

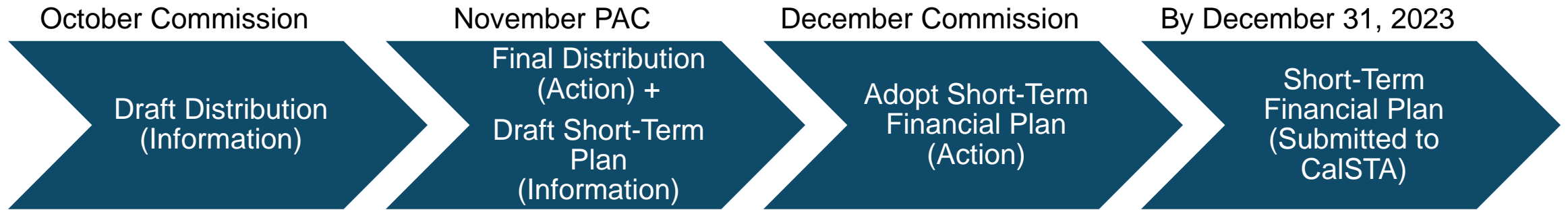
# Bay Area Near-Term Transit Shortfalls, Funding, and Accountability

Commission Meeting – October 25, 2023



**METROPOLITAN  
TRANSPORTATION  
COMMISSION**

# Commission Action Look Ahead



***MTC and operators working simultaneously to implement customer-focused improvements in line with Transit Transformation Action Plan***

# State Budget Bill, AB 102, Provides a Transit Lifeline

- \$2 Billion in TIRCP (\$4B intended over two years)
  - Bay Area share over two years expected to be \$770M
  - These funds are currently committed to capital projects through MTC's Major Project Advancement Policy and TIRCP Framework
- \$1.1 Billion for New Zero Emission Capital Program
  - Bay Area share expected to be ~\$400M
- Both Funding Programs Have Flexibility to Use Funds for Operations
- Trailer Bill (SB 125) Spells Out Accountability Requirements

# MTC Draft TIRCP Recommendation

- Prioritize completing funding plan for BART to Silicon Valley Phase II & BART Core Capacity to deliver voter-approved priority projects and leverage \$6 - \$8 billion in federal funds.
- Consider use of remaining ~ \$45 million for transit operating needs in FY 2025-26

Agency	Project	Estimate Based on FY2023-24 State Budget and SB 125	Notes
BART	Core Capacity: <ul style="list-style-type: none"> <li>• Rail Cars and Storage</li> <li>• Traction Power</li> <li>• Train Control System</li> </ul>	\$350 Million	Continued funding for key elements of BART system
Santa Clara Valley Transportation Authority	BART to Silicon Valley Phase II	\$375 Million	Funding commitment reinforces FTA Capital Investment Grant Request
TBD	TBD	\$45 Million	Reserve for Operating
Total		\$770 Million	

# SB 125 Requirements

Due December 2023 for FY2023-24 Allocation

Revised and resubmitted on a rolling basis to receive funding in future years

Due June 2026

## Short-Term Financial Plan (Through FY 25-26)

- Regional strategy for using SB 125 funding for capital versus operating purposes
- Identification of regional funding contribution to address funding gap
- Operator-level distribution of SB 125 funding
- Description of benefits of SB 125 funding (e.g., ridership, equity, service hours)

## Regional Transit Operator Data

- Information on asset management, revenue collection, and safety expenditures
- Summary of current and planned service
- Opportunities for enhanced coordination and customer-focused improvements
- Monthly ridership data posted to the MTC website

## Long-Term Financial Plan

- Demonstration of implementation of ridership recovery strategies
- 5-year forecast of operating funding requirements

# MTC Draft Principles to Address Shortfalls



Use state and regional funds for transit operations to address most dire shortfalls and avoid service cuts



Prioritize high-ridership agencies and the provision of service for transit-dependent riders



Incentivize accountability of transit operators to improve coordination and customer experience



Preserve flexibility to adjust distribution year to year as circumstances change



Ensure consistency and level footing across operator shortfall forecasts



Minimize impact to non-operating/capital and state of good repair programs

# Transit Agency Shortfall Estimates

Operator-provided estimates (with varied assumptions) total \$2.7 billion over the next five years, or \$1.1 billion through 2026.


