Metropolitan Transportation Commission
Programming and Allocations Committee

May 13, 2015 **Resolution Nos. 3837, Revised and 4184**

Subject: Updated Productivity Improvement Program (PIP) Policies for Transportation Development Act (TDA) and State Transit Assistance (STA) Funds.

Background: State law requires MTC to annually adopt a Productivity Improvement Program (PIP) for transit operators that receive TDA or STA funds. Attachment A to Resolution No. 4184 contains the proposed updated policies and procedures for the Productivity Improvement Program. These PIP policies and procedures will supersede the PIP guidelines adopted in 2004 through MTC Resolution 3617.

In the past, PIP projects were derived from the Triennial TDA Performance Audits or were created independently by operators. In an effort to streamline the Transit Sustainability Project (TSP) and PIP processes, the PIP was brought into alignment with the TSP starting with this fiscal year. The TSP recommendations were adopted by the Commission (through MTC Resolution No. 4060) in May 2012 and established TSP performance measures and targets for the large seven operators to achieve by FY2016-17. For the seven largest operators, their PIP project is to achieve one of the TSP performance measures. The remaining operators are encouraged to identify projects based on recommendations in the TSP.

Staff also proposes to amend MTC Resolution 3837, which contains MTC policies for the programming and allocation of STA funds, to reflect the revised PIP policies and procedures. The STA programming and allocation policies will also be amended to reference the Transit Coordination Implementation Plan, MTC Resolution 3866, which superseded the Regional Schedule Coordination Implementation Plan that is currently identified.

Issues: None.

Recommend: Refer MTC Resolution Nos. 3837, Revised and 4184 to the Commission for approval.

Attachments: MTC Resolution No. 3837, Revised
MTC Resolution No. 4184

Date: January 23, 2008
W.I.: 1514
Referred By: PAC
Revised: 02/25/15-C
05/27/15-C

ABSTRACT

Resolution No. 3837, Revised

This resolution establishes a policy for the programming and allocation of State Transit Assistance (STA) funds, made available under the provisions of Public Utilities Code Sections 99313 and 99314.

This resolution was revised on February 25, 2015 to reflect the addition of the Transit Emergency Service Contingency Fund to the allocation policy for STA Population-Based Funds (PUC Code 99313) Including Interest Earnings.

This resolution was revised on May 27, 2015 to update Attachment A, Rules and Regulations of STA funding, to reflect policy changes to the Productivity Improvement Program.

This resolution supersedes Resolution No. 2310.

Further discussion of these actions is contained in the Executive Director's Memorandum dated January 9, 2008 and the MTC Programming and Allocations Summary sheet dated February 11, 2015 and May 13, 2015.

Date: January 23, 2008
W.I.: 1514
Referred By: PAC

Re: Adoption of MTC's State Transit Assistance Programming and Allocation Policy.

METROPOLITAN TRANSPORTATION COMMISSION

RESOLUTION NO. 3837

WHEREAS, State Transit Assistance (STA) funds are to be used to enhance public transportation service, including community transit service, and to meet high priority regional transportation needs; and

WHEREAS, the Metropolitan Transportation Commission (MTC), as the Regional Transportation Planning Agency for the San Francisco Bay Area, is responsible for the allocation of STA funds available to eligible claimants in this region; and

WHEREAS, MTC adopted an STA Allocation Policy in Resolution No. 2310 in 1991; and

WHEREAS, MTC Resolution No. 3814 directed staff to revise the STA Allocation Policy to incorporate changes in distribution formulas and to establish a consolidated percentage framework for population-based program categories; now therefore, be it

RESOLVED, that MTC adopts its State Transit Assistance Allocation Policy described in Attachment A, attached hereto and incorporated by reference, for guidance to eligible claimants in the preparation of their applications for STA funds and to staff for reviewing such applications; and be it further

RESOLVED, that the prior policy governing allocation of State Transit Assistance Funds contained in Resolution No. 2310 is superseded by this resolution.

