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TRANSPORTATION
COMMISSION

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Memorandum

TO: Commission

DATE: May 16, 2007

FR: Chair

RE: Proposition 1B Regional Transit Funding

As you may know, late last week the BART Board of Directors discussed and supported an offer of $40 million of their revenue-based bond funds for the eBART and Warm Springs extensions if MTC would match that amount with $40 million in regional population-based bond funds. In addition, discussions among San Francisco, San Mateo and Santa Clara county officials are continuing over the Caltrain right-of-way issue that MTC staff has proposed as a condition for release of certain regional population-based bond funds.

In light of these recent and ongoing developments, I will recommend at the May 23rd Commission meeting that we continue this item for one month until our June 27th meeting. I am encouraged by these developments and hope that a little extra time will produce a better result for the region as a whole.

Bill Dodd

Bill Dodd

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Memorandum

TO: Programming and Allocations Committee DATE: May 9, 2007

FR: Executive Director

RE: Funding Proposal for Proposition 1B Regional Transit Funding – Resolution 3814

1. Summary

At its January meeting, the Legislation Committee directed staff to prepare a draft proposal for the Proposition 1B Population-based Transit capital funding, with an emphasis on how these funds might help address the needs of low-income and minority communities.

The staff proposal, released at the March 7, 2007 Programming and Allocations Committee meeting, developed a framework for the distribution of the roughly $347 million in Proposition 1B Regional Transit capital funds and the $72 million in uncommitted State Transit Assistance (STA) regional discretionary funds estimated to be available over the next ten years. Note that both the Proposition 1B and the STA funding are estimated. The Proposition 1B Regional funding is based on the Bay Area's population relative to the state's population. The STA funding estimate is based primarily on state fuel tax receipts and is subject to fluctuation over the next decade.

Based on direction from this committee and input from advisory committees, partner agencies and the public, staff has revised the proposal and recommends that this committee refer the proposal to the Commission for approval.

2. Policy Principles

The capital and operating funding available provides a much-needed funding infusion for Bay Area public transportation needs. However, the estimated $419 million available over 10 years falls well short of Bay Area transit needs. Staff largely focused the investments to augment existing programs such as the Lifeline program, the transit expansion program and small operator assistance. To assist with developing the program framework, staff developed the following policy principles:

- Expand "Lifeline" commitment to low-income communities;
- Invest in the Urban Core to support Smart Growth Vision;
- Provide funding for ridership growth on smaller transit systems; and
- Continue progress in clean air bus compliance.

3. Staff Proposal

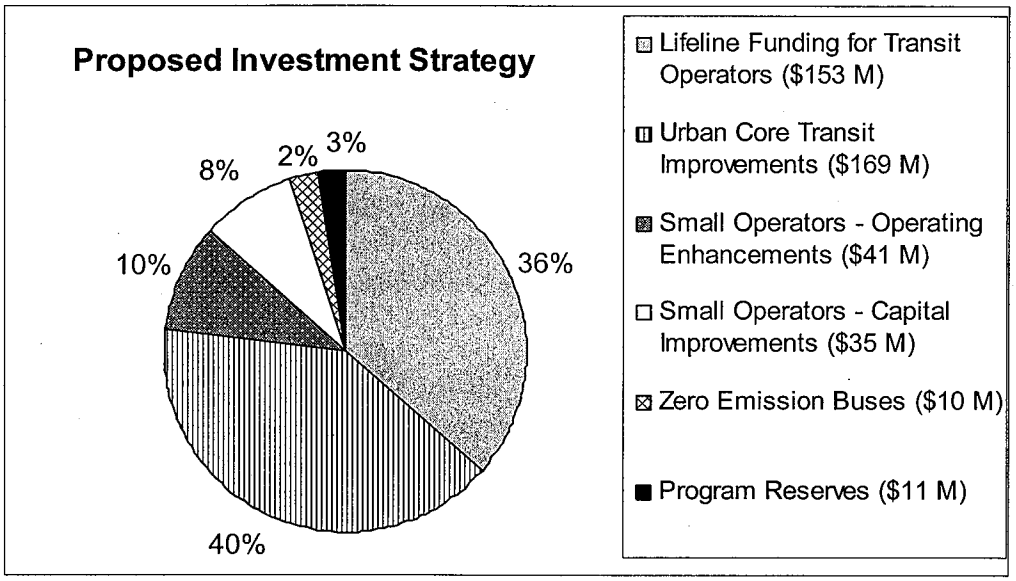
The summary below illustrates the ten-year investment strategy for STA and Proposition 1B capital funds. The STA Base and Proposition 42 forecasts are subject to state revenue fluctuations. It is staff's intent that STA increases or decreases over the 10-year horizon will be shared proportionally by the program categories.