	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Shortfall Total
SFMTA	\$0	\$119	\$231	\$247	\$270	\$867
BART	\$0	\$93	\$322	\$298	\$342	\$1,054
AC Transit	\$1	\$4	\$50	\$54	\$24	\$133
Caltrain	\$0	\$0	\$33	\$58	\$57	\$149
Golden Gate Transit	\$0	\$83	\$94	\$98	\$106	\$381
Small/Medium Operators	\$22	\$22	\$20	\$21	\$25	\$110
<b>Bay Area Total</b>	<b>\$23</b>	<b>\$320</b>	<b>\$750</b>	<b>\$776</b>	<b>\$825</b>	<b>\$2,693</b>

**Note:** Shortfall amounts as reported to transit agency boards, as of Summer 2023. Amounts are reported in millions.

# Transit Operator Efforts Have Extended the Life of Federal Relief Funds

FY2022-23 Monthly Average Trips

**11 Million**



- Reduced overall number of agency staff and limited hiring to key positions
- Increased transit staff efficiency, so able to provide more service without adding staff

**4 Million**



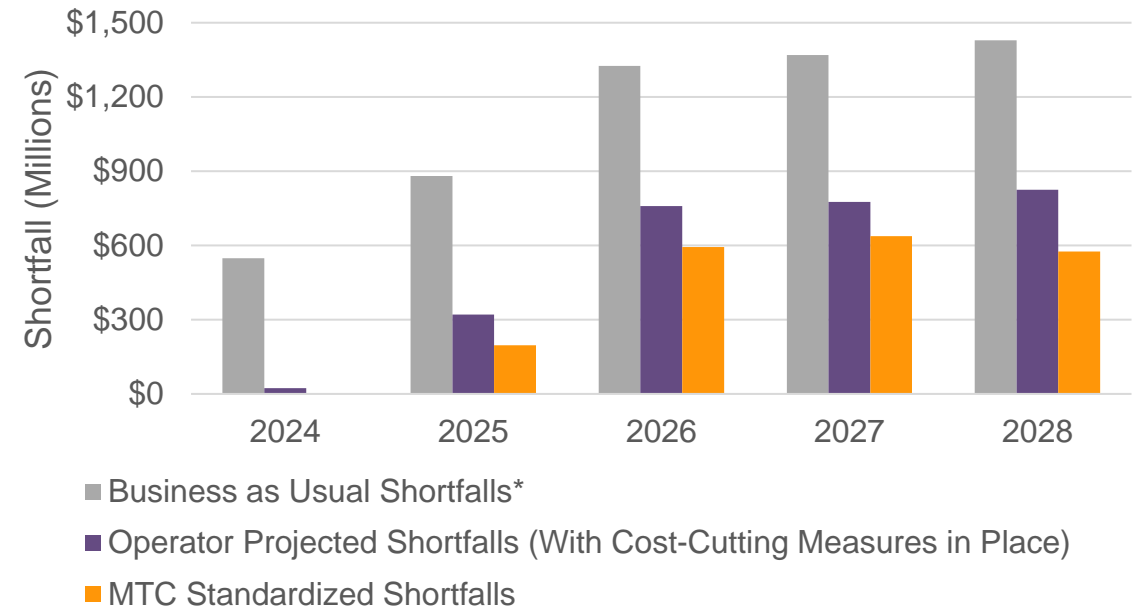
- Redesign service plan to decrease wait times and reduce maintenance costs

**3 Million**



- Cut service by 15% and redistribute service to high-ridership routes
- Hold budget flat between FY23 and FY24

Projected Shortfalls



\* Business as Usual shortfalls estimated by MTC based on service hours relative to 2019.

