

**Metropolitan Transportation Commission
Programming and Allocations Committee**

September 13, 2023

Agenda Item 2d - 23-0953

MTC Resolution No. 4321, Revised

Subject:

Revision to MTC Resolution No. 4321, State Transit Assistance (STA) and State of Good Repair Program Programming and Allocation Policy, to update policy governing the use of STA funding for the Regional Program, temporarily suspend performance measures for small and medium sized operators, and make other minor terminology updates.

Background:

In February 2018 the Commission adopted MTC Resolution No. 4321 which contains the policies governing the distribution of State Transit Assistance (STA) and State of Good Repair (SGR) Program funds. Resolution 4321 updated MTC's policies for distributing STA Population-Based funds by creating a new transit-focused, One Bay Area Grant (OBAG)-style STA County Block Grant (70% of total STA Population-Based funds), with the remaining 30% of funds dedicated to a Regional Program supporting Clipper[®], 511, and the means-based transit fare program, among other regional priorities.

STA Regional Program Policy

Resolution 4321 identified a regional means-based fare program as one of the projects and programs that would receive support through the STA Regional Program. Beginning in FY2018-19, STA Regional Program funds were set aside for this purpose. MTC launched Clipper START, a regional means-based fare program, in 2020, and the program is currently authorized to run through FY2024-25. In the period following the adoption of Resolution 4321, MTC has pursued other fare policy reforms, including launching the Clipper BayPass institutional transit fare pass, which subsidizes transit operators for providing reduced fares for students at select Bay Area higher education institutions. The proposed revisions would provide flexibility to suspend contributions to the regional means-based fare program if existing funding is sufficient to cover forecasted program costs and would allow the potential transfer of \$4 million in FY 2023-24 means-based fare program funding to support subsidies needed to reimburse transit operators for Clipper BayPass participation.

Performance Measures for Small and Medium Sized Operators

In order to improve transit coordination and efficiency, recipients of County Block Grant funds are required to comply with several policy conditions established in Resolution 4321. For instance, small and medium sized operators are required to meet performance measures similar to those of the Transit Sustainability Project (TSP). Given that MTC is on the precipice of launching a Regional

Network Management framework and the significant changes to ridership and farebox recovery trends experienced by operators across the region following the onset of the COVID-19 pandemic, the proposed revisions would temporarily suspend performance measurement for small and medium sized operators in order to align with broader performance monitoring efforts associated with the Regional Network Management framework.

Other Minor Terminology Updates

Additionally, the proposed revisions update the resolution language to replace references to ‘Communities of Concern’ with ‘Equity Priority Communities’ to reflect MTC’s 2021 change in terminology and to replace references to ‘Congestion Management Agencies’ with ‘County Transportation Agencies’ to reflect county partners’ preferred nomenclature.

Issues:

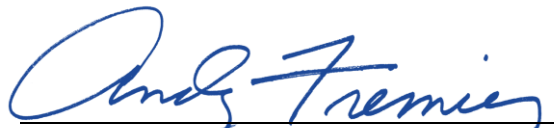
None identified.

Recommendations:

Refer MTC Resolution No. 4321, Revised to the Commission for approval.

Attachments:

- MTC Resolution No. 4321, Revised


Andrew B. Premier

Date: February 28, 2018
W.I.: 1511
Referred By: PAC
Revised: 02/27/19-C
02/23/22-C
09/27/23-C

ABSTRACT

Resolution No. 4321, Revised

This resolution establishes a policy for the programming and allocation of State Transit Assistance (STA) funds and State of Good Repair Program funds, made available under the provisions of Public Utilities Code Sections 99312.1, 99313, and 99314.

This resolution supersedes Resolution No. 3837.

This resolution was revised on February 27, 2019 to update the STA Population-Based County Block Grant performance measure requirements for small and medium sized transit operators as well as to make adjustments to the State of Good Repair (SGR) Program Revenue-Based program policies to reflect updated Caltrans SGR Program guidelines.

This resolution was revised on February 23, 2022 to suspend the County Block Grant program for FY 2022-23 to implement the American Rescue Plan funding exchange.

This resolution was revised on September 27, 2023 to update the policy governing STA Regional Program funding, temporarily suspend performance measures for small and medium sized operators while work is underway on broader performance monitoring reforms, and make other minor terminology changes.

Further discussion of this action is contained in the Executive Director's Memorandum to the Programming and Allocations Committee dated January 3, 2018 and the MTC Programming and Allocations Committee Summary Sheets dated February 14, 2018, February 13, 2019, February 9, 2022, and September 13, 2023.

Date: February 28, 2018
W.I.: 1511
Referred By: PAC

Re: Adoption of MTC's State Transit Assistance (STA) and State of Good Repair Program Programming and Allocation Policy.