Proposition 1B Regional Transit Funding Program - Fund Sources and Programming

Base Policy - 1991 Total 10-Year: $198 M OPERATING/CAPITAL		Proposition 42 Program - 2005 Total 10-Year: $181 M OPERATING/CAPITAL		Proposition 1B Program - 2007 Total 10-Year: $347 M CAPITAL	
Existing Programming					
Northern Counties/ Small Operators	$62	TransLink®	$44	No Existing Programming	
Paratransit	$43	Lifeline	$91		
Regional Coordination*	$67				
Proposed New Programming					
Lifeline	$20	Northern Counties/ Small Operators	$41	Lifeline*	$133
Program Reserve	$6	Reserve	$5	Urban Core	$169
				BART to SFO/Warm Springs ($24M) SF Muni Central Subway ($100M) Santa Clara VTA Bus Rapid Transit ($45M)	
				Northern Counties/ Small Operators	$35
				Zero Emission Bus Program	$10
Total	$26	**Total**	$46	**Total**	$347

* Up to $32 million in Regional Coordination expenses may be swapped to Prop 1B capital fund to increase the operating capacity within the augmented Lifeline program.

Staff recommends that the lion's share of the $419 million be invested in Lifeline and urban core transit improvements. As summarized below, the program also includes operating and capital funding for the small operators throughout the region, funding for the California Air Resources Board mandated Zero Emission Bus Demonstration (ZEB) Program, and a reserve to protect against downturns in the 10-year forecasted STA revenue stream. The policy for distribution of the reserve will be developed at a later date.



4. Comments Received to Date

After release and posting of the proposal on the MTC website, MTC staff has received comments from various stakeholder groups. The comments received are summarized in Attachment 1. Comments were accepted through May 1, 2007. Oral comments will also be taken at the May 9, 2007 Committee meeting. Summaries of the comments received from committees that advise the Commission directly are listed below.

Bay Area Partnership

The Partnership noted that the proposal development process could have been more open and inclusive of the region's many transportation agencies. In addition, the Partnership voiced general support and sought additional flexibility for the Lifeline and small operator programs, did not reach a consensus on the Urban Core category, and expressed various positions about the conditions imposed on the transit operators with respect to Urban Core project recommendations.

MTC Advisory Council

The Advisory Council asked staff to look into maximizing operating funds for Lifeline category. They were concerned about funding in the Small Operator categories, and opposed the BART to SFO/Warm Springs funding component. In addition, the Advisory Council recommended that a process be adopted to distribute funds in the event of project failure in the urban core transit improvement category.

MTC Minority Citizens Advisory Committee

The Minority Citizens Advisory Committee requested that more funds be dedicated to the Lifeline program, voiced support for the San Francisco Muni Central Subway and Santa Clara Valley Transportation Authority (VTA) Line 522/523 Bus Rapid Transit projects and opposition to the BART to SFO/Warm Springs funding component.

MTC Elderly and Disabled Advisory Committee

The MTC Elderly and Disabled Advisory Committee was generally supportive of the proposal, but is slated to receive a follow-up briefing on May 3, 2007 and may have further comments.

In addition to stakeholder comments, at your March meeting Commissioners asked how the proposal addresses greenhouse gas emissions and paratransit needs.

- *Greenhouse Gas Emissions* - The policy principles attempt to balance the multiple transit, land use/housing, and clean air objectives in the region. The investments in the urban core transit improvements and ZEB program, in particular, provide benefit to the region's emission reduction efforts. Based on staff analysis, the potential reduction in CO_2 emissions is estimated to be over 55 tons per day by 2025 for these program areas.

- *Paratransit* - Additional funding is not available to increase Paratransit funding. The annual Paratransit operating need in FY 2005-06 is roughly $110 million of the $1.9 billion regional transit operating budget. The limited operating funding available in this proposal, estimated at $72 million over 10-years - about $7 million per year - could not make a significant contribution to this need. However, the increase of flexible operating/capital for smaller transit systems could help address some Paratransit needs.

