

Metropolitan Transportation Commission

October 25, 2023

Agenda Item 9a - 23-1197

Regional Short-Term Transit Financial Plan Outline and Draft Distribution of Emergency Operating Funding

Subject:

Regional short-term transit financial plan that adheres to the SB125 guidelines and includes a draft distribution of emergency operating funding for Bay Area transit operators facing near term operating shortfalls.

SB 125 Funding and Accountability Requirements:

Amendments to the California State Budget Act of 2023 provided immediate transit operating assistance to help avert the near-term transit operating fiscal cliff that has resulted from the COVID-19 pandemic and associated changes in travel patterns. Based on adopted formulas, the Bay Area is expected to receive an estimated \$400 million from the newly created Zero-Emission Transit Capital Program (ZETCP) over the next four years and an additional \$770 million from the Transit and Intercity Rail Capital Program (TIRCP) over the next two years. State action allows these funds to be used flexibly for capital or operating purposes, pursuant to Regional Transportation Planning Agency (RTPA) discretion. Consistent with prior MTC advocacy and supported by the possibility of leveraging between \$6 and \$8 billion in federal funds, staff recommend prioritizing completing the funding plans for BART to Silicon Valley Phase II and BART Core Capacity by using roughly \$725 million of TIRCP funding for capital purposes, leaving \$45 million in TIRCP and \$400 million in ZETCP available for operating purposes.

SB 125 guides the use of these funds and establishes accountability measures for RTPAs and transit operators receiving funding from ZETCP or TIRCP. By December 31, 2023, MTC must submit a Short-Term Financial Plan summarizing the regional strategy for using SB 125 funding, including the contribution of regional funds, the distribution of funding between operators, and a summary of benefits rendered from the use of SB 125 funding. Additionally, MTC must collect and summarize data from operators on a variety of topics, including expenditures on safety, opportunities for enhanced coordination and improvements, and monthly ridership statistics. By

June 30, 2026, MTC must submit a Long-Term Financial Plan that demonstrates the implementation of ridership recovery strategies and provides a 5-year operating funding outlook.

Draft Standardized Shortfall Framework

Operator-provided estimates produced using independent assumptions and at various stages of pandemic recovery total \$2.7 billion over the next five years (or \$1.1 billion for the next three years) for the Bay Area region. Transit operators like BART, San Francisco Municipal Transportation Agency (SFMTA), AC Transit, Caltrain, and Golden Gate Transit are expected to face the most acute financial challenges over the coming years due to the nature of their pre-pandemic revenue sources and the trends toward remote work.

Transit operators employ diverse assumptions for budget projections, and to establish a level-footing across operator forecasts, MTC collaborated with operator staff to standardize assumptions. Table 1 outlines the draft framework for operating needs between FY2023-24 and FY2025-26 under a standardized set of assumptions determined by MTC and informed by the requirements of SB 125. Where necessary, MTC made further adjustments to the shortfall estimates to ensure consistency across operators.

The standardized needs presented below are based on assumptions that may differ from those used by individual operators to estimate shortfalls for their own financial outlooks and budgets, and may not capture the full extent of needs anticipated by operators throughout the region. For example, in the shortfall estimates below, operators are held to a service level baseline consistent with FY 2021-22, in line with SB125 reporting requirements. However, operators have restored service hours through FY2022-23 in response to increasing demand, and many operators have further service increases planned over the next few fiscal years.

Table 1. Draft Distribution of SB 125 Operating Assistance Funding (Millions)

	FY 23-24	FY 24-25	FY 25-26	Total (\$)	Total (%)
SFMTA	\$0	\$99	\$209	\$309	39%
BART	\$0	\$58	\$294	\$352	45%
AC Transit	\$0	\$4	\$29	\$33	4%
Caltrain	\$0	\$0	\$25	\$25	3%
Golden Gate Transit	\$0	\$3	\$29	\$32	4%

Other Operators/ Focused Funding	\$0	\$20	\$20	\$40	5%
Bay Area Total	\$0	\$185	\$606	\$791	100%

With a total projected standardized shortfall of \$791 million between FY2023-24 and FY2025-26, the state support of \$445 million from TIRCP and ZETCP leaves a sizeable funding gap. As such, additional regional revenues will be needed to keep transit operational.

