



**METROPOLITAN
TRANSPORTATION
COMMISSION**

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Memorandum

TO: Policy Advisory Council

DATE: June 4, 2014

FR: Shruti Hari

RE: Transit Capital Priorities/ Core Capacity Challenge Grant Program

Background

Transit Capital Priorities: MTC is the designated recipient of the region’s Federal Transit Administration (FTA) formula funds. MTC programs these funds to eligible transit operators to support transit capital replacement and rehabilitation projects, preventive maintenance and operating costs. The Transit Capital Priorities (TCP) Process and Criteria is the Commission's policy governing the programming of the approximately \$390 million annually in FTA formula funds. The TCP policy is also used to program some federal highway funds dedicated to transit capital rehabilitation.

The proposed two-year policy for the most part extends the current policies adopted for programming the FY2012-13 and FY2013-14 FTA proposed funds, with proposed revisions in eight areas summarized in Attachment 1 and the presentation slides. The proposed revisions were developed in collaboration with the Partnership Transit Finance Working Group (TFWG) and were reviewed by the Partnership Technical Advisory Committee (PTAC). The policy revisions are being considered by the Commission in June.

Updated TCP Development Schedule

ACTION	MONTH
Policy Updates with TFWG	January through June
Policy to Commission for Approval	June
Issue Call for Projects	June
Programming Requests Due	August
Draft Program/ Discussion of Issues with Operators	September – November
Final Program and TIP Amendment to Commission for Approval	December
Federal Approval of TIP Amendment	February – March 2015

Issues:

Related to the changes being proposed, three issues are noted below:

1. **Federal Reauthorization Bill**

Congress has not yet enacted a surface transportation reauthorization bill to take the place of MAP-21, which expires on September 30, 2014, so the amount of funding available for the FY2014-15 and FY2015-16 TCP program is currently unknown. Both Plan Bay Area and the Core Capacity Challenge Grant (CCCG) program assumed an average of 3% annual increase in TCP funds. However, preliminary indications are that the Senate version of the reauthorization bill will include inflation increases of less than 2% per year over FY2013-14 funding levels for FTA's formula programs, while the FY2014-15 appropriations bill recently adopted by the House Appropriations Committee maintains FY2013-14 funding amounts with no increases. A failure by Congress to boost funding for transit would exacerbate the challenge of bringing the region's transit system into a state of good repair.

The proposed update to the TCP policy is based on the assumption that the next authorization will maintain the FTA program structure and requirements established by MAP-21 and preceding authorizations. If the reauthorization makes changes to FTA provisions that affect the regional policy, staff will return to the Commission with proposed amendments to the policy.

2. **Core Capacity Challenge Grant Program (CCCGP)**

The FY2014-15 and the FY2015-16 TCP program will be the first phase of implementing the Core Capacity Challenge Grant program. MTC staff will be working closely with the CCCGP project sponsors to determine the projects' schedules and the cash flow needs in order to determine the amount of funds that will need to be programmed to the Core Capacity projects in FY2014-15 and FY2015-16 and the size and timing of any required financing.

3. **Undisbursed Grants**

The current TCP policy includes an element that requires operators to provide additional justification for funding requests for projects that have unexpended grant funding from prior years. MTC staff intends to focus on implementing the requirement when developing the FY2014-15-FY2015-16 program as FTA's TEAM grant management system shows, approximately \$850 million in undisbursed TCP grants for operators throughout the region. While two large operators account for over half of the total, most operators have substantial balances of unexpended grants. As MTC develops the program, staff will be looking for substantial justification for unexpended grant amounts and may propose to redirect funding from projects with unexpended prior grants to other projects in order to reduce the amount of undisbursed grants and improve the efficiency of new programming.

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Please feel free to contact me at shari@mtc.ca.gov or 510-817-5960 with any questions or comments.

Attachments: Attachment 1
Presentation Slides

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Attachment 1 - Proposed Policy Updates

1. **Core Capacity Challenge Grant Program**

The Transit Core Capacity Challenge Grant program (MTC Resolution No. 4123), adopted by the Commission in December 2013, makes a policy commitment of approximately \$7.5 billion in federal, state, regional and local funds over the FY2014-15 to FY2029-30 period to high-priority transit capital projects that will improve the capacity and state of good repair of transit services in the urban core of the region. The total includes \$3.3 billion of FTA and STP funds that will be programmed through the TCP program.