5. Response to Comments/Recommended Revisions Within Proposed Transit Program
As noted above, the proposal is focused around four major program areas and a reserve. The following information is provided below on each program area: background, comments received and staff recommendation.

A. Expand "Lifeline" commitment to low-income communities:
Background - The Commission has shown a strong commitment to the Lifeline program and the current proposal directs over one-third of available programming, or $153 million to the Lifeline program. This is over and above the roughly $91 million expected to be available over the next 10 years from the Transportation 2030 commitment. Staff recommends that the Lifeline program be administered through the existing county-level process managed by the congestion management agencies (and co-administered in Santa Clara County by VTA and the County Social Services Agency). Project selection will be determined county by county based on priorities developed through the local Community Based Transportation Plan or an equivalent as identified in the Lifeline Transportation Program guidelines.

Comments Received: Staff has received a wide range of feedback, from concerns that the proposed funding level was not enough, that it was too high compared to other needs, and that it was too inflexible. Comments also addressed the distribution process. The majority of agencies supported the existing process administered at the county level, while one agency urged MTC to administer the Lifeline funding in this proposal as a one-time funding source. Additionally, comments highlighted the need for operating funds, noting that the majority of Lifeline needs are operating needs.

Staff Recommendation: After further review, staff recommends: 1) maintaining the funding level at $153 million; 2) working with the Congestion Management Agencies and transit operators to establish an allocation process based on both the Community Based Transportation Plans and operators' needs assessments that will provide greater flexibility in identifying Lifeline needs; and 3) recognizing the limitations of capital funding in the Lifeline program and maximizing the use of the $52 million in additional Lifeline operating funds included in the proposal.

B. Invest in Urban Core to support Smart Growth Vision
Background - The Proposition 1B Regional Transit Program includes $169 million to address funding shortfalls on projects that will add transit capacity in the urban core of the region. It should be noted that these projects cover areas in the inner part of the region that have recently been assigned much higher 'smart growth' housing projections and are now seeking additional transit capacity to accommodate significant increases in population.

Comments Received - Staff received comments in support and opposition to the recommended projects. In addition, comments were received requesting staff consider additional projects – as noted below. Comments were also received that noted that the San Francisco Muni Central Subway and the VTA Line 522/523 Bus Rapid Transit projects enhance service in Lifeline corridors and serve low-income populations.

Staff Recommendation - In April 2006, the Commission updated Resolution 3434, the Regional Transit Expansion Program. Currently, the $13.5 billion program has identified shortfalls approaching $3 billion. Clearly, the demand for capital funding for transit expansion projects is greater than the region's

available funding. The urban core transit improvement proposal attempts to close the funding gap on projects able to meet the following criteria:

- Projects with a shortfall within the magnitude of funding available
- Sponsors that are willing and able to meet a 1:1 match requirement using Proposition 1B Transit revenue-based funds
- Projects that add transit capacity to cities accepting housing allocations above 5,000 new units based on ABAG's Regional Housing Needs Allocation

With the limited funding available, based on the above criteria, staff is recommending three projects for funding: 1) BART to SFO/Warm Springs - $24 million; 2) San Francisco Muni Central Subway - $100 million; and 3) Santa Clara VTA Line 522/523 Bus Rapid Transit - $45 million. The proposed funding, with the matching commitment from sponsors, shores up the project funding plans and provides the financial certainty necessary to move towards project delivery. As the Committee is aware, the first project commitment was approved by previous Commission action in February.

In addition to the requirement that Urban Core projects have a full funding plan and provide a 1:1 match in Proposition 1B Transit Revenue-based funds, staff recommends allocations to the San Francisco Muni Central Subway and the Santa Clara VTA Line 522/523 Bus Rapid Transit be contingent upon settlement of outstanding Caltrain Right-of-Way issues between Santa Clara VTA, San Francisco Municipal Transportation Agency (SFMTA), and SamTrans dating back to 1991. SFMTA staff has not objected to the condition and is currently engaged in negotiations with SamTrans to identify a mutually agreeable settlement. Santa Clara VTA has objected to the condition, stating that MTC should not link the current proposal to the Caltrain issue. Staff will update the Committee of any new developments at the meeting.