In discussions with state legislators leading up to the state budget funding for transit operations, MTC leadership had indicated the potential to contribute up to \$300 million in from a menu of funds to help address the funding gap. Assembling the regional contribution will require tradeoff discussions related to shifting funding from transit capital maintenance, regional coordination programs, or local implementation of transportation and land use strategies identified in Plan Bay Area 2050 to transit operations. Funding sources under consideration include unprogrammed FTA formula funds, bridge tolls, State Transit Assistance Population-Based funds, and federal funds that support the One Bay Area Grant program. The Short-Term Financial Plan must identify specific regional funding sources and amounts to address the operating needs, though programming and allocation of regional funds would be contingent upon later Commission action.

However, state funding and the \$300 million regional contribution are still expected to fall short of fully addressing the \$791 million near-term operating shortfall, leaving a remaining gap of roughly \$45 million in FY2025-26. To fully close the gap, additional revenues, a reduction in costs, or substantial increases in fare revenue will be needed.

Proposed Funding Framework

The proposed funding framework made available to address these standardized shortfalls is informed by principles identified by MTC in partnership with transit operators. These principles seek to prioritize funding for operators with the direst shortfalls as well as to ensure the protection of service for the most riders and the transit-dependent. The principles also highlight the need for accountability in exchange for funding, consistency in forecast development across operators, and flexibility to make adjustments as conditions change.

In particular, MTC will seek to balance flexibility to make adjustments in response to changing conditions with providing operators with advance notice of the funding they can expect to receive for agency budgeting purposes. As such, the distribution framework will be revisited on a rolling basis, beginning in advance of the development of FY2024-25 transit agency budgets, slated for Spring 2024.

Transit Operator Efforts to Encourage Ridership Recovery and Retention

Guided by the Transit Transformation Action Plan and supported by over \$85 million in funding assembled by MTC to support implementation of the Transit Transformation Action Plan, Bay Area transit operators are presently engaged in a multipronged effort to recover and retain ridership. Operators have made low- or no-cost changes to reallocate service, improving equity, efficiency, and connectivity. High-impact projects to improve safety, security, and cleanliness; detect and deter fare evasion; and improve the reliability and customer experience of transit are already underway and will be rolled out over the coming years. Throughout this work, regional coordination and equity are throughlines, bolstered by MTC's new Regional Network Management functions and equity-advancing programs like ClipperSTART means-based fares and investments in Equity Priority Communities through the newly created Community Action Resource and Empowerment (CARE) program. BART and SFMTA staff will be present to discuss their financial challenges and efforts to address budget gaps while also showcasing their customer-focused enhancements to expedite financial recovery.

In accordance with SB 125's accountability guidelines, MTC will collaborate with operators on specific enhancements, such as real-time data upgrades, major event coordination, fare integration, coordinated planning, safety/security improvements, and other customer-focused coordination and efficiency enhancements. MTC will develop milestones and monitor regional progress toward these goals and will assess opportunities to augment existing Transit Transformation Action Plan funding to assist with the delivery of these enhancements.

Next Steps:

Staff will continue to work with operators to refine the proposed funding and accountability framework, aiming to return to the Commission to approve the Final Distribution Framework

and share an informational update on the Short-Term Plan in November. In order to meet the December 31, 2023 submittal deadline, staff will return to the Commission in December to request adoption of the Short-Term Financial Plan. Concurrently, MTC and operators will continue to develop and implement customer-focused improvements in line with the Transit Transformation Action Plan.

Issues:

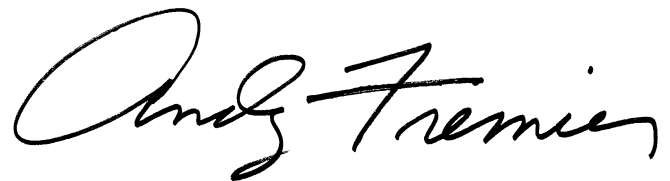
None identified.

Recommendations:

Information.

Attachments:

- Attachment A: MTC Presentation
- Attachment B: Transit Operator Presentation



Andrew B. Fremier