



METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Partnership Board

DATE: August 1, 2005

FR: Steve Heminger

RE: Transit General Manager Recommendation

The Bay Area Transit General Managers met on July 18th to discuss the attached memorandum on surplus Federal Transit Administration funds. The recommendation from the group was a hybrid of several of the options: 1) Lift the per project cap for Caltrain from \$7.5 million to \$13 million two years of the program, consistent with the caps for BART and Muni projects; 2) Set aside 20% of the remaining surplus funds to address future capital needs (Option B); and 3) Distribute the remaining 80% of the surplus funds based on the 10% TCP flexible set-aside formula (Option E), which is half ridership and half FTA revenue factors.

MTC staff is also proposing a \$1 million off-the-top contribution for use in developing a better transit capital inventory for the region. There seemed to be support for this concept at the meeting, but it was not explicitly discussed.

Attached is the distribution of funds by operators based on this hybrid recommendation. Details of the various original options are explained in the memorandum date July 18, 2005.

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Attachment

Operator	Baseline - Score 16 Program	\$1 Million for Transit Capital Inventory	Lift Caps for Caltrain to \$13 Million (for FY 2007 and FY 2008)	20% to Future High Scoring Capital	80% Using Flexible Set-Aside	Total
AC Transit	51,707,945			-	18,938,618	70,646,563
ACE	6,667,662			-	2,183,346	8,851,008
BART	144,116,771			-	49,214,169	193,330,940
Benicia	260,548			-	0	260,548
Caltrain	75,812,251		11,000,000	-	4,017,761	90,830,013
CCCTA	6,318,955			-	3,352,870	9,671,825
ECCTA	4,383,387			-	3,116,935	7,500,323
Fairfield	6,333,177			-	0	6,333,177
GGBHTD	63,667,756			-	6,533,815	70,201,571
LAVTA	8,221,689			-	2,016,580	10,238,269
Napa VINE	4,012,632			-	0	4,012,632
SF Muni	175,373,505			-	49,478,304	224,851,809
Samtrans	29,126,516			-	5,796,601	34,923,117
SR City Bus	7,638,173			-	0	7,638,173
Sonoma Cty	3,497,943			-	150,012	3,647,955
Union City	931,397			-	218,567	1,149,965
Vacaville	4,451,817			-	0	4,451,817
Vallejo	13,421,922			-	2,364,232	15,786,155
VTA ⁹	122,788,342		(3,630,000)	-	0	119,158,342
Westcat	2,808,916			-	560,106	3,369,022
Regional - Operator Distr. TBD		1,000,000		36,985,479		37,985,479
Total	731,541,304	1,000,000	7,370,000	36,985,479	147,941,918	924,838,702

Notes:

- 1) The Baseline-Score 16 program includes the proposed program totals based on the consensus reached with the TFWG and PTAC.
- 2) \$1.0 million is proposed to be used to better develop operator transit capital needs.
- 3) The per project caps are lifted for Caltrain from \$7.5 million to \$13 million for FY 2006-07 and FY 2007-08. This results in \$11 million more for Caltrain. This amount is funded 33% from the San Jose urbanized area and 67% from San Francisco Oakland. Because there is no surplus in San Jose, this results in a loss of funds to VTA as identified.
- 4) 20% of the remaining funds are banked for future score 16 capital needs, based on the TCP scoring. The amounts by operator will be determined based on the Regional Priority Model and Multi-County Agreement formula.
- 5) The remaining 80% of the surplus funds are distributed based on the 10% flexible set-aside formula (based on a 50/50 hybrid of revenue generations and ridership).
- 6) Based on urbanized area apportionment eligibility, the following operators are not eligible to receive additional funds: Benicia Transit, Fairfield, Napa VINE, Santa Rosa City Bus, Vacaville, and VTA.
- 7) Operator totals may change as a result of programming corrections and final appropriation amounts.



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Memorandum

TO: Transit Agency General Managers

DATE: July 18, 2005

FR: Steve Heminger

W.I.: 1512

RE: Balance of FY 2006-07 and FY 2007-08 FTA Formula Funds

I. Background

MTC recently made a call for projects to program three years of FTA formula funds totaling roughly \$925 million. The FTA funds are generated by federally established urbanized area formula and are distributed to 21 operators in 12 urbanized areas based on federal regulations and MTC’s Transit Capital Priorities (TCP) policy guidelines memorialized in MTC Resolution No. 3688.

The call for projects resulted in a surplus of funds. Funds available for programming totaled \$925 million; however eligible project costs considered for programming totaled only \$732 million. This leaves \$193 million in surplus funds for future programming.

At the June meetings of the Transit Finance Working Group and Partnership Technical Advisory Committee, a consensus was reached on the MTC staff proposal to proceed with programming the FY 2005-06 year and high scoring capital projects in the latter two years. Specifically, in FY 2005-06 the proposal would fund all score 16 capital projects in competitive UAs, some score 15 projects, and requested multi-score projects in non-competitive UAs. The proposal would also program all score 16 projects in the FY 2006-07 and FY 2007-08 in the competitive UAs and multi-score project requests in non-competitive UAs.

Table 1 below provides a summary of surplus funds available by year and urbanized area.

