

Metropolitan Transportation Commission Programming and Allocations Committee

October 8, 2014

Item Number 3a

Cap & Trade Funding Framework Update

Subject: Achieving the Region's Cap and Trade Framework

Background: Plan Bay Area included a \$3.1 billion reserve from future Cap and Trade revenues. In December 2013, MTC approved a Cap and Trade Funding Framework (MTC Resolution No. 4130) establishing a set of investment categories and initial funding amounts in anticipation of future legislation. These categories and amounts are shown below.

Table 1: Regional Cap and Trade Framework

Funding Category	Amount (\$ millions)
Transit Core Capacity Challenge Grants Program	\$875
Transit Operating and Efficiency Program	\$500
One Bay Area Grants (OBAG)	\$1,050
Climate Initiatives	\$275
Goods Movement	\$450
TOTAL	\$3,150

Over the summer, the state approved legislation to establish the statewide programs for Cap & Trade revenue investments. Now that the State has acted, MTC staff is considering how the regional framework fits with the enacted State legislation. The state administering agencies have convened a number of public workshops, but many crucial details remain unknown at this time regarding project eligibility, selection processes, and evaluation metrics. Draft guidelines have not yet been released for many of the programs. Staff provides this item for information, and intends to return to the Commission with recommendations as the various programs take shape.

Overview of State Programs

In June 2014, the FY2014-15 State budget appropriated \$872 million in statewide Cap and Trade funding across various program categories. Additionally, the Legislature also enacted a trailer bill, Senate Bill 862, providing a long-term funding framework by allocating percentages of future funds across similar, but not identical, program categories.

The amount of future revenues to be generated through State Cap and Trade allowance auctions will depend upon allowance price and the number of allowances sold at the auctions. MTC assumes \$2.5 billion in statewide annual funding for FY2015-16 and beyond. This amount represents roughly half of the most optimistic projections contained in the state legislative proposals. Using this assumption, the following table shows estimated statewide cap and trade revenue by program for the statewide categories for FY2015-16 and beyond.

Table 2: Statewide Cap and Trade Programs, FY2015-16 and Beyond (\$ millions)

Statewide Revenue Framework		FY2015-16 and Beyond – Annual Funding
Total Generations	%	\$2,500
Uncommitted Funding	40%	\$1,000
High Speed Rail	25%	\$625
Low Carbon Transit Operations Program	5%	\$125
Transit & Intercity Rail Capital Program	10%	\$250
Affordable Housing and Sustainable Communities Program	20%	\$500

Achieving the Region’s Cap and Trade Framework

Staff proposes the following strategy to deliver the adopted Cap and Trade Funding Framework within the enacted state Cap and Trade program. The table below shows the approved MTC funding framework and amounts, the Cap and Trade target amount, and the State Cap and Trade program best associated with each category.

Table 3: Summary of MTC Framework by Category, Amount, and State Cap and Trade Category (\$ millions)

MTC Framework Category	MTC Framework Adopted Amount *	Cap & Trade Target Amount	Cap & Trade Program and Responsible State Agency
Core Capacity	\$875	\$875	Transit and Intercity Rail Capital Program (CalSTA)
Transit Operating	\$500	\$409	Low Carbon Transit Operations (Revenue based) (Caltrans, CARB)
		\$91	Low Carbon Transit Operations, (Population Based) (Caltrans, CARB)
OBAG	\$1,050	\$1,050	Affordable Housing & Sustainable Communities (SGC/HCD)
Climate Initiatives	\$275	TBD	40% Uncommitted Category (Unknown)
Goods Movement	\$450	TBD	40% Uncommitted Category (Unknown)

**Based on Plan Bay Area assumption of \$3.1 billion in Cap & Trade regional revenues over 25 years*

Staff believes there is an overall alignment between the core capacity, transit operating, and OBAG components of the region’s framework and the associated State Cap and Trade programs. At this point in time, staff proposes to maintain the existing framework in these three programmatic

areas. In upcoming weeks, staff will continue to coordinate with our regional partners on moving the adopted framework forward.

Further details on MTC's proposal to achieve the region's Cap and Trade framework are included in the attachments to this item.

Issues:

Disadvantaged Communities Definition: Based on program fact sheets provided by the state agencies, the Transit and Intercity Rail Capital Program, the Low Carbon Transit Operations Program, and the Affordable Housing and Sustainable Communities (AHSC) program must target grants such that various levels of program expenditures will benefit disadvantaged communities. However, there is a significant mismatch between the California Environmental Protection Agency's Cal Enviroscreen model that is being used to define which communities are disadvantaged, compared to MTC's Communities of Concern approach. Additionally, the California Air Resources Board (CARB) is responsible for developing criteria for administering agencies to evaluate benefits to disadvantaged communities across different project types. CARB approved interim guidance on September 18 but full funding guidelines are not scheduled to be approved until mid-2015.

GHG Emission Calculations: By statute, projects must demonstrate how they reduce GHG emissions, subject to methodology and reporting requirements established by CalEPA and CARB. To date, those agencies have not released guidelines on how GHG emissions are to be calculated.

Multi-Year Commitments: The competitive nature of the Transit and Intercity Rail program and of the AHSC program may make multi-year Core Capacity and OBAG commitments challenging. This could be somewhat mitigated if the state administering agencies adopt a multi-year program.

Affordable Housing and Sustainable Communities: The AHSC program will target at least 50% of funding to provide housing opportunities for lower income households. While the program's broad eligibility includes active transportation, transit-oriented development projects and complete streets capital projects, as in OBAG, it is conceivable that much greater than one-half the funds will be prioritized for projects with a strong nexus to housing. Overall, the program is unlikely to mirror the project types or county funding distribution factors used in MTC's OBAG program.

Climate Initiatives and Goods Movement: The MTC framework included \$275 million for the regional Climate Initiatives Program, and \$400 million for a Goods Movement Program. The path for achieving these commitments via the existing state Cap and Trade programs is less clear. However, there may be opportunities to achieve them by seeking annual funds via the 40% uncommitted portion of Cap and Trade.

High Speed Rail: The statewide program includes a 25% share for High Speed Rail. Given the regional commitment to funding the Caltrain Electrification Program (the 9-Party MOU), which already includes funding from state High Speed Rail bonds (Proposition 1A), the region may consider whether the Cap & Trade High Speed Rail program presents funding opportunities for the Caltrain modernization program.

Fund Estimate: Based on our estimate of \$2.5 billion in annual statewide Cap & Trade Funding, over a 25-year time horizon there could be a surplus programming capacity beyond the commitments in the MTC framework. This would allow for additional categories of projects on additional projects within existing categories to be considered for regional support.

Stakeholder Involvement: In recent weeks, MTC staff have partnered with the other regional agencies to provide comments to the state agencies on disadvantaged communities identification and benefits. Staff has also held preliminary discussions with the region's transit operators and congestion management agencies on the transit and sustainable community elements of their framework. In the coming weeks, staff will continue to coordinate with our regional and local partners on the above issues as the Cap and Trade programs take shape.

We welcome Committee questions and discussion of how to move forward with the Cap and Trade Funding Framework.

Recommendation: None. Information and Discussion only.