METROPOLITAN TRANSPORTATION COMMISSION

RESOLUTION NO. 4321

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, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), known as the Road Repair and Accountability Act of 2017, establishes the State of Good Repair Program (SGR Program); and

WHEREAS, both STA and SGR Program funds are distributed by the State Controller's Office pursuant to Public Utilities Code § 99313 and 99314, a Population-Based and Revenue-Based program, respectively; 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 and SGR Program funds available to eligible claimants in this region; and

WHEREAS, MTC adopted an STA Allocation Policy in Resolution No. 3837 in 2008; and

WHEREAS, SB 1 significantly increased the amount of funding to the STA program and established the SGR Program; and

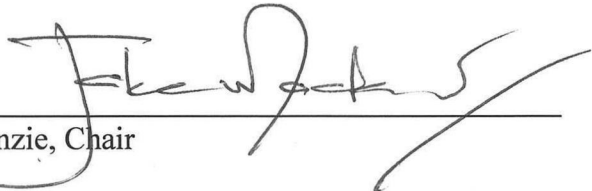
WHEREAS, in order to align the allocation of STA and SGR Program funding with the Bay Area's most pressing transportation needs; now, therefore, be it

RESOLVED, that MTC adopts its State Transit Assistance and State of Good Repair Program Programming and 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 and SGR Program 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. 3837 is superseded by this resolution.

METROPOLITAN TRANSPORTATION COMMISSION



Jake Mackenzie, Chair

The above resolution was entered
into by the Metropolitan Transportation
Commission at a regular meeting of
the Commission held in San Francisco,
California, on February 28, 2018.

Date: February 28, 2018
W.I.: 1511
Referred By: PAC
Revised: 02/27/19-C
02/23/22-C
09/27/23-C

Attachment A
Resolution No. 4321
Page 1 of 6

**STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR PROGRAM
PROGRAMMING AND ALLOCATION POLICY
Exhibit 1**

This policy affects all allocations by the Metropolitan Transportation Commission (MTC) of STA and SGR Program funds, made available under the provisions of Public Utilities Code Sections 99312.1, 99313 and 99314 and relevant subsections.

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

1. STA Population-Based County Block Grant

Commencing with Fiscal Year 2018-19 70% of the STA Population-Based funds and interest is reserved for programming to STA-eligible operators by **Congestion Management Agencies (CMAs) County Transportation Agencies (CTAs)** in each of the nine Bay Area counties as part of a STA Population-Based County Block Grant (County Block Grant). The County Block Grant will allow each county to determine how best to invest in transit operating needs, including providing lifeline transit services. The funds reserved for the County Block Grant shall be distributed amongst the nine counties according to the percentages shown in Table 1. Each county's share in Table 1 was calculated based on the county's share of STA funds from the Resolution 3837 formula, totaled across all categories (Northern Counties/Small Operators Program, Regional Paratransit Program, and the Lifeline Transportation Program).

Table 1. Distribution of STA Population-Based County Block Grant, by County

Alameda	17.68%
Contra Costa	22.18%
Marin	5.71%
Napa	3.49%
San Francisco	8.46%
San Mateo	5.06%
Santa Clara	14.09%
Solano	10.50%
Sonoma	12.83%

Within Alameda and Contra Costa Counties a minimum amount of County Block Grant funds shall be programmed amongst the transit operators detailed in Table 2.

Table 2. Alameda and Contra Costa County Small Operator Minimum

County	Minimum % of Block Grant to be Allocated Annually Amongst Eligible Small Operators	Eligible Small Operators
Alameda County	24%	LAVTA and Union City Transit
Contra Costa County	60%	CCCTA, ECCTA, WestCAT

The following program conditions apply to the County Block Grant:

- Reporting:** Each **CMA CTA** must submit to MTC by May 1st of each year, a report including the following information about the previous, completed, fiscal year: 1) the county’s programming distribution of STA Population-Based funds amongst STA-eligible operators and; 2) the estimated amount of STA Population-Based funding that will be spent within or benefiting ~~Communities of Concern~~ **Equity Priority Communities.**
- Fund Swaps:** Each **CMA CTA** is required to seek approval from MTC before requesting that a STA-eligible operator recipient of STA Population-Based funds perform a fund swap involving STA Population-Based funds. The **CMA CTA** must notify all STA-eligible operators within their county of the request to swap funds before seeking approval from MTC.
- Coordinated Claim/Submission Deadline:** Each **CMA CTA** must play a coordinating role in the development of STA Population-Based claims from STA-eligible operators within their county. Each **CMA CTA** must also submit to MTC by May 1st of each year a governing board-approved resolution listing the distribution policy for STA Population-Based funds amongst the STA-eligible operators for the subsequent fiscal year. Operators will continue to submit their own claims, if desired.
- Performance Measures:** All small and medium sized operators shall be required to maintain operating costs (cost per service hour, cost per passenger, or cost per passenger mile) at least twenty (20) percent below the annual average operating cost of the seven operators included in the Transit Sustainability Project (TSP). Operating costs for small and medium sized operators shall be calculated for each mode (bus, rail, ferry, etc.) and benchmarked against the comparable modal average for the operators included in the TSP. In addition, annual year-over-year increases in operating costs for each small and medium sized operator shall be no greater than five (5) percent per year. If an operator is unable to meet the above requirements they may submit an appeal/justification to MTC explaining the circumstances that prevented achievement of the targets. **Beginning in Fiscal Year 2023-24 MTC may link existing and new operating and capital funds administered by MTC to progress towards achieving the performance target.** Beginning in Fiscal Year 2023-24, performance measures for small and medium sized operators will be suspended and will be amended following further review in order to align with broader performance monitoring efforts associated with the Regional Network Management framework. **Revised performance measures will focus on topics such as customer experience.**
- Operator Consolidation Planning Efforts:** In the Northern Counties (Marin, Napa, Solano, and Sonoma) as an alternative to meeting TSP performance requirements,