The next steps in developing this program will be to work with BART, SFMTA and AC Transit on the cash flow needs and timing of their projects and their local revenues, and to work with the Transit Finance Working Group (TFWG) on developing the FY2014-15 and FY2015-16 cycle of the TCP program. Various sections of the TCP policy were updated to reflect that TCP programming for all projects identified in the CCCGP will be consistent with the funding amounts, local match requirements and other terms and conditions specified in MTC Resolution No. 4123, and to add references to the financing that will likely be required to implement the CCCGP.

2. **Bus-Van Pricelist**

This item proposes an updated regional bus-van pricelist to be used for programming FTA Section 5307 and 5339 funds for bus and van procurements in FY2014-15 and FY2015-16. The purpose of the pricelist is to treat operators equitably while providing sufficient funding for vehicle replacements. The current pricelist, which is incorporated into the Transit Capital Priorities Process and Criteria, extends through FY2013-14. The pricelist was last updated in 2009 and has only been escalated for inflation since. The proposed pricelist is based on a survey of operators regarding costs of recent vehicle procurements, and is shown under Tables 4 and 5 (for FY2014-15 and FY2015-16 respectively) in the proposed MTC Resolution No. 4140. Overall the prices increased somewhat, with the most popular vehicle types increasing more, and some other vehicle types actually decreasing in price.

3. **ADA Set Aside Formula**

Under the regional TCP policy, an amount equal to 10% of each participating urbanized area's FTA Section 5307 apportionment is set aside to assist operators in defraying ADA paratransit operating expenses as allowed by FTA. The current formula for distributing the ADA set-aside among operators was developed over ten years ago and has not been updated since, so most new operators are not included in the current formula. In addition, the existing formula was based primarily on revenue generations (the portion of the apportionments in each Urbanized Area that are generated by each operator's services); a new formula based on factors such as paratransit costs and ridership would be more appropriate for distributing funds for paratransit costs.

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Proposed Policy Updates

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Based on TFWG's feedback, the ADA formula is proposed to be revised with a new formula based on the following factors: a) Annual Demand Response Operating Expenses (40%), b) Annual Demand Response Ridership (40%), and c) Annual Overall Ridership (20%). Table 7 in the draft MTC Resolution No. 4140 shows the proposed percentages by operator.

4. Fixed Guideway Caps

This item proposes an update to the fixed guideway project caps. The caps limit the amount of funding for fixed guideway replacement and rehabilitation, such as track, guideway, and train control, and to ensure that the region has sufficient TCP funds for replacing vehicles, which, per the Commission's direction, is the highest priority for the TCP program. The total amount available for fixed guideway caps is based on projected FTA revenues compared to vehicle replacements and other Score 16 needs over the next ten years. The cap for each fixed guideway operator is based on the operator's share of projected fixed guideway needs in Plan Bay Area. The updated fixed guideway projections are shown under Table 3 of the draft MTC Resolution No. 4140. The "Project Funding Caps" section of the TCP policy was also updated to clarify that programming for replacement/rehabilitation of both the wayside fare collection as well as the on board fare collection equipment for fixed guideway vehicles must be within the operator's cap amount.

5. Other Project Caps

The policy currently caps funding for equipment replacement projects other than revenue vehicles and fixed guideway infrastructure (which have separate project caps) at \$5M per project. MTC staff is proposing revised language to clarify how the cap applies to replacement of Clipper® fare collection equipment, which, unlike other equipment replacement projects, is centralized under MTC. Replacement of Clipper® fare collection equipment that is centralized under MTC would be treated as a separate project for each operator whose Clipper® equipment is being replaced, including MTC for the replacement of back-end equipment and systems, for the purposes of applying this project funding cap.