At the request of partner agencies, staff reviewed three additional projects against the criteria outlined above: 1) Dumbarton Rail; 2) BART extension to eastern Contra Costa (eBart); 3) Transbay Terminal Phase II. The Dumbarton Rail project is not able to access additional funding to fulfill the 1:1 match requirement. BART has indicated that their revenue-based Proposition 1B funding will be dedicated to maintenance and rehabilitation of the existing system, and has not made match available to eBART. The funding requirements of the Transbay Terminal Phase II projects are beyond the magnitude of the Proposition 1B transit program.

Staff acknowledges that these and other projects in the Resolution 3434 program continue to face funding shortfalls. We expect to return to this Committee in the near future to discuss additional strategies to address the remaining shortfalls.

C. Provide funding for ridership growth on smaller transit systems

Background - The Proposition 1B Regional Transit Program includes $41 million to address operating and capital needs of small operators as a result of the unprogrammed surpluses in the STA Proposition 42 program over the next 10 years. These operating funds would be allocated among the small operators in the same proportions as the current STA Base program formula. In addition, the Proposition 1B Regional Transit Program originally included $25 million for small operator capital projects, also allocated by STA formula and subject to match requirement. Eligible small operators would be those North County/Small Operators currently eligible for population-based funds in the STA Base program.

Comments Received – Small operators highlighted the need for flexible funding that could address operating needs and requested additional Proposition 1B funding for capital projects. Small operators requested the Proposition 1B funds be distributed based on existing formula, not by a competitive process. Small operators noted that the match requirement may be challenging and requested that any fund source could serve as the match. In addition, staff from the Water Transit Authority requested that the Alameda/Oakland Ferry be considered for funding under the small transit systems category.

Staff Recommendation: Based on concerns that the original proposal does not adequately address their needs, staff has reviewed capital needs of the Small/Northern Counties transit operators and operator matching capacity. Based on this assessment, staff recommends modifying the proposal to: 1) increase Small Operators and Northern Counties Capital program from $25 to $35 million and reduce the Zero Emissions Bus (ZEB) Proposition 1B program by $10 million, and instead direct STP Transit Shortfall and FTA formula funds to meet ZEB demonstration requirements; 2) reduce local match to 2:1 (for every $2 in Population-based funds, require $1 match local/other match); and 3) distribute capital funding based on existing STA formula instead of a competitive program. The match could also aid delivery of federal projects by using the Proposition 1B funds as non-federal match. The revised distribution of these small operator/northern counties capital funds is depicted in the following table:

Northern Counties/ Small Operators	Prop 1B $35 Million	Local Match	Total
Marin	3.7	1.9	5.6
Napa	2.0	1.0	3.0
Solano	6.2	3.1	9.3
Sonoma	7.1	3.5	10.6
CCCTA	7.2	3.6	10.8
ECCTA	4.0	2.0	6.0
LAVTA	2.8	1.4	4.2
Union City	1.0	0.5	1.6
WestCat	1.0	0.5	1.5
TOTAL	35.0	17.5	52.5

Further, to advance the objective of service coordination and potential agency consolidation in Solano County, staff is recommending that the Solano Transportation Authority concur with the annual release of both the capital and augmented STA operating assistance to the individual transit properties in the county. To accomplish this in Solano County, Vallejo Transit's funds will be aggregated into the Solano County total.

Based on existing STA and Transit Development Assistance (TDA) statutes, the Alameda/Oakland Ferry is not an eligible claimant for STA funding. Staff recommends restricting the Proposition 1B funding to eligible STA and TDA claimants as well. Staff will continue working with the Water Transit Authority to explore other funding opportunities for ferry services.

D. Continue Progress in Clean Air bus compliance

Background: In light of recent California Air Resources Board (CARB) directives and MTC's own efforts to improve air quality, the proposal includes $10 million for the purchase of Zero Emission Buses (ZEB) for the regional ZEB program led by AC Transit and Santa Clara VTA.

Comments Received – Comments were generally in favor of the proposed ZEB program investment. Operators noted that the funding is needed immediately based on the timeline released by CARB.

Staff Recommendation - Staff is recommending $10 million for the state mandated ZEB program. As noted above, the original proposal released on March 7 included $20 million for the state mandated ZEB program. The revised recommendation funds the ZEB program with $10 million in Proposition 1B funds and an additional $10 million in regional STP Transit Shortfall or FTA formula funds to meet ZEB demonstration requirements. This investment contributes to the region's emission reduction efforts. Staff also is seeking funding from the Bay Area Air Quality Management District and other sources to cover the overall $37 million cost of the ZEB program.