METROPOLITAN TRANSPORTATION COMMISSION

Bill Dodd

Bill Dodd, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in Oakland, California, on January 23, 2007.

STATE TRANSIT ASSISTANCE ALLOCATION POLICY
Exhibit 1

This policy affects all allocations by the Metropolitan Transportation Commission (MTC) of STA funds, made available under the provisions of Public Utilities Code Sections 99313 and 99314 and relevant subsections.

I. Population-Based Funds (PUC Code 99313) Including Interest Earnings

A. Consolidated Percentages – Base and Prop. 42 funds

The consolidated percentages established in this section pertain to Base and Proposition 42 funds only. The percentages by category do not apply to Spillover funds; the policy for these funds is described separately below.

1. Northern Counties/Small Operators

28.3% of the STA Population-Based funds and interest is reserved for the Northern counties (Marin, Sonoma, Napa, and Solano) and the small operators (LAVTA, Union City, CCCTA, ECCTA, and WestCAT). These funds will be apportioned to each jurisdiction in proportion to its share of the total Northern counties/Small operators' population, as determined by the most recent State Department of Finance estimates.

As with TDA, a coordinated claim will be required if there is more than one eligible operator within those service areas.

2. Regional Paratransit

15.6% of the STA Population-Based funds and interest is reserved for Regional Paratransit purposes to meet the region's requirements under the Americans with Disabilities Act (ADA). These funds will be distributed to each of the nine counties in proportion to each county's share of the region's transportation disabled population, as determined by the 1990 Regional Paratransit Plan and subsequent updates of that plan.

3. MTC Regional Coordination

26.9% of the STA Population-Based funds and interest is reserved for projects and programs that improve regional coordination, including but not limited to:

- TransLink®/Clipper®
- 511
- Transit connectivity

MTC will develop an annual MTC Regional Coordination program. All final programming will be reviewed and approved by the MTC Programming and Allocations Committee (PAC).

4. Lifeline Transportation Program (LTP)

29.2% of the STA Population-Based funds and interest is reserved for Lifeline projects. The Lifeline Transportation Program is intended to improve mobility options for low-income residents in the Bay Area by funding transportation projects designed to address their transportation needs.

5. Transit Emergency Service Contingency Fund

The Transit Emergency Service Contingency Fund shall be used to provide assistance for an emergency response to a qualifying incident or event, under specific circumstances as described in MTC Resolution No. 4171.

The fund shall not exceed a total balance of $1 million of STA Population-Based funds and interest. In any individual fiscal year no more than $333,333 of STA Populated-Based funds and interest shall be apportioned to the fund. Beginning in Fiscal Year (FY) 2015-16 $333,333 in STA Population-Based funds, taken “off the top” from estimated STA Population-Based revenues for the fiscal year, will be apportioned to the fund. Apportionments will continue in subsequent fiscal years until the fund reaches a total of $1 million. In future years should the balance of the fund fall below $1 million funds shall be apportioned in the next fiscal year to restore the full balance of the fund, subject to the annual apportionment limit.

B. Spillover funds

Per MTC Resolution No. 3814, starting in FY 2007-08 and continuing each year as necessary, the first available $62 million in regional population-based Spillover funds is to be distributed as follows: $19 million to restore program reductions to the May 9, 2007 Proposition 1B Transit staff proposal level as well as provide funding to match BART's May 9, 2007 commitment to the BART Extensions to Eastern Contra Costa and Warm Springs (*Lifeline - $10 million, Small Operators /North Counties - $3 million, BART Extension to Warm Springs - $3 million, BART Extension to Eastern Contra Costa County*

- *$3 million*), and $43 million to SamTrans to fulfill the Caltrain Right-of-Way settlement agreement, on a pro rata basis. For FY 2007-08, the population-based Spillover available will be net of the distribution to the Northern Counties and Small Operators per current policy.