Attachments: Attachment A: Presentation Overview of Cap & Trade Funding Framework
Attachment B: Overview of State Cap and Trade Transportation Programs
Resolution 4130 (Information only, no changes recommended)
Resolution 4123 (Information only, no changes recommended)

Achieving the Region's Cap & Trade Framework



**Programming and Allocations
Committee**

October 8, 2014

Regional Framework

- **Plan Bay Area included \$3.1 billion in Cap & Trade Revenues over 25 year period**
- **Framework adopted in December 2013:**

Funding Category	Amount (\$ millions)
Transit Core Capacity Challenge Grant Program	875
Transit Operating and Efficiency Program	500
One Bay Area Grants	1,050
Climate Initiatives	275
Goods Movement	450
TOTAL	\$3,150

Enacted State Programs

- **FY2014-15 state budget included \$872 million for Cap & Trade programs**
- **SB862 established long term framework (FY2015-16 to FY2019-20)**
 - Establishes program categories
 - Establishes funding percentages
 - Identifies implementing state agencies
 - Provides preliminary guidance in some program areas

Statewide Cap and Trade Programs: FY2015-16 and Beyond

Statewide Revenue Framework		FY2015-16 and Beyond Annual Funding (\$ millions)	State Agency
Total Generations	%	\$2,500	
Uncommitted Funding	40%	\$1,000	Unknown
High Speed Rail	25%	\$625	HSRA
Low Carbon Transit Operations Program	5%	\$125	Caltrans, CARB
Transit & Intercity Rail Capital Program	10%	\$250	CalSTA
Affordable Housing and Sustainable Communities Program	20%	\$500	SGC/HCD

- Assumes \$2.5 billion in statewide annual funding for FY2015-16 and beyond; actual revenues will be determined based on auctions

Achieving the Region's Cap and Trade Framework

- Overall, regional strategy is a reasonable fit with State programs
- Achieving strategy will require:
 - Regional solidarity
 - Working closely with State agencies on guidelines and program development

Achieving the Region's Cap and Trade Framework

MTC Framework Category	MTC Framework Adopted Amount *	Cap & Trade Target Amount	Cap & Trade Program
Core Capacity	\$875	\$875	Transit and Intercity Rail Capital Program
Transit Operating	\$500	\$409	Low Carbon Transit Operations (Revenue based)
		\$91	Low Carbon Transit Operations, (Population Based)
One Bay Area Grant Program (OBAG)	\$1,050	\$1,050	Affordable Housing & Sustainable Communities
Climate Initiatives	\$275	TBD	40% Uncommitted Category
Goods Movement	\$450	TBD	40% Uncommitted Category

Shown in \$ millions.

**Based on Plan Bay Area assumption of \$3.1 B over 25 years from Cap and Trade revenues.*

Core Capacity Challenge Grant Program (CCCCGP) ⁷

- **\$7.5 billion** regional commitment to fund key transit capital replacement and rehab needs
- Leverages regional and local funds, including **\$875 million** in Cap and Trade revenue for GHG reduction projects

Agency/Project	MTC Adopted Framework- Cap and Trade funds	Transit Capital Competitive Program 25 Year Total Funding
BART: Train Control	\$126	\$126
SFMTA: Fleet Enhance & Expand	\$400	\$400
SFMTA: Facilities	\$67	\$67
AC Transit: Fleet Expansion	\$45	\$45
AC Transit: Facilities	\$162	\$162
VTA: BART to San Jose Railcars	\$75	\$75
TOTAL	\$875	\$875

Core Capacity Challenge Grant Program

- Region can prioritize CCCGP commitment through the Transit and Intercity Rail Capital Program (CalSTA)
- Depending on funding levels, region may also have an opportunity to fund other high priority transit projects

Funding Level	Annual regional revenue* (A)	25-year regional revenue* (B)	25 year regional need/ MTC commitment (C)	Amount remaining (D=B-C)
19% funding level (population share)	\$48	\$1,206	\$875	\$331
37% funding level (Combined Population & STA Revenue Share)	\$93	\$2,326	\$875	\$1,451

Shown in \$ millions

* Assumes \$2.5 billion annual generations statewide for overall Cap & Trade program; Cap and Trade currently authorized to 2020 only.

Transit Operating and Efficiency Program ⁹

Core Capacity Operator	40%
<i>AC Transit</i>	\$35
<i>BART</i>	\$54
<i>SFMTA</i>	\$111
Subtotal	\$200
Other Operator	60%
<i>Caltrain</i>	\$35
<i>Golden Gate (w Marin Transit)</i>	\$22
<i>SamTrans</i>	\$44
<i>VTA</i>	\$140
Subtotal	\$241
<i>ACE</i>	\$1.8
<i>CCCTA</i>	\$10.3
<i>ECCTA</i>	\$8.1
<i>Fairfield + Suisun</i>	\$2.9
<i>LAVTA</i>	\$5.4
<i>NCTPA</i>	\$2.5
<i>Santa Rosa</i>	\$9.7
<i>SolTrans</i>	\$4.8
<i>Sonoma County</i>	\$4.3
<i>Union City</i>	\$1.5
<i>Vacaville</i>	\$1.3
<i>WCCTA</i>	\$3.8
<i>WETA</i>	\$2.7
Subtotal	\$59
Total	\$500

Shown in \$ millions

- \$500 million program to support Plan Bay Area goal of a more robust and expanded public transit network, anchored by expanded local service.
- Formula based on ridership, with focus on low-income and minority ridership
- Transit Operating Commitment is funded entirely through Cap and Trade revenues.

Transit Operating and Efficiency Program ¹⁰

- Region can prioritize Transit Operating commitment through the Low-Carbon Transit Operations Program (Caltrans, CARB)
- Revenue-based funds can be used first, with population-based funds used as needed to round out commitment
- Population-based “subsidy” of \$91M focused on VTA/SamTrans/Small Operators

State Program	Annual regional revenue* (A)	25-year regional revenue* (B)	25 year regional need/ MTC commitment (C)	Amount remaining (D=B-C)
Low Carbon Transit Operations Program- Revenue Based	\$ 33	\$ 835	\$ 409	\$ 426
Low Carbon Transit Operations Program- Pop Based	\$12	\$302	\$91	\$211
Total	\$45	\$1,137	\$500	\$637

Shown in \$ millions.

*Assumes \$2.5 billion annual generations statewide for overall Cap and Trade program

Transit Operating and Efficiency Program

Potential Bay Area Cap and Trade Revenue vs. Regional Transit Operations Commitment, 25 years