counties and transit operators may develop a plan to consolidate into a single county operator.

- **Mobility Management:** In the five other counties (Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara) each county must establish or enhance mobility management programs to help provide equitable and effective access to transportation.

The STA County Block Grant program is suspended for fiscal year 2022-23. Funds that would normally flow into the STA County Block Grant program will instead be programmed directly by the Commission to transit operators to implement the American Rescue Plan funding exchange as a part of MTC Resolution 4481, Revised.

2. *MTC Regional Program*

Commencing with Fiscal Year 2018-19 30% of the STA Population-Based funds and interest is reserved for projects and programs that improve regional coordination, including but not limited to:

- Clipper®
- 511
- Transit connectivity

In addition, a portion of the Regional Program funding (approximately \$8 million in the first year based on the estimated Senate Bill 1 increment for Fiscal Year 2018-19) will be used to pay for the administrative costs and to help offset transit fare revenue loss for a regional means-based fare program, with flexibility to suspend contributions to the set-aside if sufficient STA revenues are not available or if existing funding is sufficient to cover forecasted costs. For Fiscal Year 2023-24, \$4 million in means-based fare program funding may be used to support subsidies needed to reimburse transit operators for Clipper BayPass participation. Clipper BayPass subsidizes transit operators for providing reduced fares for students at select Bay Area higher education institutions.

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).

3. *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. In any individual fiscal year no more than \$333,333 of STA Populated-Based funds and interest shall be apportioned to the fund. Interest accrued to the fund shall not count towards the \$1 million total balance limit and interest can continue to accrue once the fund has reached \$1 million. 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.

II. STA Revenue-Based Funds (PUC Code 99314)

Funds apportioned to the region based on revenues generated by the transit operators will be allocated to each STA-eligible operator 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.

III. SGR Program Population-Based Funds (PUC Code 99312.1, distributed via PUC 99313)

MTC will develop an annual investment program for SGR Program Population-Based Funds through the annual Fund Estimate. All final programming will be reviewed and approved by the MTC Programming and Allocations Committee (PAC) and will be consistent with the below priorities. All proposed programming actions will be submitted to Caltrans for approval, consistent with SGR Program Guidelines.

1. *Priority 1: Clipper® 2.0*

Invest in the development and deployment of the Bay Area's next generation transit fare payment system, Clipper® 2.0.

2. *Priority 2: Green Transit Capital Priorities*

If not needed for Clipper® 2.0, program SGR Program Population-Based funds to the acquisition of zero emission buses (ZEB) by the Bay Area's transit operators. SGR Program funds are intended to pay for the cost increment of ZEBs over diesel or hybrid vehicles or for charging or hydrogen infrastructure to support ZEBs. MTC staff will work to secure a 1:1 match commitment from the Bay Area Air Quality Management District to expand and accelerate the deployment of ZEBs in the region.

IV. SGR Program Revenue-Based Funds (PUC Code 99312.1, distributed via PUC 99314)

Funds apportioned to the region based on revenues generated by the transit operators will be allocated to each respective STA-eligible operator for state of good repair projects, preventative maintenance, and other projects approved by the California Department of Transportation (Caltrans) as eligible for SGR Program expenditure. Starting with Fiscal Year 2019-20 operators must submit their proposed SGR Program Revenue-Based projects to MTC, consistent with Caltrans' proposed amendments to the SGR Program Guidelines for Fiscal Year 2019-20. Operators should submit their SGR Program Revenue-Based project list to MTC by May 15th of each year. MTC staff will compile SGR Program

Revenue-Based projects from all operators across the region and submit to the Commission for approval before submitting the approved regional SGR Program Revenue-Based project list to Caltrans by September 1st of each year.

Transit operator's SGR Program Revenue-Based projects should be consistent with their agency's Transit Assessment Management (TAM) 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 any 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, 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.