578
New	VTA	Update Santa Teresa Interlock Signal House		688,000
New	VTA	Diridon Tunnel Radio Replacement		209,600
New	WestCat	Revenue Vehicle Replacement	1,857,205	
New	WestCAT	Service Vehicle Replacement	31,721	
REG090057	WETA	Ferry Major Component Rehab/Replacement		1,655,000
REG090054	WETA	Ferry Channel & Berth Dredging		200,000
REG090067	WETA	Fixed Guideway Connectors		825,000
Total Capital Projects			112,660,129	121,515,607
Total Program			211,381,670	141,659,807
Fund Balance			5,628,227	0

Notes:

- Operators in the Santa Rosa, Fairfield, and Vacaville Urbanized Areas did not wish to participate in the ADA or 10% flexible set-aside programming elements, and operators in the Napa and Petaluma UAs do not participate in the ADA set-aside.
- AC Transit deferred \$3,000,000 for preventive maintenance from FY11 to FY12 and exchanged \$19,191,982 for bus replacements for PM in FY12. \$10,000,000 in PM released to AC Transit as a result of meeting conditions specified in MTC Resolutions 3831, 3880 and 3916 revised June 2011.
- Caltrain exchanged \$10,000,000 in FY12 funding for Railcar Replacement for \$5,000,000 preventive maintenance in FY11 and 5,000,000 preventive maintenance in FY12. The region will not replace the \$10M for the Caltrain rail cars, meaning that the share of regional participation in Car Replacement will be reduced by \$10M.
- SFMTA deferred \$20,000,000 programmed in FY11 and \$4,159,333 programmed in FY12 for replacement of 45 40' NABI buses to FY13 in exchange for \$4,026,555 for Rail Replacement in FY11.
- SamTrans deferred \$24,745,874 for replacement of 62 1998 Gillig Buses from FY12 to FY13 in exchange for \$2,115,216 for Advanced Communication System (ACS) Upgrades.
- Sonoma County Transit exchanged \$135,000 in partial funding for bus replacement for an equal amount in Preventive Maintenance. The bus procurement will be completed with Prop. 1B, TDA/STA and Air District funds.
- WestCAT deferred \$380,657 for replacement of one 40' bus to FY13 in exchange for \$31,721 for replacement of one service vehicle.
- AC Transit exchanged \$17,500,000 in CMAQ programmed to its BRT project for \$17,500,000 in 5307 for preventive maintenance in FY11. CMAQ funds were reprogrammed to SFMTA's Central Subway; \$17.5M I-Bond funds were transferred from Central Subway to BART's Fixed Guideway projects, which were reduced by \$17.5M in TCP funds in FY12.
- WETA deferred \$1,000,000 of fixed guideway cap funding to FY13.
- Unobligated funds programmed to Vallejo were reprogrammed to SolTrans as part of the consolidation of Benicia and Vallejo transit services under SolTrans.
- VTA used its FY12 fixed guideway project cap of \$9,450,000 and \$6,176,383 of its FY13 fixed guideway project cap for fixed guideway projects in FY12. VTA's fixed guideway project cap in the FY13 program will be reduced by \$6,176,383.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
RESOLUTION NO. 11-050**

**A RESOLUTION RESPONDING TO THE METROPOLITAN TRANSPORTATION
COMMISSION'S RECOMMENDATIONS TO ACHIEVE SHORT AND LONG TERM
FINANCIAL SUSTAINABILITY AND REPEALING RESOLUTION NO. 09-022**

WHEREAS, in December 2009, in response to the District's request, the Metropolitan Transportation Commission's (MTC) authorized the reassignment of \$35 million in CMAQ funds from the AC Transit Berkeley/Oakland/San Leandro Bus Rapid Transit Project to implement restructured AC Transit bus services due to severe budget challenges facing the District; and

WHEREAS, in April 2010, MTC authorized the release of one half of the \$35 million to AC Transit to address operating shortfalls in FY2009-10; and

WHEREAS, MTC recommended the release of the final \$17.5 million based on AC Transit complying with certain conditions, which were met by the District; and

WHEREAS, despite the significant efforts by the District to reduce costs and increase revenue stability, the District still faces near-term and longer-term operating deficits; and

WHEREAS, based on this economic forecast, the District has requested an additional \$17 million in operating revenue from MTC; and

WHEREAS, MTC has authorized the release of \$7 million and has made the release of the remaining \$10 million contingent on the District meeting conditions developed by MTC

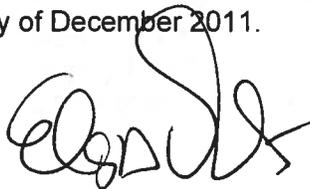
NOW THEREFORE, the Board of Directors of the Alameda-Contra Costa Transit District does resolve as follows:

Section 1. Agrees to the recommendations presented by MTC to achieve short and long-term financial sustainability and to the conditions set for the release of revenue funding as set forth.

Section 2. Repeals Resolution 09-022 in its entirety as it could be interpreted as allowing the conversion of capital funds to operating.

Section 3. This resolution shall become effective immediately upon its passage by four affirmative votes of the Board of Directors.

PASSED AND ADOPTED this 14th day of December 2011.



Elsa Ortiz, President