In Millions \$

\$2.5 billion Annual Revenue Statewide

	A	B	C	D	E=C+D	F=B-C
	MTC Approved Framework	Available Low Carbon Revenue- based funds	Low Carbon Revenue- based funds Applied to Framework	Low Carbon Population based funds Applied to Framework	Total Low Carbon Funds Applied to Framework	Remaining Low Carbon Revenue- based funds
Transit Operations Total	\$ 500	\$ 834.6	\$ 409.2	\$ 90.9	\$ 500	\$ 425.3
BART	\$ 54.0	\$ 216.2	\$ 54.0	\$ -	\$ 54.0	\$ 162.2
SFMTA	\$ 111.0	\$ 289.9	\$ 111.0	\$ -	\$ 111.0	\$ 178.9
AC Transit	\$ 35.0	\$ 76.0	\$ 35.0	\$ -	\$ 35.0	\$ 41.0
Caltrain	\$ 35.0	\$ 44.0	\$ 35.0	\$ -	\$ 35.0	\$ 9.0
Golden Gate (w/Marin Transit)	\$ 22.0	\$ 37.5	\$ 22.0	\$ -	\$ 22.0	\$ 15.5
SamTrans	\$ 44.0	\$ 32.0	\$ 32.0	\$ 12.0	\$ 44.0	\$ -
VTA	\$ 140.0	\$ 98.1	\$ 98.1	\$ 41.9	\$ 140.0	\$ -
ACE	\$ 1.8	\$ 3.8	\$ 1.8	\$ -	\$ 1.8	\$ 2.0
CCCTA	\$ 10.3	\$ 5.0	\$ 5.0	\$ 5.3	\$ 10.3	\$ -
ECCTA	\$ 8.1	\$ 2.3	\$ 2.3	\$ 5.8	\$ 8.1	\$ -
Fairfield + Suisun	\$ 2.9	\$ 0.9	\$ 0.9	\$ 2.0	\$ 2.9	\$ -
LAVTA	\$ 5.4	\$ 2.1	\$ 2.1	\$ 3.3	\$ 5.4	\$ -
NCTPA	\$ 2.5	\$ 0.4	\$ 0.4	\$ 2.1	\$ 2.5	\$ -
Santa Rosa	\$ 9.7	\$ 1.1	\$ 1.1	\$ 8.6	\$ 9.7	\$ -
SolTrans	\$ 4.8	\$ 1.7	\$ 1.7	\$ 3.1	\$ 4.8	\$ -
Sonoma County	\$ 4.3	\$ 1.3	\$ 1.3	\$ 3.0	\$ 4.3	\$ -
Union City	\$ 1.5	\$ 0.4	\$ 0.4	\$ 1.1	\$ 1.5	\$ -
Vacaville*	\$ 1.3	\$ -	\$ -	\$ 1.3	\$ 1.3	\$ -
WCCTA	\$ 3.8	\$ 2.5	\$ 2.5	\$ 1.3	\$ 3.8	\$ -
WETA	\$ 2.7	\$ 19.3	\$ 2.7	\$ -	\$ 2.7	\$ 16.6

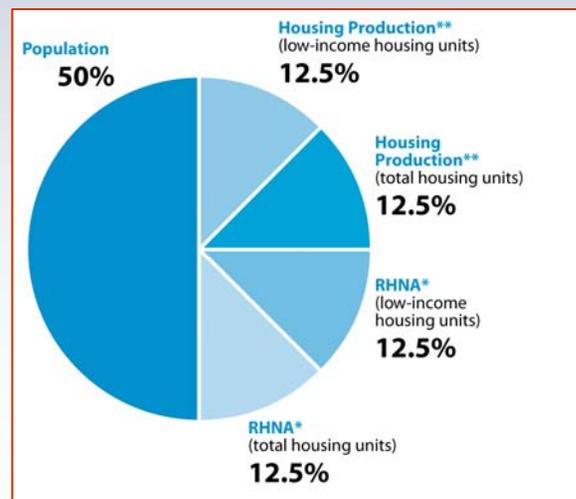
Transit Issue: Annual Amounts and Multi-Year Commitments

- While FY 2014-15 Cap and Trade funding amounts are known, future year amounts are more speculative and may be volatile
- Small annual funding amounts for the Low-Carbon Transit Operations program could prove challenging
- CCCGP framework is a long-term commitment with a number of large multi-year investments
- Multi-year funding commitments from the state will be vital for predictability and contract administration

One Bay Area Grant Program (OBAG)

- MTC framework includes a \$1,050 million augmentation of OBAG to fund transportation improvements near high quality transit and higher density housing
- Funding distribution based on population and housing factors
- Eligible projects include bike/ped improvements, complete streets, station improvements, streetscape projects, & local streets rehab

OBAG I Distribution Factors



*RHNA 2014-2022

**Housing Production Report 1999-2006, ABAG

One Bay Area Grant Program (OBAG)

- Region can prioritize OBAG commitment through the Affordable Housing and Sustainable Communities (AHSC) program
- Depending on funding levels, region may have opportunity to fund other high priority projects
- Some OBAG-eligible projects (local streets rehab, planning activities) may be challenging to fund based on draft AHSC guidelines

State Program	Annual regional revenue (A)	25-year regional revenue (B)	25 year regional need/MTC commitment (C)	Amount remaining (D=B-C)
AHSC (19% of non-housing component)	\$48	\$1,206	\$1,050	\$156
AHSC (19% of entire program)	\$96	\$2,412	\$1,050	\$1,362

Shown in \$ millions

Issue: OBAG and AHSC Alignment

- AHSC draft guidelines' emphasis on affordable housing creates challenges and opportunities for the region.
- **Challenges:**
 - Numerous eligibility requirements limit flexibility for project sponsors
 - May be difficult to implement projects quickly
 - No guarantee OBAG distribution formula can be achieved
 - Regional MPO role still uncertain

Issue: OBAG and AHSC Alignment

- **Opportunities:**

- MTC, ABAG, and local agency staff can identify transformative projects
- Potential to leverage gap financing & grants for the Bay Area Transit-Oriented Affordable Housing Fund (TOAH)
- Separate Ag Lands component (administered by Natural Resources Agency) may align with the region's Priority Conservation Areas program

Goods Movement and Climate Initiatives

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- MTC framework included:
 - \$275 million for Climate Initiatives program- investments in technology advancements and incentives for travel options to meet GHG targets
 - \$450 million for Goods movement- improvements in efficiency and mitigation projects to reduce environmental impacts
- Region can prioritize these commitments through 40% uncommitted portion of Cap and Trade, partnering with the Joint Policy Committee

Other Opportunities: High Speed Rail

- Statewide program includes \$250M in 2014-15 and a 25% share of future funding
- Region has committed to funding the Caltrain Electrification program (9-party MOU), which includes funding from state High Speed Rail bonds
- Consider whether region should prioritize Caltrain program under High Speed Rail category