Table 1

Urbanized Area	SF-Oakland	Concord	Antioch	Livermore	Petaluma	Total
FY 2006-07	90,115,972	12,093,563	2,656,416	624,806	587,030	106,077,786
FY 2007-08	68,353,508	13,394,178	4,843,652	628,274	0	87,219,611
Total	158,469,480	25,487,741	7,500,068	1,253,080	587,029	193,297,397

Given the significant transit shortfalls identified in Transportation 2030, this is an unexpected result. The surplus of funds could be attributed to the following factors, which appear to have converged within this upcoming three-year programming window:

- Many operators are still coping with recession-induced operating shortfalls requiring service reductions. This has forced operators to defer fleet and other capital replacements.
- Most operators have delayed bus replacements until engine technology catches up with California Air Resource Board and EPA fleet emissions standards.
- The Transportation 2030 projected transit capital shortfall is based on total, uncapped need. FTA funding programming eligibility rules assume project funding at the lower capped levels.
- Transit capital needs in the region are cyclical in nature. Based on the 10-year TCP data, the next significant spike in capital replacement is anticipated in 2013-14.
- Some transit properties do not have the capability to accurately develop their capital need over a longer time horizon. Therefore, data submitted for longer-term analysis may not have reflected actual shorter term needs.

Today's discussions will focus on proposals for programming the \$193 million balance of funds.

II. Programming Options

Outlined below are options for discussion for programming the balance of funds in FY 2006-07 and FY 2007-08. Attachment 1 shows fund amounts by option and disaggregates the Score 16 baseline amounts from the six options. Estimated distributions for the three-year programming period, including the baseline, are shown on Attachment 2. Most of the options are not likely to exhaust the available funds; therefore, the Partnership may wish to consider recommending more than one option:

- *Baseline Programming:* The amounts shown on Attachment 1 reflect the baseline proposed programming amounts approved by the TFWG and PTAC, which is anticipated to be adopted by the Commission on July 22, 2005.
- *Option A, Follow TCP Policy and Fund Lower Scoring Projects in Score Order:* This option is the base alternative and is consistent with current programming policy. As a reminder, TCP policy prioritizes funding capital projects in score order until the funds are exhausted. In recent years, the FTA funds have been insufficient to fund all score 16 and 15 projects, therefore, the current call for projects in the region's competitive UAs was limited to higher scoring projects. Because MTC does not currently have the inventory of lower scoring capital projects from project sponsors, another call for projects would have to be made. Potential funds needed for Option A: \$193 million. Operator apportionments illustrated on Attachment 1 are based on the 10-year capital inventory submitted by operators for 2004 policy discussions.
- *Option B, Secure Funds for Future High Scoring Capital Needs:* This proposal would set-aside funds for high scoring capital projects that are eligible for replacement in the future. In the short term, the funds would be directed to other projects slated to move forward in the next two years, and in turn, an equivalent amount of other funds would be directed to high scoring capital projects in the future. This is similar to the recent Commission approval of a funding strategy that would set aside roughly \$45 million in

Second Cycle STP funds for BART's car replacement project. Potential funds needed for Option B: To be determined. Note that the model used on Attachment 1 splits the \$193 million proportionally based on estimated costs associated with CARB/EPA emission technologies of \$55 million and other anticipated higher scoring needs of \$138 million.

- *Option C – Lift Caps:* This proposal would lift the score 16 caps. As a reminder, Transportation 2030 identified all score 16 projects as eligible for funding, irrespective of TCP caps. For the three-year period, the caps were constrained to fixed guideway projects. Potential funds needed for Option C: \$178 million.
- *Option D – Fund Hybrid Buses at 100%:* To date, three transit properties have requested funding for hybrid buses: Muni, LAVTA, and Samtrans. The current TCP policy limits the amount of funding for hybrid (diesel-battery electric) to 150% of the regionally established bus price list. This option could fully fund all requests, based on the current requests, and cost to fund the balance of hybrid buses (including Muni and LAVTA's prior year capped request). In addition, funding for hybrid buses for other operators would be considered. Potential funds needed for Option D: \$20 million.
- *Option E – Distribute the balance of funds based on the TCP 10% flexible Set-aside Amounts:* This proposal would redistribute the overage of funds in each UA based on the 10% flexible set-aside formula established during the FY 2006 through FY 2008 TCP discussions. Attachment 5 shows the distribution percentages by operator and UA. Potential funds needed for Option E: \$193 million or as determined by the Partnership.
- *Option F – Regional Transit Connectivity and Efficiency Projects:* This proposal would set aside funds for Real Time Transit. Potential funds needed for Option F: \$20 million.

The proposed funding amount is based on an MTC staff estimate of remaining capital needs to provide functioning real-time transit systems, after accounting for the RM2 funding to several operators. The estimate includes leveraging existing AVL systems by adding real-time predictions and signage at key stops. It also includes new combined AVL/real-time systems for smaller agencies that have not yet invested in AVL technology with signage at key transfer points and stops in those operators' service areas.

- *Option G – Transitional Costs for Transit Consolidation:* Costs associated with this option are not yet available. The proposal would fund transitional costs associated with transit consolidation. East Bay suburban bus agencies in Alameda and Contra Costa counties are studying alternatives for improving service efficiency and connectivity, including consolidation of two or more operators or functional areas that could be delivered jointly. In addition, consolidating the region's commuter rail systems will be evaluated in the forthcoming regional rail study funded by Regional Measure 2. Potential funds needed for Option G: To be determined.