Next Steps
The proposal is comprised of funding – Proposition 1B and State Transit Assistance – that will flow annually through separate legislative processes. Staff will work to deliver the proposed investment strategy as outlined below:

Proposition 1B Transit: Distribution of Proposition 1B transit funds will be based on annual appropriation by the Legislature and state program guidelines that have yet to be developed. Staff will work with partner agencies to ensure the regional program meets all legislative and program requirements. In addition, staff will work with partner agencies to develop regionwide annual cash flow needs, to match the annual appropriation process.

STA: Distribution of the STA Base and Proposition 42 funds in the current proposal is slated to begin in FY 2008-09, as current year and FY 2007-08 funds are already committed through the MTC fund estimate. Staff will return to amend the Population-based policy prior to December 2007 to implement this proposal and will annually reassess the Reserve based on MTC's annual fund estimate.

Recommendation
Staff recommends the Programming and Allocations Committee refer the proposed Proposition 1B Regional Transit Funding Program, MTC Resolution No. 3814, to the Commission for approval.

Steve Heminger

SH
Attachments

Date: May 23, 2007
W.I.: 1515
Referred by: PAC

ABSTRACT

Resolution No. 3814

This resolution adopts the programming framework for the Proposition 1B Regional Transit Funding Program for the San Francisco Bay Area.

Further discussion of this action is contained in the MTC Executive Director's Memorandum dated May 9, 2007.

Attachment A	Proposition 1B Investment Categories
Attachment A-1	Estimated Uncommitted STA Base and Proposition 42 Investment Categories
Attachment B	Terms and Conditions

Date: May 23, 2007
W.I.: 1515
Referred by: PAC

RE: Programming Framework for the Proposition 1B Regional Transit Funding Program

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 3814

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, MTC has adopted, pursuant to Government Code Sections 66508 and 65080, a Regional Transportation Plan (RTP); and

WHEREAS, Senate Bill 1266 (Statutes 2006, Chapter 25) establishes the Public Transportation Modernization, Improvement, and Service Enhancement Account as part of the Highway, Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 (Government Code 8879.20 et seq.) ; and

WHEREAS, MTC is the recipient of the population-based funding in the Public Transportation Modernization, Improvement, and Service Enhancement Account and State Transit Assistance (STA) funds pursuant to Public Utilities Code Section 99313 and 99314; and

WHEREAS, MTC is the recipient of the population-based State Transit Assistance (STA) funds pursuant to Public Utilities Code Section 99312; and

WHEREAS, MTC has developed, in cooperation with partner agencies and public input, a Programming Framework for the Proposition 1B Regional Transit Funding Program, including additional STA base and Proposition 42 funding estimated to be available between FY 2008-09 and FY 2017-18 after meeting existing commitments; and

WHEREAS, staff has prepared program priorities for the Proposition 1B funding established in Attachment A and subject to conditions in Attachment B, said attachments attached hereto and incorporated herein as though set forth at length; and

WHEREAS, staff has prepared program priorities for the additional STA Base and Proposition 42 funds, after considering existing commitments between FY 2008-09 and FY 2017-18, established in Attachment A-1, attached hereto and incorporated herein as though set forth at length, `and subject to conditions in Attachment B; and

WHEREAS, a public comment and input period was held between March 7, 2007 and May 1, 2007 on the Programming Framework for the Proposition 1B Regional Transit Funding Program; and

WHEREAS, MTC's Programming and Allocations Committee has considered public comments and input and recommends adoption of the Programming Framework for the Proposition 1B Regional Transit Funding Program; now, therefore, be it

RESOLVED, that MTC adopts the Programming Framework for the Proposition 1B Regional Transit Funding Program, attached hereto as Attachment A and A-1 and finds it consistent with the RTP or proposed changes to the RTP; and, be it further

RESOLVED, that staff is directed to identify and adopt annual priorities for the Proposition 1B funding based on annual appropriation levels set by the Legislature, project cash flow needs, and funding limits and conditions established in Attachments A and B; and

RESOLVED, that staff is directed to identify a specific allocation method for State Transit Assistance (STA) Population Base and Proposition 42 funds, identified in Attachment A-1, no later than December 2007, before the development of the FY 2008-09 Fund Estimate; and

RESOLVED, that staff prepare amendments to the existing STA Population-Based Policy (MTC Resolution 2310) to incorporate the funding allocation established to allow annual estimates for programs in Attachment A-1 for further Commission review and approval; and

RESOLVED, that MTC's adoption of the Programming Framework for the Proposition 1B Regional Transit Funding Program is for planning purposes only, with each project still subject to MTC's project review and application approval pursuant to MTC Resolution Nos. 3115 and 3075; and, be it further

RESOLVED, that the Executive Director shall forward a copy of this resolution, and such other information as may be required to the California Transportation Commission, Caltrans, and to such other agencies as may be appropriate.