6. Vehicle Replacement Policy

Currently age is the only factor for determining when a vehicle is eligible for replacement funding. Under MTC's Transit Capital Priorities policy, to be eligible for replacement, vehicles need to meet certain age requirements (depending on type of asset being replaced) in the year of programming, e.g., 12 years for a standard heavy-duty bus. The proposed TCP policy incorporates the FTA policy regarding vehicle replacement which establishes a minimum of "12 years or 500,000 miles in service before retirement whichever comes first" to acknowledge that higher mileage may warrant earlier replacement.

7. 1% Security Policy

Section 5307 of the Federal Transit Act requires 1% of 5307 apportionments to be spent on public transit security needs. FTA's updated 5307 circular (FTA Circular 9030.1E - January

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Proposed Policy Updates

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16, 2014) allows designated recipients to comply with this requirement at an urbanized area level rather than at an individual grant level as required by the previous circular. Under the proposed policy, the TCP Program of Projects will include programming for security projects of at least 1% of the apportionment in each UA. The security programming may not apply to all eligible operators in a UA, depending on need for security projects.

8. Transit Sustainability Project Recommendations

Staff will continue to assess opportunities for joint procurements and coordinated operations. “Compensation for cost-effective bus purchases”, which allows operators that achieve savings by requesting less than the full pricelist amount for vehicle replacements to be eligible for financial compensation, was added to the TCP policy to serve as an incentive for joint procurements.



METROPOLITAN
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TRANSIT CAPITAL PRIORITIES/CORE CAPACITY CHALLENGE GRANT PROGRAM

June 11, 2014

Policy Advisory Council

Overview

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- Transit Policy Goals and Funding Priorities
- Review of Fund Sources
- Elements of Transit Policy and Procedures
- Core Capacity Challenge Grant Program
- Proposed Transit Policy Revisions

Transit Capital Priorities Process and Criteria (TCP)

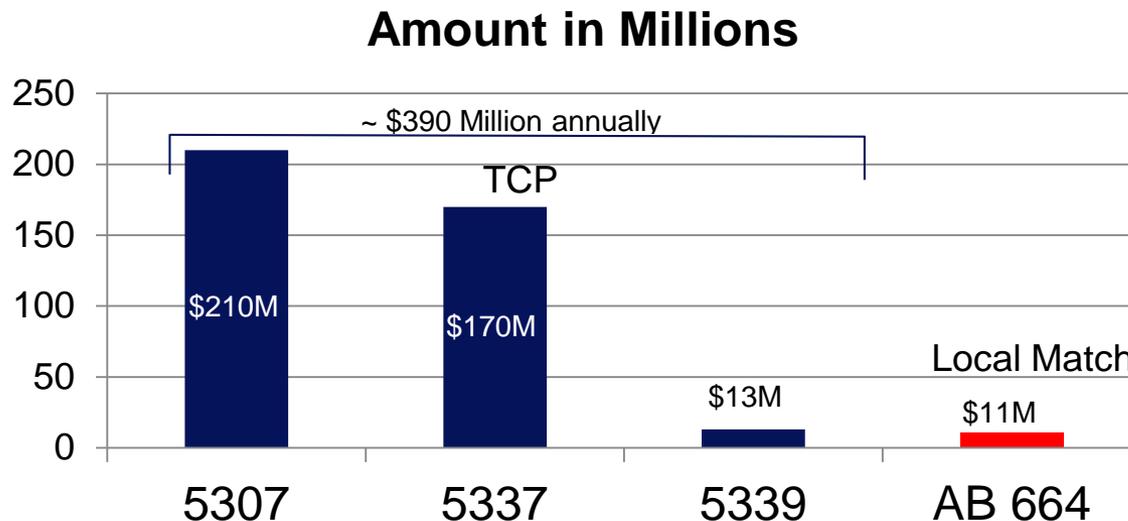
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- Regional policy for distributing FTA formula funds among transit operator projects
- Goals are to fund projects that are most essential to region and consistent with region's long-range plan, and to maintain transit capital infrastructure
- Policy developed in collaboration with Partnership
- Current policy covers FY13 and FY14; proposed policy for FY15 and FY16 to the Commission for approval in June