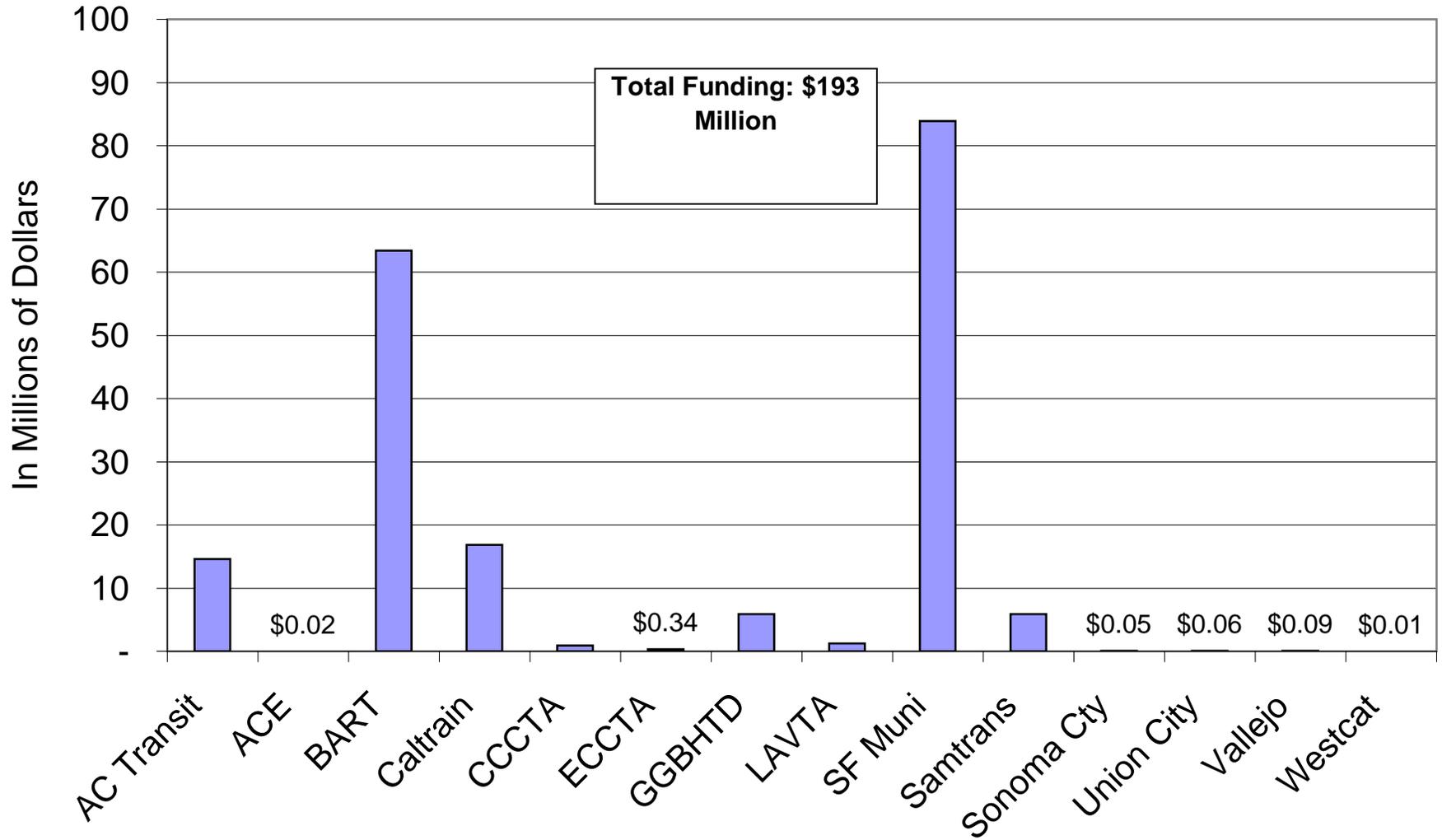
The TFWG collectively supported some hybrid distribution that included Options B and E.