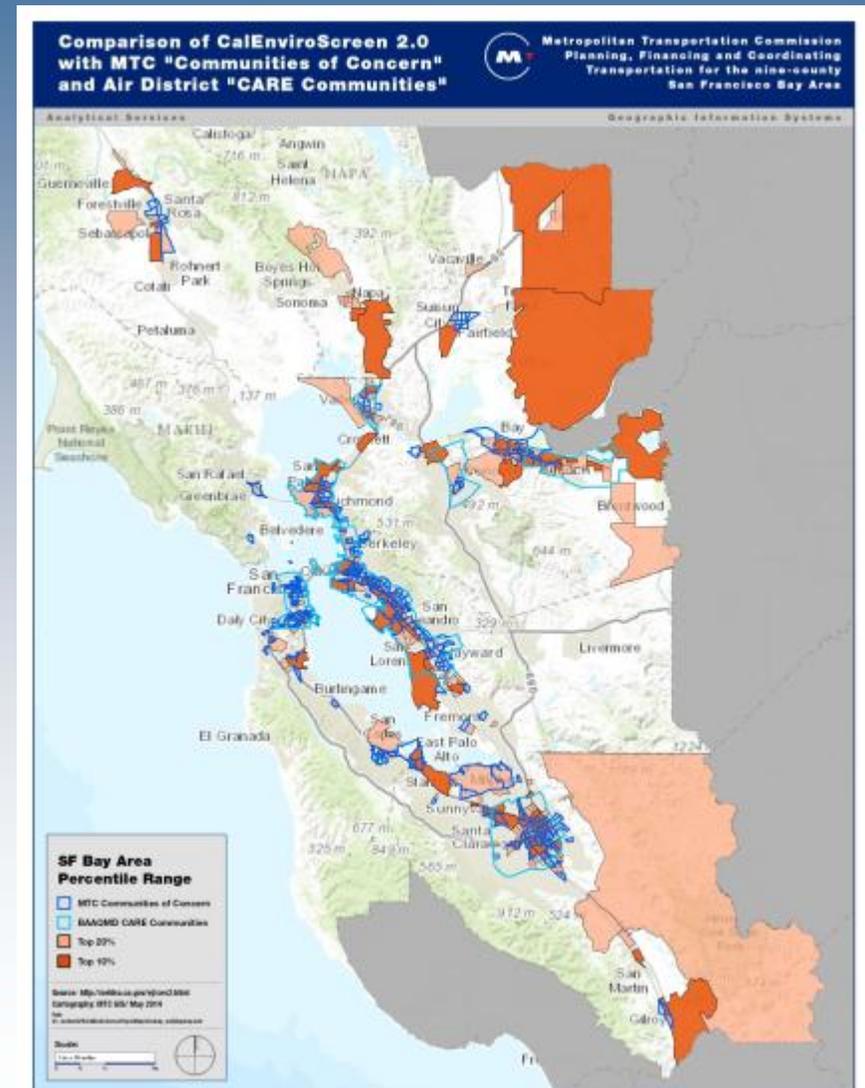


Other Issues- State Guideline Development

Cap and Trade Program/Issue	Responsible State Agency	Draft or Interim Guidance Released	Final Guidance Adopted
Identifying Disadvantaged Communities	CalEPA	August 2014	October 2014
Maximizing Benefit to Disadvantaged Communities	CARB	September 18, 2014 (approved)	Mid-2015
GHG Emission Calculations	CARB/CalEPA	Fall 2014	Mid-2015
Affordable Housing and Sustainable Communities	SGC	September 23, 2014	December 2014
Transit and Intercity Rail Capital	CalSTA	Fall 2014	First half of 2015
Low Carbon Transit Operations	Caltrans/CARB	Fall 2014	First half of 2015

Other Issues- Disadvantaged Communities Definition

- CalEPA CalEnviroScreen methods exclude many census tracts at risk for poor air quality
- Not much overlap with MTC's Communities of Concern
- Of the top 10 most impoverished census tracts in region, not one is included in CalEPA's "Method 1"
- MTC and regional partners have proposed specific modifications to the criteria



Other Issues- GHG Calculations

- By statute, projects must demonstrate how they reduce GHG emissions
- CalEPA and CARB have not yet released guidelines on methodology
- For transit capital projects, region must make the case for the GHG benefits associated with:
 - Fleet modernization
 - Service expansions resulting from facilities improvements, train control

Stakeholder Involvement

- **MTC is partnering with regional agencies, CMAs, and transit operators on the following:**
 - Comments to state agencies on guideline development
 - Disadvantaged communities definition
 - Achieving regional Cap and Trade transportation commitments

Next Steps

- **Committee feedback**
- **Work with regional partners and state agencies on:**
 - **Guideline development**
 - **Calls for projects**

Attachment B: Cap & Trade Transportation Program Overview Pursuant to SB 862 (Chapter 36, Statutes of 2014)

Program	Who Administers/ Who Selects Projects?	Project Eligibility	Disadvantaged Community Target
<p>Affordable Housing and Sustainable Communities Program</p> <p>20% of Cap & Trade Revenue <i>(at least half dedicated to affordable housing)</i></p>	<p>Strategic Growth Council (in coordination with MPOs and other regional agencies)</p>	<ul style="list-style-type: none"> • Affordable housing that supports infill and compact development • Transit capital and programs “supporting transit ridership” • Active transportation projects (infrastructure & non-infrastructure) • TOD projects • Capital projects that implement complete streets • Projects that reduce GHG emissions by reducing auto trips and VMT • Acquisition of easements or other approaches to protect agricultural lands under threat of development • Planning to support SCS implementation, including local plans • Must be in draft or adopted SCS. • Subject to guidelines to be released in draft 30 days prior to at least two public workshops. 	<p>≥ 50% of funds should benefit DCs</p>

Program	Who Administers/ Who Selects Projects?	Project Eligibility	Disadvantaged Community Target
<p>Transit and Intercity Rail [and Bus] Capital Program</p> <p>10% of Cap & Trade Revenue</p>	<p>California State Transportation Agency reviews and scores projects & develops program guidelines.</p> <p>California Transportation Commission allocates funds.</p>	<ul style="list-style-type: none"> • Rail capital • Bus rapid transit and other bus investments to increase ridership and reduce GHGs • Service improvements that improve reliability and decrease travel times • Integrated ticketing and scheduling systems, shared-use corridors, related planning efforts and service integration initiatives • Must be consistent with SCS • Subject to guidelines to be released in draft 30 days prior to at least two public workshops. 	<p>≥ 25% of funds should benefit DCs</p>
<p>Low Carbon Transit Operations Program</p> <p>5% of Cap & Trade Revenue</p>	<p>Operator (or regional transportation planning agency for population-based funds) must submit project to Caltrans for approval and verification that it qualifies as a GHG reducing project.</p> <p>Controller allocates funds.</p>	<p>Transit capital and operating expenses that enhance transit service and reduce GHG emissions</p> <p>Support new or expanded bus or rail services, or expanded intermodal facilities and equipment, fueling and maintenance for those facilities.</p>	<p>≥ 50% of funds should benefit DCs</p>
<p>High Speed Rail</p> <p>25% of Cap & Trade Revenue</p>	<p>High Speed Rail Authority</p>	<ul style="list-style-type: none"> • Acquisition and construction • Environmental review and design • Other capital costs • Repayment of loans made to the authority 	<p>NA</p>

Date: December 18, 2013
W.I.: 1515
Referred by: PAC

ABSTRACT

Resolution No. 4130

This resolution establishes the Cap and Trade Funding Framework and Process Development Guidelines.

This resolution includes the following attachments:

A –Cap and Trade Funding Framework

B – Guideline Development Process

Further discussion of these actions is contained in the Programming and Allocations Summary Sheets dated November 13, 2013 and December 11, 2013, and the Commission handouts of December 18, 2013.