II. Revenue-Based Portion (PUC Code 99314)

Funds apportioned to the region based on revenues generated by the transit operators will be allocated for the support of fixed route and paratransit operations, for inter-operator coordination, including the cost of interoperator transfers, joint fare subsidies, integrated fares etc., and for capital projects consistent with the adopted long-range plan.

State Transit Assistance (STA)
Rules and Regulations
for the MTC Region
Exhibit 2

These Rules and Regulations cover the eligibility requirements and the rules for a full or partial allocation of these funds.

Eligibility Requirements

To be **eligible for <u>any</u> STA funds** in the MTC region, an operator must comply with all SB 602 fare and schedule coordination requirements for the fiscal year. The evaluation of operator's compliance with the SB 602 program is made annually.

An operator's requested STA allocation may also be **partially or fully reduced** if the operator did not make satisfactory progress in meeting its Productivity Improvement Program (PIP) and/or the Regional Coordination projects for which each operator is a participant.

SB 602 Requirements/California Government Code Section 66516

Fare coordination revenue-sharing agreements, as specified in the annual Regional Coordination Program, must be fully executed by all participating operators and provisions of the agreement(s) must be in compliance with MTC rules and regulations.

MTC Res. 3866 (Transit Coordination Implementation Plan) documents coordination requirements for Bay Area transit operators to improve the transit customer experience when transferring between transit operators and in support of regional transit projects such as Clipper. If a transit operator fails to comply with the requirements of Res. 3866 or its successor, MTC may withhold, restrict or reprogram funds or allocations.

PIP Projects

PIP projects are a requirement of STA funding. Failure by operators to make a reasonable effort to implement their PIP projects may affect the allocation of these funds. Projects will be evaluated based on actual progress as compared to scheduled. STA funds may be reduced proportionate to the failure of the operator to implement the PIP project/s. Progress in meeting the milestones identified for a project may be used as the basis for assessing reasonable effort.

The amount withheld will be reviewed with the affected operator. Partial funds withheld may be held by MTC up to two years to allow an operator to comply with its PIP as required by statute.

After two years, funds withheld under this section may also be **re-allocated** to any eligible operator for purposes of improving coordination, according to the unfunded coordination projects in the Regional Coordination Plan (MTC Res. 3866 or its successor). MTC may also allocate these funds to any operator whose increase in total operating cost per revenue vehicle hour is less than the increase in the CPI.

Date: May 27, 2015
W.I.: 1514
Referred By: PAC

ABSTRACT

Resolution No. 4184

This resolution adopts MTC's policies and procedures related to its Productivity Improvement Program (PIP). This resolution supersedes Resolution No. 3617, Revised.

Further discussion of this action is contained in the Programming and Allocation's Summary Sheet dated May 13, 2015.

Date: May 27, 2015
W.I.: 1514
Referred By: PAC

Re: MTC Productivity Improvement Program and Technical Assistance Program

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4184

WHEREAS, Public Utilities Code (PUC) section 99244 provides that each transportation planning agency shall annually identify, analyze, and recommend potential productivity improvements which could lower the operating costs of transit operators within the area under its jurisdiction; and

WHEREAS, as provided for in Government Code sections 66500 et seq., the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area; and

WHEREAS, PUC section 99244 provides that recommendations for improvements and productivity shall include, but not be limited to, those recommendations related to productivity made in the triennial performance audits of transit operators conducted pursuant to PUC section 99246; and

WHEREAS, in accordance with PUC section 99244, MTC is required each fiscal year, to make a finding that a transit operator has made a reasonable effort in implementing productivity improvement recommendations prior to approving the allocation of Transportation Development Act funds in an amount greater than was allocated to the operator in the preceding fiscal year; and

WHEREAS, in accordance with PUC section 99314.7, MTC is required each fiscal year, to make a finding that a transit operator has made reasonable effort in implementing productivity improvements pursuant to PUC section 99244, prior to approving the allocation of State Transit Assistance funds to the operator for operating purposes; now therefore be it

RESOLVED, that MTC adopts the policies and procedures set forth in Attachment A, attached hereto and incorporated by reference, which describe MTC's and transit operators' roles and responsibilities for the development and implementation of the Productivity Improvement Program.; and be it further

RESOLVED, that this resolution supersedes MTC Resolution No. 3617.