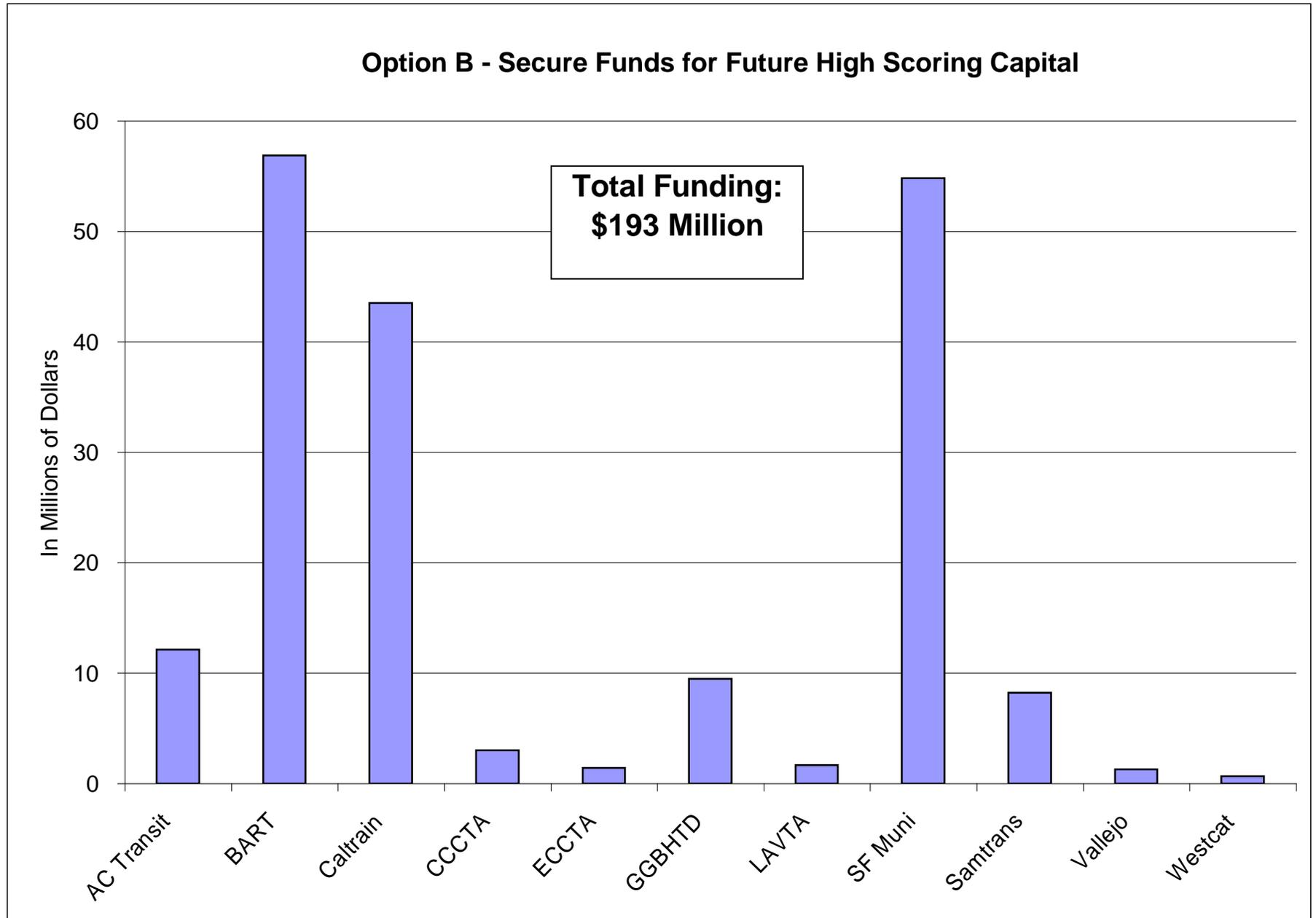
In addition, the region may wish to consider setting aside some funds to address the on-going challenges of tracking the region's transit capital inventory. For most operators, recent capital data collected by MTC has been markedly different between multiple solicitations. The region could decide to use a relatively small amount of FTA funds for securing uniform transit capital data. The TFWG and PTAC were supportive of this idea.