METROPOLITAN TRANSPORTATION COMMISSION

_____

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 May 23, 2007.

Date: May 23, 2007
W.I.: 1515
Referred by: PAC

Attachment A
Resolution No. 3814

Proposition 1B Commitments

Investment Category	Source	Amount (in millions)
Lifeline		
Lifeline Funding for Transit Operators	Prop 1B	133
Subtotal - Lifeline Program		**133**
Urban Core Transit Improvements		
BART to SFO/Warm Springs	Prop 1B	24
San Francisco Muni Central Subway	Prop 1B	100
Santa Clara VTA Line 522/523 Bus Rapid Transit	Prop 1B	45
Subtotal - Urban Core Transit Improvements		**169**
Small Operators/North Counties		
Small Operators - Capital Improvements	Prop 1B	35
Subtotal - Small Operators		**35**
Zero Emission Bus Program		
ZEB AC Transit	Prop 1B	6
ZEB Santa Clara VTA	Prop 1B	4
Subtotal - Zero Emission Buses		**10**
Total		**$347**

Note: Based on Bay Area population share of Proposition 1B Transit, using 19% of $1.5 billion statewide population total.

Date: May 23, 2007
W.I.: 1515
Referred by: PAC

Attachment A-1
Resolution No. 3814
Page 1 of 1

STA Base and Proposition 42 Estimates
(Based on 10-year revenue forecast: FY 2008-09 to FY 2017-2018)

Investment Category	Source	Estimated Amount (in millions)
Lifeline		
Lifeline Funding for Transit Operators	STA Base	20
Subtotal - Lifeline Program		**20**
Small Operators/North Counties		
Small Operators - Operating Enhancements	STA Prop 42	41
Subtotal - Small Operators		**41**
Program Reserve		
Program Reserves	STA Base	6
Program Reserves	STA Prop 42	5
Subtotal - Program Reserves		**11**
Total		**$72**

Note: Based on estimated funding using revenues included in September 2006 Short Range Transit Plans and after considering existing program commitments.

Terms and Conditions

General Terms

1. Up to $32 million in Regional Coordination expenses may be swapped to Prop 1B capital funds to increase the operating capacity within the augmented Lifeline program.

Lifeline

2. The Lifeline program will be administered through the existing county-level process managed by the congestion management agencies (and co-administered in Santa Clara County by VTA and the County Social Services Agency). Project selection will be determined county by county based on priorities developed through the local Community Based Transportation Plan or an equivalent as identified in the Lifeline Transportation Program guidelines. Additional projects identified by transit operators that benefit low-income residents may also be eligible if approved through the countywide project evaluation process.

Urban Core

3. The BART to SFO/WSX funds are subject to MTC Resolutions 3795, 3147, and 3767 that govern the BART-SFO Settlement Agreement.
4. Other projects in the Urban Core Transit Improvements category shall match the Proposition 1B contribution with a 1:1 match using the Proposition 1B Transit Revenue-based funds.
5. Other projects in the Urban Core Transit Improvements category shall demonstrate a full funding plan.
6. Proposition 1B funding for the Santa Clara VTA Line 522/523 Bus Rapid Transit and the San Francisco Muni Central Subway is contingent upon settlement of outstanding Caltrain Right-of-Way issues between Santa Clara VTA, SFMTA, and Samtrans.

Small Operators/Northern Counties

7. Allocations to Solano county operators in the Small Operator/Northern Counties category shall follow concurrences by the Solano Transportation Authority to aid in transit service coordination and potential agency consolidation efforts.
8. Operators in the Small Operator/Northern Counties category shall match the Proposition 1B contribution with a 2:1 match (for every $2 in Population-based funds, provide $1 match of local/other funds). The Proposition 1B funds can be used as the local match for FTA projects.

Zero Emission Bus (ZEB) Program

9. Up to $10 million in regional Surface Transportation Program and/or Federal Transit Administration formula funds will be directed to the ZEB program to fulfill program commitments.