Date: December 18, 2013
W.I.: 1515
Referred by: PAC

RE: Cap and Trade Funding Framework and Process Development Guidelines

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4130

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, Plan Bay Area (“Plan”), the region’s integrated long-range transportation and land use plan adopted by MTC, provides the planning foundation for transportation improvements and regional growth throughout the San Francisco Bay Area through 2040; and

WHEREAS, the Plan includes a \$3.1 billion reserve from future Cap and Trade funding; and

WHEREAS, the Plan identifies the expected uses of Cap and Trade funding as including but not limited to transit operating and capital rehabilitation/replacement, local streets and roads rehabilitation, goods movement, and transit-oriented affordable housing, consistent with the Plan's focused land use strategy; and

WHEREAS, the Plan states that Cap and Trade revenues will be allocated to specific programs through a transparent and inclusive regional public process; and

WHEREAS, the Plan calls for the process to ensure that at least 25 percent of the Cap and Trade revenues will be spent to benefit disadvantaged communities in the Bay Area; and

WHEREAS, the Plan directs a significant portion of the revenue generated from Cap and Trade funding be dedicated to unmet transit needs as a robust and efficient public transit network is critical for the Plan's compact land use strategy focused around existing and planned transit nodes; now therefore be it

RESOLVED, that the Cap and Trade Funding Framework is a comprehensive strategy for reducing greenhouse gas emissions as outlined in Attachment A, attached hereto and incorporated herein as though set forth at length; and, be it further

RESOLVED, that Attachment B sets forth the Project Selection Process Development Guidelines for all funding categories with the exception of the Transit Core Capacity Challenge Grant Program; and be it further

RESOLVED, that the Transit Core Capacity Challenge Grant Program is detailed in Resolution No. 4123; and be it further

RESOLVED, that the funding framework established in Attachment A is subject to state statute and regulations governing the availability and use of the Cap and Trade Funding.

METROPOLITAN TRANSPORTATION COMMISSION



Amy Rein-Worth, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in Oakland, California, on December 18, 2013

Attachment A

Bay Area Cap and Trade Funding Framework

Cap and Trade Reserve Investment Principles

1. Cap and Trade Funds must have a strong nexus to Greenhouse Gas (GHG) reduction
2. Distribution of the estimated \$3.1 billion in available funds will serve to strategically advance the implementation of Plan Bay Area and related regional policies
3. Investment Categories and related Policy Initiatives will be structured to provide co-benefits and opportunities to leverage investments across categories and from multiple sources (public and private).
4. All Investment Categories should include funding that benefits disadvantaged communities. The communities are defined as MTC's Communities of Concern, or as refined during the guideline development process.

Cap and Trade Reserve Funding Categories

1. Transit Core Capacity Challenge Grants Program

Plan Bay Area identifies a remaining need of \$17 billion over nearly three decades to achieve an optimal state of repair for the region's public transit network. The plan's in-fill and transit-oriented growth strategy relies on a well-maintained transit system to meet greenhouse gas emissions reduction targets and other plan performance objectives.

Proposal:

- Invest \$875 million over the life of Plan Bay Area
- The proposed Transit Core Capacity Challenge Grant Program:
 - a) accelerates fleet replacement and other state of good repair projects from Plan Bay Area, including "greening" the fleet and other strategic capital enhancements
 - b) focuses on BART, SFMTA, and AC Transit – transit operators that carry 80% of region's passengers, account for approximately 75% of the plan's estimated transit capital shortfall, and serve PDAs that are expected to accommodate the lion's share of the region's housing and employment growth
 - c) achieves roughly \$7 billion in total state of good repair investment by leveraging other regional discretionary funds and requiring a minimum 30% local match from the three operators
 - d) requires that participating operators meet the Transit Sustainability Project's performance objectives outlined in MTC Resolution No. 4060

2. Transit Operating and Efficiency Program

Plan Bay Area fully funds existing transit service levels at nearly \$115 billion over the three decade period, with an assumption that the largest transit operators achieve near-term performance improvements. However, the plan also identifies the importance of a more robust and expanded public transit network, anchored by expanded local service, as a key ingredient for success of Plan Bay Area’s growth strategy. In particular, the plan falls short of the funding necessary to meet the performance target of growth in the non-auto mode share to 26 percent of all trips.

Proposal:

- Invest \$500 million over the life of Plan Bay Area
- Distribute the funding based on a formula that provides 40% of the funding to core capacity transit operators (AC Transit, BART, and SFMTA) and 60% to the remaining transit operators. The formula for distribution within the two operator categories is as follows: 50% based on ridership; 25% based on low-income ridership; and 25% based on minority ridership. The \$500 million distribution based on 2011 National Transit Database ridership and 2006 Godbe Transit Passenger Demographic Survey is as follows:

Core Capacity Operator	40%
<i>AC Transit</i>	\$35
<i>BART</i>	\$54
<i>SFMTA</i>	\$111
Subtotal	\$200
Other Operator	60%
<i>Caltrain</i>	\$35
<i>Golden Gate (w Marin Transit)</i>	\$22
<i>SamTrans</i>	\$44
<i>VTA</i>	\$140
Subtotal	\$241
<i>ACE</i>	\$1.8
<i>CCCTA</i>	\$10.3
<i>ECCTA</i>	\$8.1
<i>Fairfield + Suisun</i>	\$2.9
<i>LAVTA</i>	\$5.4
<i>NCTPA</i>	\$2.5
<i>Santa Rosa</i>	\$9.7
<i>SolTrans</i>	\$4.8
<i>Sonoma County</i>	\$4.3
<i>Union City</i>	\$1.5
<i>Vacaville</i>	\$1.3
<i>WCCTA</i>	\$3.8
<i>WETA</i>	\$2.7
Subtotal	\$59
Total	\$500

3. One Bay Area Grants

Plan Bay Area invests over \$14 billion in transportation improvements concentrated near high quality transit and higher density housing – through the One Bay Area grant program – focusing on complete streets, bicycle and pedestrian facilities, and streetscape improvements. The Plan identifies a remaining need of \$20 billion over the next three decades to achieve a PCI score of 75, the Plan’s adopted performance target for pavement; of this, roughly 45% is for non-pavement infrastructure, critical for complete streets that would serve alternative modes and transit-oriented development that is a key part of Plan Bay Area’s growth strategy. Further, the provision of housing for low and moderate income households in areas that provide access to jobs was identified in Plan Bay Area as critical to sustaining the region’s economic growth and attaining the Plan’s GHG and Housing Targets.

Proposal:

- Invest \$1,050 million to augment the One Bay Area Grant Program

4. Climate Initiatives

The Climate Initiatives Program is a multi-agency program focused on investments in technology advancements and incentives for travel options that help the Bay Area meet the GHG emission reduction targets related to SB375.

Proposal:

- Invest \$275 million for the Climate Initiatives Program over the life of Plan Bay Area, including \$75 million funding to support the county Safe Routes to School programs

5. Goods Movement

Goods movement investments fall into two categories: (1) projects focused on improving the efficiency of the movement of goods within and through the region, and (2) mitigation projects that reduce the associated environmental impacts on local communities. MTC is currently working with Caltrans and selected Congestion Management Agencies to update the regional goods movement program and to inform the California Freight Mobility Plan.

Proposal:

- Invest \$450 million for goods movement projects over the life of Plan Bay Area

Funding Category	Amount (\$ millions)
1. Transit Core Capacity Challenge Grants Program	875
2. Transit Operating and Efficiency Program	500
3. One Bay Area Grants	1,050
4. Climate Initiatives	275
<i>Safe Routes to School</i>	75
5. Goods Movement	450
TOTAL	\$3,150

Date: December 18, 2013
W.I.: 1515
Referred by: PAC

Attachment B
Resolution No. 4130
Page 1 of 2

Attachment B

Cap and Trade Guideline Development Process

Following adoption of the Cap and Trade Funding Framework, staff will convene stakeholders to develop the project selection process and criteria for individual categories, summarized below:

- Transit Operating and Efficiency Program
- One Bay Area Grants
- Climate Initiatives
- Goods Movement

The Transit Core Capacity Challenge Grant Program would follow the process and project selection included in MTC Resolution No. 4123.