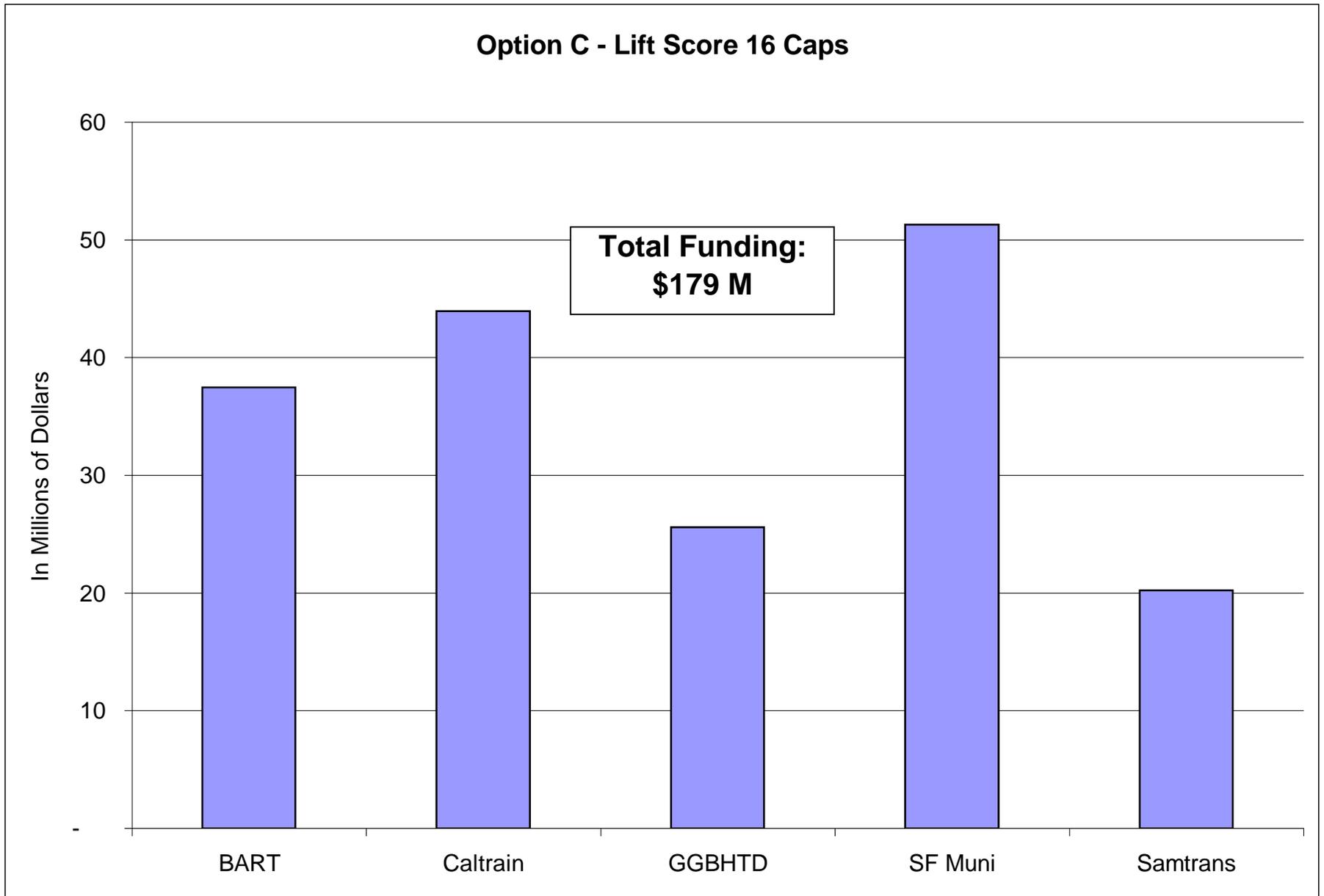
FY 2004-05 and FY 2006-07 STP Funds

As a reminder, the Commission' policy directs these funds to operators showing a score 16 shortfall in FY 2004-05 and FY 2006-07, with priority funding given to those operators showing Transportation 2030 shortfall, excluding BART as STP funds are being escrowed for their future fleet replacement. Since all of the score 16 needs have been met in the FTA program, MTC staff is recommending that programming of these funds be deferred to the Third Cycle STP Programming (FY 2007-08 and FY 2008-09). As part of the third cycle program development, there will need to be further discussion about whether there is a score 16 need for these funds or whether the funds should be redirected to another program category.