TCP Funding Sources and Related Programs

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- **TCP** Federal Transit Administration (FTA) Urbanized Area Formula (Section 5307), State of Good Repair (Section 5337) and Bus and Bus Facilities Formula (Section 5339) programs — ~\$390 million annually combined
- **Assembly Bill 664** (AB 664) bridge toll revenues match TCP funds — ~\$11 million annually



Funding Source Background:

Flow of Funds

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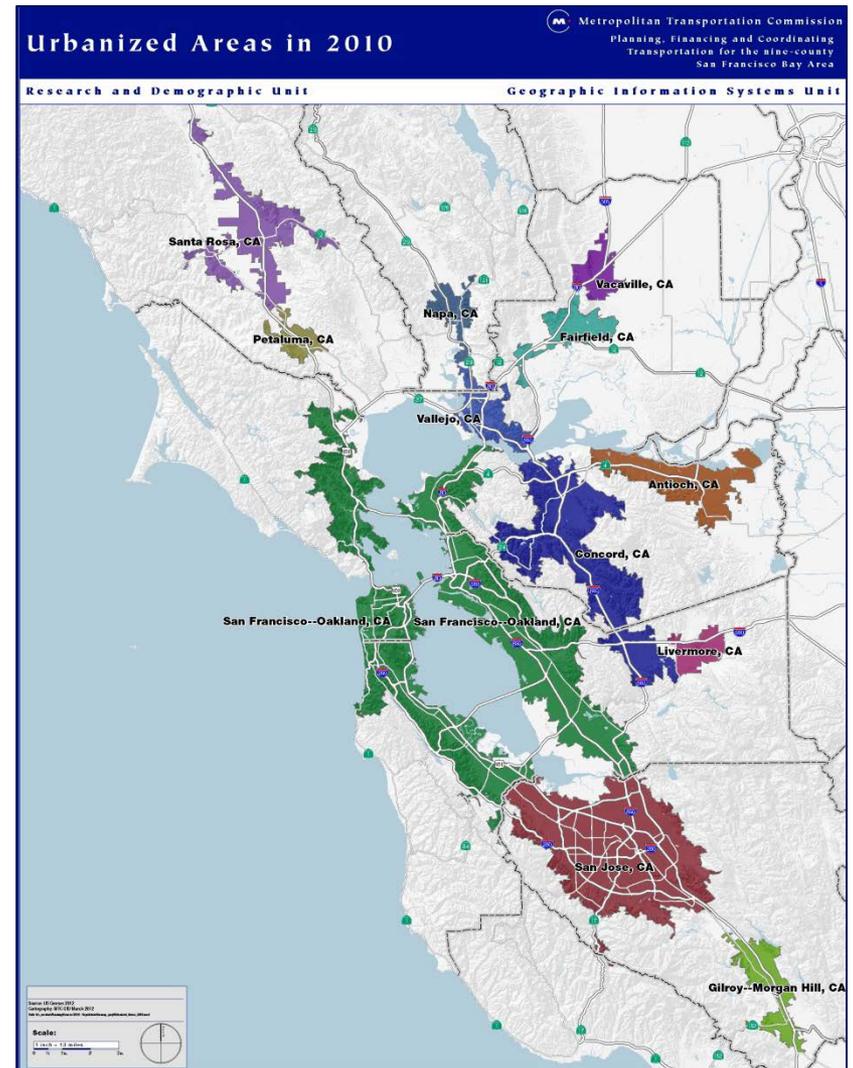
- Funds authorized by Congress in MAP-21 legislation for two years (FY13 and FY14)
- FTA apportions appropriated funds to urbanized areas by statutory formulas

Funding Source Background:

Urbanized Area Apportionments

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- Region has 12 Urbanized Areas (UAs) (5 large and 7 small)
- FTA apportionments:
 - Large UAs: Based on transit service and population factors
 - Small UAs: Based on population factors
- 22 transit operators in the region currently designated to receive FTA funds



Funding Source Background:

Statutory Eligibility

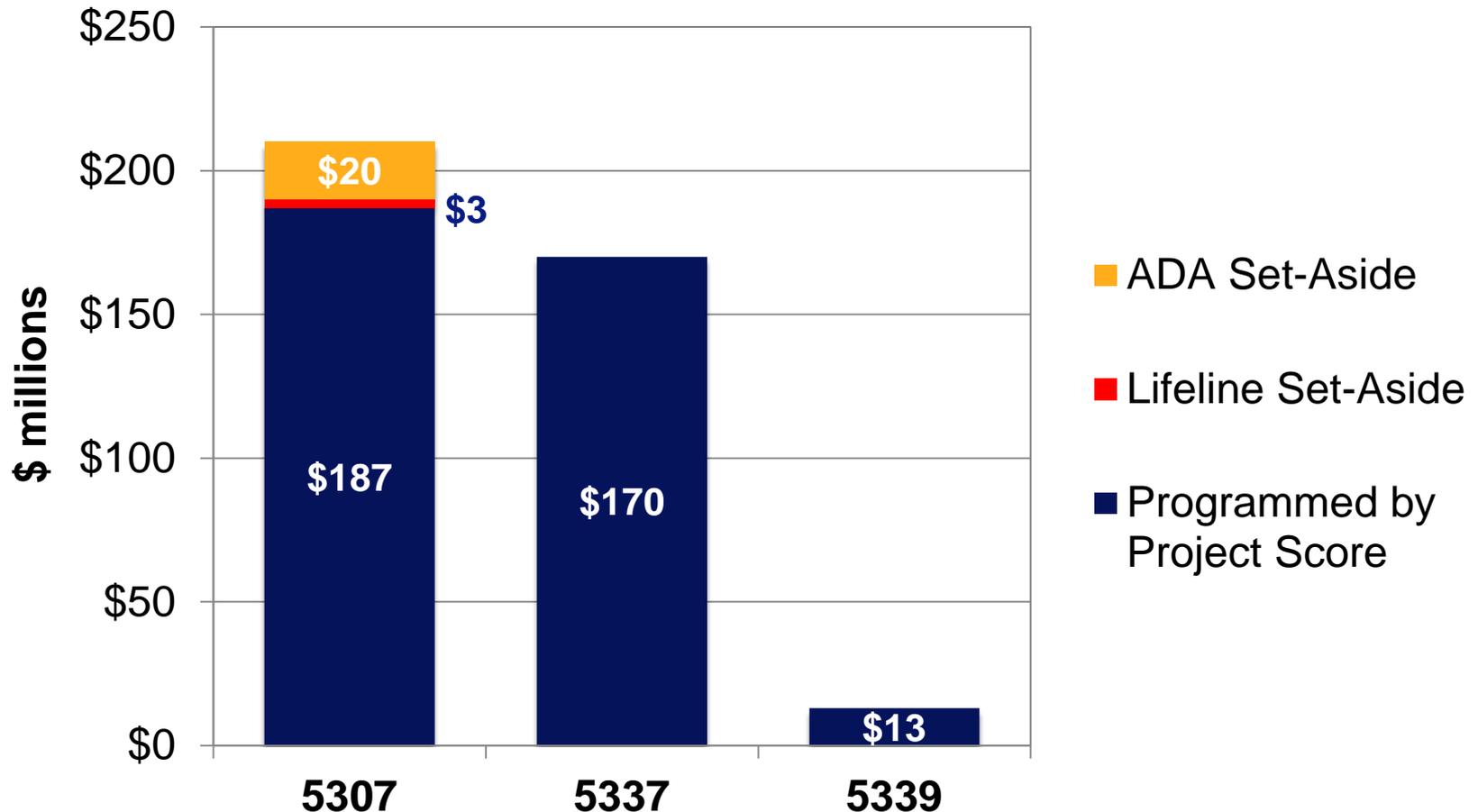
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- **Section 5307** – Transit capital expansion, replacement and rehabilitation, preventive maintenance, and transit operations (generally small urbanized areas only) for bus, rail, and ferry
- **Section 5337**– Replacement and rehabilitation for existing fixed guideway systems including rail, ferry, trolleys, and buses operating on dedicated right-of-way
- **Section 5339** – Replacement or expansion of buses or bus facilities

TCP Policy Elements: Overview

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FY 2013-14 TCP program: ~ \$390M



TCP Policy Elements: Set-Asides

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ADA Operating Set-Aside

- **FTA** allows and **TCP** policy takes 10% off the top in participating UAs and distributes to operators by formula, for use on ADA – required paratransit operating costs.