Stakeholder Involvement: Staff will convene the Regional Advisory Working Group (RAWG) as the discussion forum for the development of the project selection process and criteria. Members of the Partnership Board and Policy Advisory Council (or their working groups) will be invited to participate in the RAWG, but will also receive updates on the progress of the RAWG Cap and Trade guideline development discussions. In addition, certain subject matter experts or stakeholders may be added to the standing working groups to provide information for specific categories of funding.

Development of Program Guidelines: The development of the project selection process and criteria is proposed to take place over a 6-12 month period and generally follow the process below:

- Review studies/efforts completed to-date
- Conduct an initial evaluation to establish focus area within the Funding Category
- Develop the draft guidelines
- Release the draft guidelines for stakeholder review
- Commission approval of Program Guidelines and adjustment to Framework, if necessary

More detail on each step in the proposed process is provided in the table on the next page. Staff proposes to initiate discussions between summer 2014 and early 2015, depending on the enactment of state legislation and completion of studies that may inform guidelines.

Process Steps	Work Plan and Timeframe																				
Review Studies and Efforts Completed To-Date	<p>Staff will summarize and review with stakeholders recent efforts completed for each of the Cap and Trade categories. Possible studies by category include:</p> <table border="0"> <thead> <tr> <th data-bbox="621 310 953 380"><i>Transit Operating and Efficiency</i></th> <th data-bbox="984 310 1163 380"><i>OneBayArea Grants</i></th> <th data-bbox="1325 310 1461 380"><i>Climate Initiatives</i></th> <th data-bbox="1665 310 1808 380"><i>Goods Movement</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="621 380 953 449">1) Transit Sustainability Project</td> <td data-bbox="984 380 1163 449">1) Plan Bay Area</td> <td data-bbox="1325 380 1461 449">1) Plan Bay Area</td> <td data-bbox="1665 380 1808 449">1) Plan Bay Area</td> </tr> <tr> <td data-bbox="621 449 953 519">2) Short Range Transit Plans or similar plans</td> <td data-bbox="984 449 1163 519">2) Cycle 1 Evaluation</td> <td data-bbox="1325 449 1461 519">2) Innovative Grants Evaluation</td> <td data-bbox="1665 449 1808 519">2) Regional Goods Movement Plan and update</td> </tr> <tr> <td></td> <td></td> <td data-bbox="1325 519 1461 589">3) Air District Plans and programs</td> <td data-bbox="1665 519 1808 589">3) California Freight Mobility Plan</td> </tr> <tr> <td></td> <td></td> <td data-bbox="1325 589 1461 659">4) CARB programs</td> <td></td> </tr> </tbody> </table>	<i>Transit Operating and Efficiency</i>	<i>OneBayArea Grants</i>	<i>Climate Initiatives</i>	<i>Goods Movement</i>	1) Transit Sustainability Project	1) Plan Bay Area	1) Plan Bay Area	1) Plan Bay Area	2) Short Range Transit Plans or similar plans	2) Cycle 1 Evaluation	2) Innovative Grants Evaluation	2) Regional Goods Movement Plan and update			3) Air District Plans and programs	3) California Freight Mobility Plan			4) CARB programs	
<i>Transit Operating and Efficiency</i>	<i>OneBayArea Grants</i>	<i>Climate Initiatives</i>	<i>Goods Movement</i>																		
1) Transit Sustainability Project	1) Plan Bay Area	1) Plan Bay Area	1) Plan Bay Area																		
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		3) Air District Plans and programs	3) California Freight Mobility Plan																		
		4) CARB programs																			
Conduct an Initial Evaluation to Establish Focus Area within the Funding Category	<p>Evaluate Project and Program Categories, based on the review of efforts to-date, broadly for the following:</p> <ol style="list-style-type: none"> 1) GHG emission reduction; 2) How well the projects or programs serve disadvantaged communities; 3) Other performance factors; and 4) Consistency with approved Cap and Trade statute, when available <p>This evaluation will inform the program focus areas and the criteria for competitive project selections.</p>																				
Develop the Guidelines	<p>This step should follow enactment of the legislation governing Cap and Trade funding to ensure consistency. The guidelines should consider the information gathered in the process steps above and include the following:</p> <ol style="list-style-type: none"> 1) Eligible project types 2) Individual project review and scoring 3) Funding amount and timing 4) Consistency with other initiatives 5) Potential leverage opportunities/local match requirements 6) Other requirements specified for funding eligibility (state requirements) 																				
Release the Draft Guidelines for Stakeholder Review	<p>Stakeholders would have an opportunity to review the draft guidelines and provide additional comments. Staff would review comments and finalize the guidelines accordingly.</p>																				
Commission Approval of Program Guidelines	<p>The Commission would consider adoption of the guidelines for specific program categories in early to late 2015. As necessary, the Commission would also consider any adjustments to the Cap and Trade Funding Framework to address stakeholder discussions or final legislative direction. The timing of these approvals will depend on the enactment of legislation governing Cap and Trade and the length of the guideline development process.</p>																				

Date: December 18, 2013
W.I.: 1512
Referred by: PAC

ABSTRACT

Resolution No. 4123

This resolution establishes an investment plan for MTC's Transit Core Capacity Challenge Grant Program that targets federal, state, and regional funds to high-priority transit capital projects between FY2014-15 and FY2029-30.

This resolution includes the following attachments:

- A – Funding Plan and Revenue Sources and Assumptions
- B – Project Descriptions
- C – Terms and Conditions

Further discussion of these actions is contained in the Programming and Allocations memorandum dated November 13, 2013 and Summary Sheet dated December 11, 2013.

Date: December 18, 2013
W.I.: 1512
Referred by: PAC

RE: Transit Core Capacity Challenge Grant Program

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4123

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 San Francisco Bay Area Rapid Transit District (BART) is a rapid transit district providing rail transit service in the San Francisco Bay Area; and

WHEREAS, the San Francisco Municipal Transportation Agency (SFMTA) provides bus, trolley, light rail, and cable car/historic rail car service in the City of San Francisco, California; and

WHEREAS, the Alameda-Contra Costa Transit District (AC Transit) is constituted as a special district under California law and is an Oakland based public transit agency serving the western portions of Alameda and Contra Costa counties in the San Francisco Bay Area; and

WHEREAS, Plan Bay Area (“Plan”), the region’s long-range transportation and housing plan adopted by MTC, provides the planning foundation for transportation improvements and regional growth throughout the San Francisco Bay Area through 2040; and

WHEREAS, the Plan’s in-fill and transit-oriented growth strategy relies on a well-maintained and robust transit system to meet greenhouse gas emissions reduction targets and other Plan performance objectives; and

WHEREAS, the Plan identifies a total funding need of \$47 billion over nearly three decades to achieve an optimal state of repair for the region’s public transit network; and

WHEREAS, the Core Capacity Challenge Grant Program (“the Program”) addresses funding for transit capital replacement and rehabilitation needs as well as for key transit infrastructure enhancements needed to support future transit service expansion for AC Transit, BART and SFMTA; and

WHEREAS, the Program targets federal, state and regional funds to high-priority transit capital projects for AC transit, BART and SFMTA; and