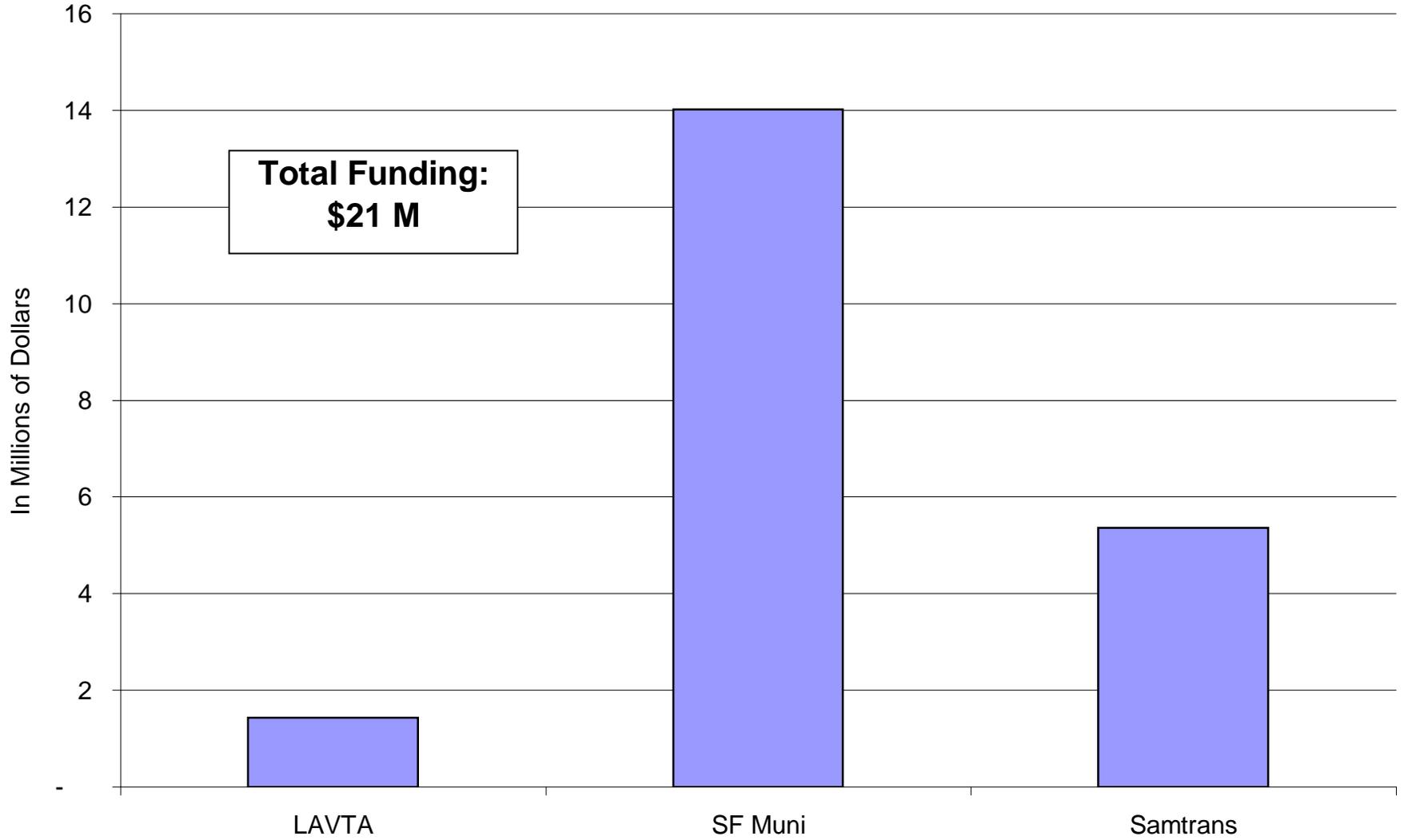
Option A - Fund Lower Scoring Projects





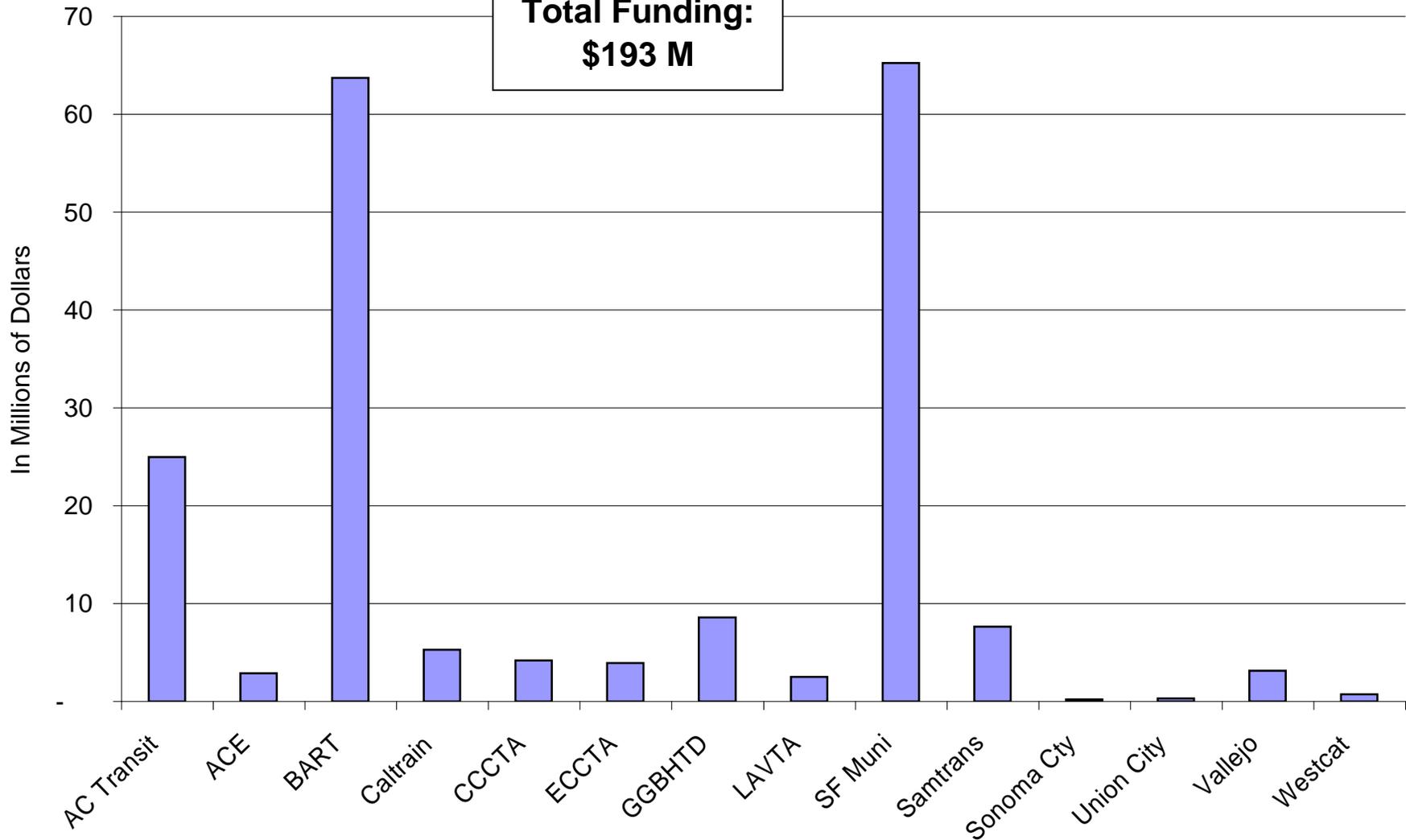


Option D - Fund Hybrids at 100% of Cost

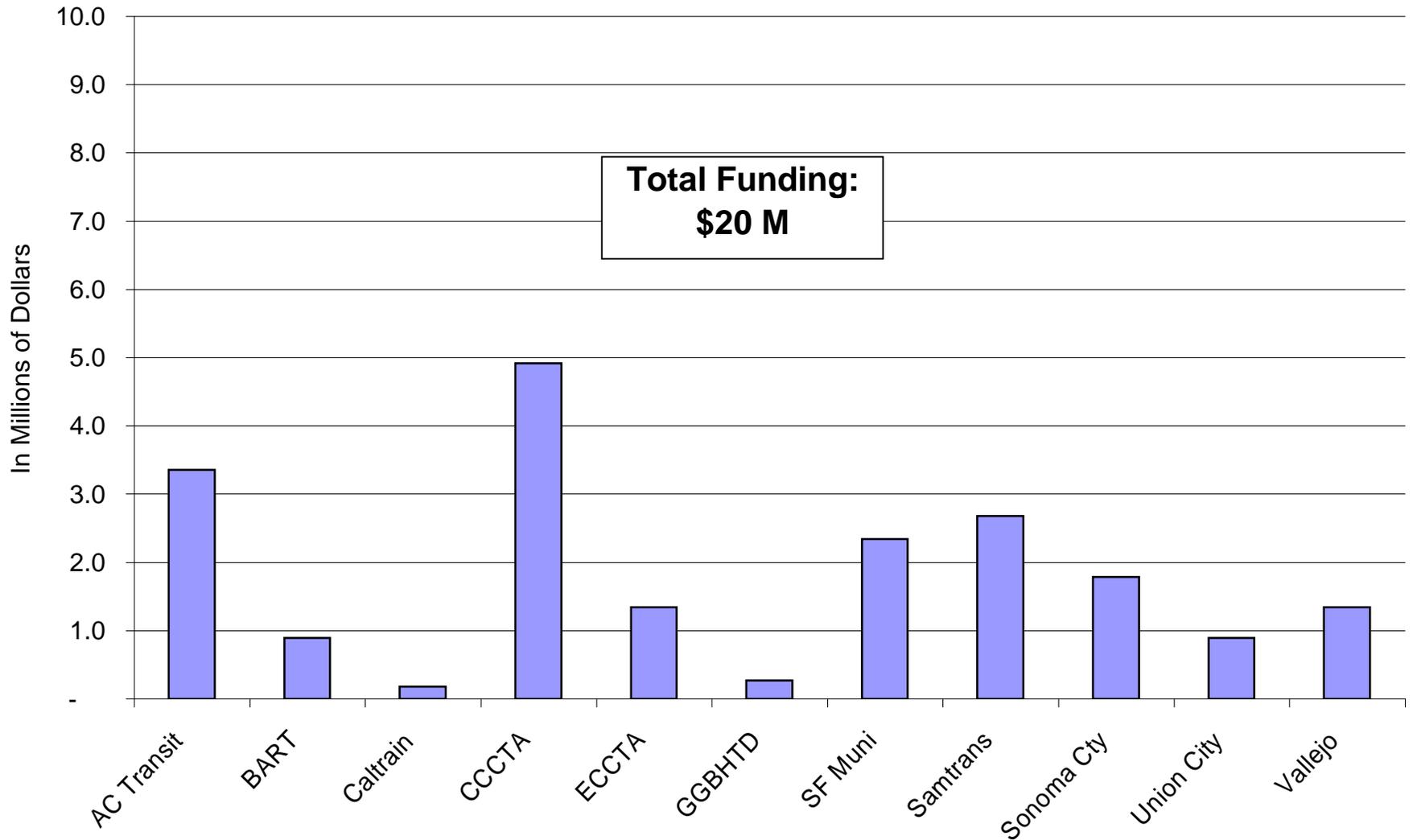


Option E - 10% Flexible Set-aside Distribution

**Total Funding:
\$193 M**



Option F - Regional Connectivity (\$20 Million Set-aside)



Attachment 2

Operator	Baseline - Score 16 Program	Baseline Plus Option A - F					
		(A) Fund Lower Scoring Projects	(B) Secure Funds for Future High Scoring Capital	(C) Lift Score 16 Caps	(D) Fund Hybrids @ 100%	(E) Distribute Using 10% Flexible Set-aside	(F) Regional Connectivity (\$20 million Set-aside)
AC Transit	51,707,945	66,275,341	63,845,691	51,707,945	51,707,945	76,676,280	55,060,649
ACE	6,667,662	6,691,940	6,667,662	6,667,662	6,667,662	9,525,844	6,667,662
BART	144,116,771	207,545,408	201,010,919	181,596,771	144,116,771	207,836,670	145,010,825
Benicia	260,548	260,548	260,548	260,548	260,548	260,548	260,548
Caltrain	75,812,251	92,656,303	119,348,634	119,748,091	75,812,251	81,109,196	75,991,062
CCCTA	6,318,955	7,197,191	9,362,370	6,318,955	6,318,955	10,528,873	11,236,255
ECCTA	4,383,387	4,726,235	5,821,110	4,383,387	4,383,387	8,292,609	5,724,469