METROPOLITAN TRANSPORTATION COMMISSION

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Dave Cortese, Chair

The above resolution was adopted by the
Metropolitan Transportation Commission
at a regular meeting of the Commission held in
Oakland, California, on May 27, 2015.

Metropolitan Transportation Commission

Productivity Improvement Program Policies and Procedures

Summary
The Transportation Development Act (TDA) requires that MTC "annually identify, analyze and recommend potential productivity improvements which could lower the operating costs" of transit operators in the MTC region (Public Utilities Code section 99244). Further, Public Utilities Code (PUC) statute requires that operators make a reasonable effort to implement these productivity improvements to be eligible for TDA and State Transit Assistance (STA) funds and that MTC determine that the operator made a reasonable effort to implement the recommended improvement. If MTC finds that an operator has not made a reasonable effort, then the allocation of TDA and STA may be affected as stipulated in the PUC statute.

Each year MTC adopts a Productivity Improvement Program (PIP) by resolution. Each PIP project is listed as part of Attachment A to the resolution. Each listing identifies the transit operator, the title, description, goal for the project, and the anticipated completion date. This resolution also makes the finding that operators have made a reasonable effort to implement their PIP projects as it pertains to allocations for the subsequent fiscal year (e.g., the assessment of reasonable effort in the FY2014-15 PIP projects will affect a request for the allocation of FY2015-16 funds). If MTC finds that operators have not made reasonable effort, then their allocation of TDA and STA funds for the following fiscal year may be affected as directed by PUC Sections 99244 and 99314.7.

Background
In the past, PIP projects were primarily generated from the required TDA performance audit. While TDA statute requires that any recommendation related to productivity arising from the performance audit be included as a PIP project, PIP projects may also be derived from other sources. Starting in FY2014-15, the PIP project development process builds upon the work of the Transit Sustainability Project (TSP). The TSP culminated in May 2012, with the adoption of recommendations for transit operation developed in partnership with the transit operators (MTC Resolution 4060). Operators are encouraged to identify PIP projects from the TSP Recommendations (MTC Resolution 4060).

What are PIP Projects?
Productivity Improvement Projects are projects that will help an operator improve productivity. A PIP project should be a near-term project to help an operator improve system productivity and generally not span more than three years. Operators propose PIP projects or report on existing projects as part of their annual TDA and STA claim. Forms are included in the claim workbook for operators to identify new PIP projects and report on existing PIP projects. Operators should have at least one PIP project annually. If one of the PIP projects is Clipper® implementation, then there should be an additional PIP project. The Triennial TDA Performance Audit may also make productivity recommendations. Any productivity recommendation included in this audit must be included in the PIP.

Project Identification
All transit operators that receive TDA and STA funds for public transportation operations must have at least one project in the PIP and make reasonable effort to implement it. Operators that solely provide community transit services are not subject to this requirement. All operators are required to include any productivity recommendations made in the operator's Triennial TDA Performance Audit (PUC Section 99245). MTC has identified different PIP project requirements for large and small operators.

Large Operators: For the seven largest transit operators (AC Transit, BART, Caltrain, Golden Gate Transit, SamTrans, SFMTA, and SCVTA), performance measures and performance targets were identified as part of the Transit Sustainability Project (TSP). Large operators must achieve at least one performance target by FY2016-17. Large operators were required to submit a Strategic Plan in 2013 and are now required to provide annual updates starting FY2014-15. Each year, achieving one of the TSP performance metrics will serve as the PIP project for large operators. Annually, large operators must also submit the NTD report from the previous fiscal year to MTC.