WHEREAS, federal, state and regional funds will continue to be required to finance the Program including those funds which are reasonably expected to be available under current conditions, and new funds which need to be secured in the future through advocacy with state and federal legislatures and the electorate; now therefore be it

RESOLVED, that the Core Capacity Challenge Grant Program is a comprehensive funding strategy of local, regional, state and federal funding sources as outlined in Attachment A, attached hereto and incorporated herein as though set forth at length; and, be it further

RESOLVED, that MTC’s commitment of funding for the Program is limited to the total amount of MTC funding shown in Attachment A; and be it further

RESOLVED, that MTC agrees to program Federal Transit Administration (FTA) and Federal Highway Administration (FHWA) funds as set forth in Attachment A in a timely manner in order to meet cash flow needs and minimize financing costs, subject to Congressional authorization and appropriation of funds, and MTC’s ability to meet other critical regional transit capital needs; and be it further

RESOLVED, that Attachment B lists the descriptions of the AC Transit, BART and SFMTA projects that will be funded under the Program; and be it further

RESOLVED, that the funding commitments included in Attachment A are subject to the terms and conditions outlined in Attachment C, attached hereto and incorporated herein as though set forth at length.

METROPOLITAN TRANSPORTATION COMMISSION



Amy Rein Worth, Chair

The above resolution was entered into by the
Metropolitan Transportation Commission
at a regular meeting of the Commission held
in Oakland, California, on December 18, 2013

Attachment A
Core Capacity Challenge Grants - Funding Plan (\$ Millions)

Project	Project Cost	Proposed Local \$				Funding Sources for Remaining Need						Total Funding
		BART	SFMTA	AL/CC Sales Tax/Parcel Tax	VTA	FTA/STP	AB664 Bridge Tolls	BATA Project Savings	SFO Net Op Revenue	Cap & Trade	Core Capacity New Starts	
BART Rail Cars (470 cars beyond current funding commitment)	1,521	393				743	82	83	145	75		1,521
BART Train Control	700	267				163				126	144	700
BART Hayward Maint. Center	433	258			175							433
Subtotal BART	2,654	918	-	-	175	906	82	83	145	201	144	2,654
SFMTA Fleet Replacement	2,644		770			1,746	44	84				2,644
SFMTA Fleet Enhance & Expand	648		248							400		648
SFMTA Facilities Core Improvements	209		142							67		209
Subtotal SFMTA (1)	3,502	-	1,160	-	-	1,746	44	84	-	467	-	3,502
AC Transit Fleet Replacement	780			195		477	25	83				780
AC Transit Fleet Expansion	90			40		5				45		90
AC Transit Facility Repl/Rehab	268			106						162		268
Subtotal AC Transit	1,138	-	-	341	-	481	25	83	-	207	-	1,138
Financing	200					200						200
TOTAL	7,494	918	1,160	341	175	3,333	152	250	145	875	144	7,494

(1) SFMTA cost estimates adjusted to use regional cost estimates for buses and LRVs, and converted to year-of-expenditure dollars

Attachment A

Revenue Sources and Assumptions

- Local Funding:
 - BART: For BART, the approximately \$900 million local contribution is comprised of fare revenue and Proposition 1A High Speed Rail connecting operator funds approved for the rail car replacement project. In addition, \$175 million in funding will be provided by the Santa Clara Valley Transit Authority as part of their agreement to contribute to core capacity projects, as BART will soon extend into Santa Clara County and its residents will also benefit from these projects.
 - SFMTA: For SFMTA, the nearly \$1.2 billion in local revenues include existing sales tax and revenue bonds as well as anticipated future sales tax, vehicle license fee, and general obligation bonds. A task force has been convened by the San Francisco Mayor's Office and will be finalizing its recommendations by the close of 2013 with the expectation of going to the ballot in 2014 and 2016 to support this local contribution.
 - AC Transit: For AC Transit, the assumed local contribution of \$340 million would come from a portion of future Alameda County and Contra Costa sales tax measures and/or parcel tax augmentations for AC Transit operations and maintenance needs.

- Regional/Other Funding:
 - FTA/STP Funds: The program assumes \$3.3 billion in FTA formula and STP funds. These funds have historically supported transit capital replacement through the Transit Capital Priorities process. Generally, the program timeframe has been 2 to 3 years in duration. The proposed Core Capacity Challenge Grant Program investment strategy would extend the commitment for the identified projects to 15 years. The program would also accelerate FTA and STP funds availability through financing as needed; roughly \$200 million is assumed to pay for financing for timely delivery of this aggressive capital program. The proposal acknowledges the needs of other transit operators in the region by retaining an estimated 33% of expected FTA formula funds for the remaining operators. The proposal also retains funding for the BART Car Phase 1 on-going fixed guideway priorities for rail and ferry operators. A portion of the federal funds for the BART Railcar Replacement and Expansion project may be programmed to BART's preventive maintenance or another capital project and exchanged for BART local funds deposited into the BART Railcar Replacement Funding Exchange Account,

depending on the cash flow needs of the project. The table below provides more detail.

Projected FTA/STP Revenues 2015-2030:	\$ 7,549	
Core Capacity Challenge Grants	\$ 3,133	42%
Core Capacity Financing Costs	\$ 200	3%
BART & SFMTA Fixed Guideway Caps	\$ 1,235	16%
Remaining BART Car Phase 1 Commitment	\$ 481	6%
Other Operators	\$ 2,500	33%
Total	\$ 7,549	100%

- AB664 Funds: The program assumes \$152 million in AB664 bridge toll funds. These funds have historically supported transit capital replacement by contributing towards local matching funds for eligible operators in the Transit Capital Priorities process. Generally, the funds are programmed annually. The proposed Core Capacity Challenge Grant Program investment strategy would extend the commitment for the identified projects to 15 years, and would accelerate availability of these toll funds by frontloading AB664 revenues that are available as part of a Bay Area Toll Authority (BATA) revenue transfer to MTC in 2010.
- BATA Project Savings: With the completion of the Regional Measure 1 highway and bridge projects and the opening of the New East Span of the Bay Bridge, BATA project savings are proposed to be directed to the Core Capacity Challenge Grant Program. Staff has determined that these transit projects are eligible bridge improvement projects because they will improve functioning or use of one or more of the state-owned bridges. As such, these project expenditures, in an amount of \$250 million, are proposed to be added to BATA's long-range plan and budget.
- SFO Net Operating Revenues: A commitment dating from 1988 and the first rail extension agreement, MTC Resolution 1876, directs \$145 million of the net operating surplus generated by the San Francisco International Airport (SFO) BART Extension to fulfill the remaining SamTrans' capital contribution to the BART system, for the Warm Springs Extension. This proposal would direct these funds to BART's rail car purchase project, which includes rail cars for the Warm Springs extension project. The Warm Springs construction costs were met through other regional funding contributions as part of the 2008 MTC Resolution 3434 Strategic Plan. SFO Net Operating Revenue satisfies SamTrans buy-in to the BART District originally dedicated to the BART to Warm Springs project.
- Cap and Trade Revenues: AB 574 (Lowenthal) seeks to reserve California Cap and Trade allowance revenue from transportation fuels for transportation-related

expenditures. Plan Bay Area included an estimated \$3.1 billion over the 28-year period as available to the region. While the distribution of funds to the MPO's has not yet been finalized, a draft framework and set of principles for Cap and Trade revenues, including \$875 million for the Core Capacity Challenge Grant program, has been proposed and is pending Commission approval.