Fairfield	6,333,177	6,333,177	6,333,177	6,333,177	6,333,177	6,333,177	6,333,177
GGBHTD	63,667,756	69,591,451	73,183,136	89,267,756	63,667,756	72,264,017	63,935,972
LAVTA	8,221,689	9,492,155	9,891,687	8,221,689	9,656,575	10,754,026	8,221,689
Napa VINE	4,012,632	4,012,632	4,012,632	4,012,632	4,012,632	4,012,632	4,012,632
SF Muni	175,373,505	259,281,252	230,219,287	226,659,007	189,392,282	240,604,815	177,715,928
Samtrans	29,126,516	35,033,478	37,348,955	49,363,424	34,491,435	36,768,651	31,808,680
SR City Bus	7,638,173	7,638,173	7,638,173	7,638,173	7,638,173	7,638,173	7,638,173
Sonoma Cty	3,497,943	3,543,080	3,497,943	3,497,943	3,497,943	3,687,243	5,286,052
Union City	931,397	987,432	931,397	931,397	931,397	1,219,553	1,825,452
Vacaville	4,451,817	4,451,817	4,451,817	4,451,817	4,451,817	4,451,817	4,451,817
Vallejo	13,421,922	13,511,877	14,742,733	13,421,922	13,421,922	16,538,884	14,763,004
VTA ⁹	122,788,342	122,788,342	122,788,342	122,788,342	122,788,342	122,788,342	122,788,342
Westcat	2,808,916	2,820,870	3,482,488	2,808,916	2,808,916	3,547,350	2,808,916
Total	731,541,304	924,838,701	924,838,701	910,079,554	752,359,886	924,838,701	751,541,304