Small Operators: All other operators are encouraged to identify PIP projects from the Transit Sustainability Project (TSP) recommendations, MTC Resolution No. 4060. TSP Recommendations included:

- Mobility Management
- Corridor/Sub-regional Express Bus Plan Update
- Improved Coordination with regional services such as BART or SMART
- Transit Asset Management

Small operators should refer to MTC Resolution No. 4060 for the complete list of recommendations. They may also propose other PIP projects not part of the TSP Recommendations. In cases where a PIP project derives from a demonstrated need outside of the TSP recommendations, the transit operator should reference the study or documentation that identified the need.

Required Information for PIP Projects
The operator is responsible for developing and submitting new PIP projects to MTC as part of the operator's annual TDA-STA claim. The claim workbook has a form for submitting new PIP projects. For each PIP project, MTC requires that the following information be provided about the project:

- Title
- Goal(s)
- Description
- Major tasks/milestones
- Schedule

MTC staff will review the new project, and if necessary, contact the operator for clarification or comment. Each PIP project must identify milestones. If a project has significant delay, milestones may be used by MTC to assess reasonable effort. Milestones may also be used by MTC to calculate any reduction in allocation of STA funds should one be recommended.

In lieu of completing the PIP Project forms in the TDA-STA claim, large operators will submit their Strategic Plans or Strategic Plan Updates. Large operators should include the required PIP project information in their Strategic Plans.

PIP Project Reporting by Operator
A transit operator is required to report on its progress in implementing its PIP project(s). Operators report to MTC annually as part of the operator's TDA-STA claim submittal. Large operators provide project updates through their Strategic Plan update.

For small operators, the TDA-STA claim (Excel workbook) includes a worksheet tab for completing this report. Reports on the project must be submitted with each subsequent annual TDA-STA claim, until and including the claim in which the completion of the project is reported. If an operator needs to revise a PIP Project, changes may be made as part of the annual reporting. If the revision stems from the failure of the operator to have made a reasonable effort in implementing the project, TDA or STA funds could be jeopardized.

MTC may require that an operator revise the report if information provided is deficient, unclear or ambiguous. MTC may require that an operator provide additional information regarding the implementation of a PIP project in order to assess reasonable effort. MTC may require more frequent reporting on PIP projects which have experienced significant delay.

Schedule
Each year, MTC adopts a Productivity Improvement Program to fulfill the requirements of PUC Sections 99244 and 99314.7. The PIP is adopted by MTC by resolution typically in the Fall. Below is an overview of the schedule:

April-September	***Small Operators*** submit PIP projects to MTC as part of their annual TDA-STA claim, including: • Report on progress of PIP project(s), Form G(a) • Identification of new PIP project(s), Form G(b) • Calculation of Efficiency Standard 1 and Efficiency Standard 2, Form I(d)
July 31	***Large Operators*** deadline to submit Strategic Plan update and NTD Report.
August-September	MTC staff assesses whether reasonable effort has been made to implement current PIP projects and reasonableness of new PIP projects.
Fall	MTC adoption of the PIP and Finding of Reasonable Effort

MTC Required Determination
As required by statute, MTC must determine that all operators have made a "reasonable effort" to implement their PIP projects. If MTC finds that operators have not made reasonable effort, then the allocation of TDA and STA funds may be affected. The MTC finding of reasonable effort applies to the fiscal year following the fiscal year of the PIP (e.g., the assessment of reasonable effort in the FY2014-15 PIP projects will affect a request for the allocation of FY2015-16 funds).

Potential Penalty
A project which has experienced a delay in implementation will be evaluated for "reasonable effort" and a negative finding may affect the amount of TDA and STA funds that MTC may allocate to the operator in accordance with PUC Section 99244 and PUC Section 99314.7, respectively.

STA funds may be reduced proportionate to the failure of the operator to implement the PIP project/s. Progress in meeting the milestones identified for a project may be used as the basis for assessing reasonable effort. The amount withheld will be reviewed with the affected operator. Partial funds withheld may be held by MTC for up to two years to allow an operator to comply with its PIP as required by statute.

Further Information
For further information regarding the PIP, please contact the TDA Program Manager.