Lifeline Set-Aside

- **MAP-21** eliminated the **Job Access and Reverse Commute (JARC)** program and combined with Section 5307 and Section 5311 programs.
- Funds equivalent to the **JARC** formula apportionments (~\$3 million per year) to be set-aside for the Lifeline Program (proposed for FY15 and FY16)

TCP Policy Elements: Project Scoring

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- **After deducting set-asides, remaining funds programmed to projects in score order:**

— TCP SCORING —	
<u>Project Category</u>	<u>Score</u>
Revenue Vehicle, Fixed Guideway, Ferry Components	16
Safety and Security	15
ADA/Non-Vehicle Access	14
Fixed/Heavy Equipment and Facilities	13
Intermodal Stations, Stations and Parking	12
Service Vehicles	11
Tools	10
Preventive Maintenance & Office Equipment	9
Operational Improvements/Enhancements & Expansion	8

Fixed Guideway Project Caps/ Other Project Caps

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- Limits for Fixed Guideway (FG) projects: Operator caps currently range from \$1.4 million to \$45 million based on the operators' share of projected fixed guideway needs in Plan Bay Area.
- Annual programming for individual projects limited to prevent any single project or operator from monopolizing regional funds/ ensure priority for vehicle replacement

TCP Policy Elements: Programming Process

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- Operators request funding for priority projects in response to call for projects issued by MTC
- MTC develops preliminary program based on projected UA apportionments and TCP policy
- Preliminary program is incorporated into the TIP and later amended to reflect final apportionments through Commission approval.

Core Capacity Challenge Grant Program (CCCGP)

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Over \$7 billion Investment Package

- Includes approximately \$3.3 billion in TCP funding over the next 16 years
- Focuses on three largest transit operators: San Francisco Municipal Transportation Agency (SFMTA), BART, and AC Transit
- Accelerates and solidifies funding for fleet replacement projects, and identifies new funding for key enhancement projects
- Complements major new funding commitments in 2012 to Silicon Valley BART extension and Caltrain improvements
- Leverages regional discretionary funds and local contributions, including proposed Cap and Trade revenue

Core Capacity Challenge Grant Program (CCCGP)

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Next Steps

- FY15 and FY16 is first phase of implementing the CCCGP
- Various sections of the policy updated to ensure consistency with the CCCGP
- MTC to work closely with CCCGP project sponsors to determine:
 - Projects' Schedules and Cash Flow Needs
 - Timing of Local Revenues
 - Size and Timing of any required Financing

FY 15 & FY16

TCP Policy Update

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Proposed Revisions:

- Consistency with Core Capacity Challenge Grant program
- Update standard Bus-Van pricelist, based on survey of operators
- Update formula to distribute 10% ADA Operating set-aside among operators
 - Proposed basis – Demand Response Operating Expenses (40%); Demand Response Ridership (40%) and Overall Ridership (20%)
- Update the regional fixed guideway total and individual operator caps and other project caps

FY 15 & FY16

TCP Policy Update

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Proposed Revisions:

- Vehicle Replacement Policy – allow mileage in addition to useful life in years
- 1% Security Policy – Urbanized Area level rather than operator level
- TSP policy direction — Assess opportunities for joint procurements and coordinated operations

FY 15 & FY16

TCP Policy Update

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Policy Issues:

- Federal transportation reauthorization/extension for FY15 & FY16 not yet enacted; proposed policy assumes no major shifts in FTA funding amounts, programs, or policies; will amend policy if needed
- Increased scrutiny of plans for spending unexpended prior year grant funds before programming additional funds for same project

Schedule for FY15 & FY16 TCP Policy Development

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ACTION	MONTH
Policy Updates with TFWG	January through June
Policy to Commission for Approval	June
Issue Call for Projects and Develop Draft Program	June - October
Final Program and TIP Amendment to Commission for Approval	December
Federal Approval of TIP Amendment	February – March 2015