## 5-Year Total Projected Shortfalls

- Business as Usual Shortfalls: >\$5 billion
- Operator Projected Shortfalls: \$2.7 billion
- MTC Standardized Shortfalls: \$2.0 billion





## Safety, Security & Cleanliness Enhancements

- Increased presence of police and trained ambassadors
- More frequent cleaning of vehicles and stations



## Service Redesigns

- Reallocation of service to respond to changing trends
- Network changes to improve equity, efficiency, and connectivity



## System Improvements

- Capital projects to improve reliability
- New methods to detect and deter fare evasion
- Customer amenities including Wi-Fi and public art



## Equity Focus

- 50% fare discounts for low-income riders regionwide through ClipperSTART
- Prioritization of high-ridership routes in Equity Priority Communities



## New Funding for Essential Service

- MTC, operators and advocates partner to cultivate new funding sources to sustain essential transit service



## Regional Coordination

- RNM to oversee regional coordination
- Transit 2050+ Connected Network Plan
- Other efforts to re-organize for efficiency and capacity

# Transit Operator Efforts to Improve Customer Experience and Grow Ridership

# Standardization: Assist With Funding Gap Estimates & Tool for Funding Distribution

- MTC worked with Bay Area transit operators to understand shortfall assumptions and build consensus around standardization
- Standardized needs are based on 2022 service levels, per SB 125 requirements – representing 1 million fewer service hours per year than the region has today
- Existing resources, operator contributions or new funding will need to be marshalled to help close the funding gap and cover the costs of completed and planned service restoration

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## Areas of Standardization/Adjustment

Consistent inflation assumption across operators

Baseline service levels / no service increases

Increase TDA/STA revenue annually by inflation

Limit deferrable operating to capital transfers

Labor vacancy assumptions

Identify additional potential local funding contributions

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# 3-Year “Standardized” Need Framework



Confirm in 2024



Revisit in 2025

Amounts are reported in millions

	FY 23-24	FY 24-25	FY 25-26	Total (\$)	Total (%)
SFMTA	\$0	\$99	\$209	<b>\$309</b>	<b>39%</b>
BART	\$0	\$58	\$294	<b>\$352</b>	<b>45%</b>
AC Transit	\$0	\$4	\$29	<b>\$33</b>	<b>4%</b>
Caltrain	\$0	\$0	\$25	<b>\$25</b>	<b>3%</b>
Golden Gate Transit	\$0	\$3	\$29	<b>\$32</b>	<b>4%</b>
Other Operators/Focused Funding	\$0	\$20	\$20	<b>\$40</b>	<b>5%</b>
<b>Bay Area Total</b>	<b>\$0</b>	<b>\$185</b>	<b>\$606</b>	<b>\$791</b>	<b>100%</b>

The numbers in the table above represent the shortfalls forecasted under standardizing assumptions provided by MTC.

To adapt to changing circumstances, the distribution will be reassessed on a rolling basis, beginning prior to FY24-25.

# State Funds Fall Short of Addressing the Bay Area's Funding Needs

- Resources are insufficient to cover shortfalls estimated by operators beginning in FY 25-26.
- Additional revenues, lower costs or significantly higher ridership/fares needed to address gap

Amounts are reported in millions

	FY 23-24	FY 24-25	FY 25-26**	Total
Standardized Shortfall	\$0	\$185	\$606	\$791
Zero Emission Program/State Budget Funding	\$0	\$140	\$262	\$402
TIRCP*	\$0	\$45		\$45
<b><i>Funding Gap (State Funds)</i></b>	<b>\$0</b>	<b>\$0</b>	<b>\$344</b>	<b>\$344</b>

\* TIRCP availability for operations support is subject to Commission action.