Operator	Baseline - Score 16 Program	(A) Fund Lower Scoring Projects	(B) Secure Funds for Future High Scoring Capital	(C) Lift Score 16 Caps	(D) Fund Hybrids @ 100%	(E) Distribute Using 10% Flexible Set-aside	(F) Regional Connectivity (\$20 million Set-aside)
AC Transit	7.1%	7.2%	6.9%	5.7%	6.9%	8.3%	7.3%
ACE	0.9%	0.7%	0.7%	0.7%	0.9%	1.0%	0.9%
BART	19.7%	22.4%	21.7%	20.0%	19.2%	22.5%	19.3%
Benicia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Caltrain	10.4%	10.0%	12.9%	13.2%	10.1%	8.8%	10.1%
CCCTA	0.9%	0.8%	1.0%	0.7%	0.8%	1.1%	1.5%
ECCTA	0.6%	0.5%	0.6%	0.5%	0.6%	0.9%	0.8%
Fairfield	0.9%	0.7%	0.7%	0.7%	0.8%	0.7%	0.8%
GGBHTD	8.7%	7.5%	7.9%	9.8%	8.5%	7.8%	8.5%
LAVTA	1.1%	1.0%	1.1%	0.9%	1.3%	1.2%	1.1%
Napa VINE	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%	0.5%
SF Muni	24.0%	28.0%	24.9%	24.9%	25.2%	26.0%	23.6%
Samtrans	4.0%	3.8%	4.0%	5.4%	4.6%	4.0%	4.2%
SR City Bus	1.0%	0.8%	0.8%	0.8%	1.0%	0.8%	1.0%
Sonoma Cty	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%	0.7%
Union City	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Vacaville	0.6%	0.5%	0.5%	0.5%	0.6%	0.5%	0.6%
Vallejo	1.8%	1.5%	1.6%	1.5%	1.8%	1.8%	2.0%
VTA ⁹	16.8%	13.3%	13.3%	13.5%	16.3%	13.3%	16.3%
Westcat	0.4%	0.3%	0.4%	0.3%	0.4%	0.4%	0.4%
Total	100%	100%	100%	100%	100%	100%	100%

Notes:

- 1) The **Baseline-Score 16 program** includes the proposed program totals based on the consensus reached with the TFWG and PTAC.
- 2) **Options A through F** build on the Baseline Score 16 Program.
- 3) **Option A** funds lower scoring projects in score order based on 10 year project submittals during the 2004 TCP discussions. To proceed with this option, MTC would need to update the project list and screen projects for eligibility, therefore, actual amounts may differ from distribution above.
- 4) **Option B** funds sets-aside roughly \$55 million for future costs associated with CARB/EPA bus emission regulations and \$138 million for future rail fleet replacements. The split between the two categories was based on proportional need. BART's amount was adjusted for the anticipated STP set-aside of approximately \$22 million per year. CARB/EPA technology costs were modeled at 150% of actual bus costs as used for the RTP and 10 year TCP capital costs. To proceed with this option, MTC would need to update the project list and screen projects for eligibility, therefore, actual amounts may differ from distribution above.
- 5) **Option C** distributes funds to Score 16 rail and bus projects that were capped during the three year programming period. This option does not fully utilize the funds available.
- 6) **Option D** funds hybrid buses at 100% of estimated costs. Currently these buses are funded at 150% of the regional bus price list. Estimate costs for hybrids were based on 70% over standard bus prices (per research done by MTC in 2003) escalated by 3.5% annually. This would be applied retroactively and would fund Muni and LAVTA's bus purchases in 2005 in addition to requests between 2006-2008.
- 7) **Option E** proposes to distribute 100% of the funds available to operators based on the 10% flexible set-aside formula (based on a 50/50 hybrid of revenue generations and ridership).
- 8) **Option F** distributes a \$20 million set-aside for implementing Real-Time Transit based on estimated capital need.
- 9) VTA apportionments may be subject to 33% San Jose UA match for Caltrain projects which would reduce amounts shown for VTA.
- 10) Based on urbanized area apportionment eligibility, the following operators are not eligible to receive additional funds: Benicia Transit, Fairfield, Napa VINE, Santa Rosa City Bus, Vacaville, and VTA.