- FTA New Starts Core Capacity: With the enactment of MAP-21, this new category of eligible projects was added to the New Starts Program. Projects eligible for this funding must expand capacity by at least 10% in existing fixed-guideway transit corridors that are already at or above capacity today, or are expected to be at or above capacity within five years. As part of Plan Bay Area's investment strategy, a reserve of \$660 million in New Starts was established for future East Bay and North Bay projects. BART's train control project aligns well with the intent of this new category of FTA competitive funding and the direction outlined in Plan Bay Area.

Date: December 18, 2013
W.I.: 1512
Referred by: PAC

Attachment B
Resolution No. 4123
Page 1 of 3

Attachment B Project Descriptions

BART

BART Railcar Replacement and Expansion includes the purchase of 463 new cars, which, together with previously committed funding, would bring BART's fleet to a total of 873 cars: 669 to replace the current fleet, 91 to increase core capacity, 30 for the Warm Springs extension, 60 for the Berryessa extension, and 23 for the extension to San Jose/Santa Clara. The 23 cars for the Silicon Valley extension is subject to the availability of \$75 million in Cap and Trade funding. 350 of the 669 replacement cars are being funded under MTC Resolution No. 4126 and the 60 cars for the Berryessa extension are being funded by VTA through an agreement with BART. The \$1.52 billion cost is in addition to the \$1.38 billion already committed to the project, including \$871 million in regional funding. A portion of the federal funds for the BART Railcar Replacement and Expansion project may be programmed to BART's preventive maintenance or another capital project and exchanged for BART local funds deposited into the BART Railcar Replacement Funding Exchange Account, depending on the cash flow needs of the project. BART's current fleet is either already overdue or due for replacement by 2019.

BART Train Control System involves implementing a new train control system. The current system is aging and needs replacement to restore and retain reliability. A new train control system would increase peak period/peak direction throughput and allow BART to expand its fleet to meet future demand while maintaining service reliability.

BART Hayward Maintenance Center includes improvements to expand the current Hayward Yard by adding storage and transfer/access tracks on the existing BART property and a primary shop, a vehicle-level overhaul shop, a component repair shop, a central warehouse and an expanded shop and storage facility. This project is needed to store and service BART's expanded fleet and will serve as the primary maintenance shop and storage yard for the Berryessa extension fleet.

SFMTA

SFMTA Fleet Replacement includes replacement of all of SFMTA's vehicles as they reach the end of their useful lives between 2016 and 2030. SFMTA's fleet includes 494 buses, 333 trolleys, 151 light rail vehicles, and 67 paratransit vans. Also included in the project is approximately \$300 million for mid-life overhauls to extend vehicle service life and maintain reliability, and the costs of rehabilitating Muni's cable car and historic streetcar fleets.

SFMTA Fleet Enhancement & Expansion expands Muni's light rail vehicle fleet by 74 cars: 24 for the Central Subway extension and 50 to increase capacity on existing lines. The project would also fund an additional 110 60' articulated buses and the increased cost for replacing 42 40' buses and trolleys with 60' articulated buses and 60' trolleys to increase capacity on high-ridership routes, and the installation of video and data collection systems on Muni vehicles.

SFMTA Facilities Core Improvements provides for the renovation of ageing, overcrowded, and inefficient facilities and the improvements needed to address current and future needs, such as:

- Muni Metro East (MME) Maintenance Facility – construction of a centralized paint and body shop to allow for operational flexibility and added repair bay capacity at Woods Maintenance Facility.
- Burke Central Parts Warehouse – improved retrieval time and productivity through use of high efficiency racking systems and improvements to extend the shelf life of parts and components stored in the facility.
- Woods Maintenance Facility – added repair bay capacity and flexibility to accommodate articulated buses; improvements to extend life of the facility and fully utilize its space efficiently to improve productivity.

AC Transit

AC Transit Fleet Replacement consists of replacement of all of AC Transit's buses as they reach the end of their useful lives between 2015 and 2030. AC Transit's fleet replacement needs during this period include 150 40' standard transit buses, 57 60' articulated buses, 91 30' buses, 67 40' suburban transit buses, and 39 45' over-the-road coaches.

AC Transit Fleet Expansion includes procurement of 79 Diesel Electric Hybrid buses to implement the service expansions called for under AC Transit's Comprehensive Operations Analysis.

AC Transit Facility Replacement & Rehabilitation includes replacement of equipment such as communications and navigation systems, bus lifts, fuel islands, bus washers, waste treatment systems, and underground storage tanks at AC Transit's maintenance and operations facilities as

the equipment reaches the end of its useful life. The funding would also allow for re-opening of the Richmond Maintenance Facility.

Date: December 18, 2013
W.I.: 1512
Referred by: PAC

Attachment C
Resolution No. 4123
Page 1 of 2

Attachment C Terms and Conditions

General Terms

- a) Continue Transit Capital Priorities Process for Other Operators: The FTA revenue assumption acknowledges the needs of other operators in the region by retaining an estimated 33% of expected FTA formula funds for the remaining operators and only commits an estimated 42% of expected FTA formula funds to this program. This percentage attempts to hold all the other operators harmless and retains funding for on-going fixed guideway priorities for rail and ferry operators based on projection of past needs.
- b) Revenues Availability: MTC agrees to program Federal Transit Administration (FTA) and Federal Highway Administration (FHWA) funds as set forth in Attachment A in a timely manner in order to meet cash flow needs and minimize financing costs, subject to Congressional authorization and appropriation of funds, and MTC's ability to meet other critical regional transit capital needs. MTC may substitute other available MTC-controlled funds in place of available FTA funds specified in the Program.
- c) Strategic Review: A strategic review of the Core Capacity Challenge Grant program will be conducted at least every 5 years in order to monitor operator project delivery and local contributions. This will also allow staff to address any changes in the demand for capital projects or the revenue landscape.

Operator Conditions

- a) Local Match Contributions: In order to qualify for challenge grant funding, AC Transit, BART and SFMTA are required to provide a minimum of 30% matching funds overall, and at least 25% for fleet replacement projects. The operators will be required to provide to MTC a board-approved commitment of local match dollars before the Program funds are programmed and allocated to them.
- b) Compliance with TSP Performance Metrics: Plan Bay Area assumed that the recommendations of the Transit Sustainability Project would be implemented to complement cost control and service improvements already implemented by the region's transit operators. In order to qualify for challenge grant funding, this proposal requires AC Transit, BART, and SFMTA to meet the Transit Sustainability Project's performance objectives outlined in MTC Resolution No. 4060 that call for a 5% real reduction in at least

one of three performance measures (cost per service hour, cost per passenger or cost per passenger mile) by FY2016-17 and no growth beyond CPI thereafter.

- c) Compliance with Funding Requirements: AC Transit, BART and SFMTA are required to comply with all the applicable local, state, and federal requirements for funds programmed by MTC.
- d) Cash flow Needs and Updates: AC Transit, BART and SFMTA are required to provide MTC with an initial cash flow before the program funds are programmed and allocated to them; and update MTC whenever there are significant changes to the cash flow or annually at a minimum.