\*\* Includes \$84M of FY26-27 ZETCP funding

# Regional Contribution to Help Address Gap

- MTC Estimates \$300M Could be Redirected to Fund Operations
- Redirection of Funds will Require Significant Trade Offs
- Final Regional Contribution Depends on Updated Shortfalls and Continued State Budget Advocacy

Fund Source	Amount (\$M)	Typical Recipient	Typical Usage
Unprogrammed FTA Formula Funds	\$125	Transit Operators	Transit State of Good Repair
Bridge Tolls	\$20 - \$30	Express Bus and Ferry Operators	Operations Program Funding
State Transit Assistance (Population-Based)	\$20 - \$30	MTC to support regional transit programs	Regional Programs (i.e., Clipper, Fare Programs)
Surface Transportation Funding (STP/CMAQ)	\$80 - \$115	CTAs/Local Jurisdictions/ MTC/Regional Project Sponsors	OBAG – Bike/Ped, Other County Priorities, Regional Programs
<b>Total</b>	<b>\$245 - \$300</b>		

# Significant Gap Remains to Sustain Transit Service Until New Revenue Measure in 2026

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<b>Funding Gap (State Funds)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$344</b>	<b>\$344</b>
Regional Funds (higher-end of range)	\$0	\$0	\$300	\$300
<b>Funding Gap (State + Regional Funds)*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$44</b>	<b>\$44</b>

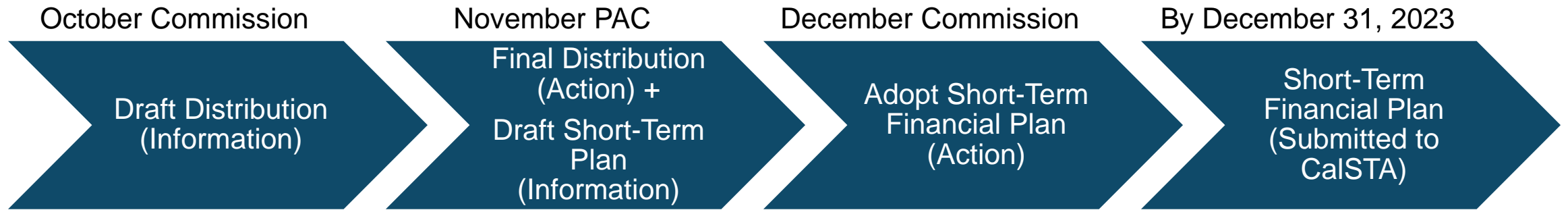
\* \$44 million in funding is needed to fully cover the *standardized* shortfalls based on 2022 service levels. As operators continue to restore service in response to changing demand, the funding gap is anticipated to grow.

# State and Regional Funding Conditioned on Customer Experience & Efficiency Enhancements

- MTC and Operators to Collaborate on Delivery of Transit Transformation Action Plan and Other Improvements Including:
  - Fares and Payment Initiatives
  - Customer Information
  - Transit Network Priority
  - Accessibility
  - Safety and Security
  - Other (i.e., Service Coordination and Optimization)
- Progress Milestones to be met prior to distribution of funds
- Commission reserves the right to condition funds to delivering specific initiatives at a future date pending coordination with Regional Network Management Council
- Potential for MTC to augment funding to assist with implementation of customer experience & efficiency enhancements



# Upcoming Milestones



***MTC and operators working simultaneously to implement customer-focused improvements in line with Transit Transformation Action Plan***



# Look-Ahead: Potential Regional Transportation Measure

- A regional transportation measure - such as a sales tax or road usage charge - could generate meaningful revenue for transportation
- Work is underway now to explore the feasibility of generating new revenues as early as 2026
- New revenues could supplement state and regional funds discussed today to restore and sustain operations beyond the 2022 service baseline used to estimate the standardized shortfalls

## *Upcoming Activities*



Further Analysis of Funding Options & Outcomes



Continued Stakeholder Outreach



Public Opinion Poll this Fall