



Approve Release of Request for Proposals to Develop the Long-Term Financial Plan and Conduct Ongoing Annual Reporting and Audits as Required for Senate Bill 125 Transit Funding Allocation

Action

**Author:** Barbara VaughanBechtold

**Attachments:** Yes

**Referring Committee:** Transportation

**Issue:**

Staff is seeking authorization to release a Request for Proposals (RFP) to hire a consultant(s)/team to conduct the Long-Term Financial Plan, as well as annual reporting documents and audits, as it relates to the SB 125 funding allocations to the region's transit operators.

**Request:**

Approve

**Recommendation for Board:**

That the board approve the release of an RFP for a consultant(s) or consulting team to develop the Long-Term Financial Plan and conduct ongoing annual reporting and audits as Required for Senate Bill 125 Transit Funding Allocation.

**Recommendation for Committee:**

That the Transportation Committee recommend that the board approve the release of an RFP for a consultant(s) or consulting team to develop the Long-Term Financial Plan and conduct ongoing annual reporting and audits as Required for Senate Bill 125 Transit Funding Allocation.

**Background:**

In July 2023, California passed Senate Bill 125 (SB 125), which created a new one-time source of transit funding to address operating and capital needs that have been growing in recent years for the state's transit operators/agencies. Through SB 125, approximately \$5.1 billion in funding statewide was included in the State's FY 23/24 Budget, which will be distributed through two programs: (1) The Transit and Intercity Rail Capital Program (TIRCP); and (2) the new Zero Emission Transit Capital Program (ZETCP).

The TIRCP program will distribute \$4 billion over three fiscal years for capital and transit operations, and the ZETCP program will distribute \$1.1 billion over four fiscal years for vehicle purchase, charging infrastructure, and transit operations. These programs are being administered by the California State Transportation Agency (CalSTA). The funding will be coming directly to the state's Regional Transportation Planning Agencies (RTPAs) with SACOG expected to receive a total of \$238,207,703 across the two programs - \$200.9 million in TIRCP and

\$37.3 million in ZETCP. Capital funding, including planning, will be made available to public agencies that are eligible to receive TIRCP capital funding that operate or plan for existing or planned rail service (including intercity, commuter, and urban rail) and bus service (including commuter bus, vanpool, and microtransit). RTPAs may distribute operating funding to transit operators in their jurisdiction that are eligible to receive State Transit Assistance (STA) funding through Section 99314 at the time of distribution by the RTPA. The final guidelines for these programs were released on September 30, 2023.

#### **Discussion/Analysis:**

As part of the legislation, SACOG and other regional transportation planning agencies are required to submit a variety of different reporting documents over the course of the program. In April 2024, the board approved the allocation of funding (1 percent of the total amount available to the SACOG four-county region) for administrative costs. SACOG's intent, as discussed at the April board meeting, is to utilize this funding to complete all required reporting for SB 125, including both SACOG staff costs and consultant costs, as well as overall program administration and monitoring.

Given the complexity of the work required, SACOG is seeking the assistance of a consultant to complete the Long-Term Financial Plan, as well as elements of the annual reporting. Details of the expectations for scope of work are described below, and follow the requirements set forth in SB 125's guidelines.

#### *Long-Term Financial Plan*

SACOG is required to submit a one-time, long-term financial plan by June 30, 2026, that addresses the approach to sustain the four-county region's transit operations absent additional discretionary or nonformula state funding to maintain eligibility for future TIRCP funding in the 2026-2027 fiscal year and beyond.

Each long-term financial plan shall include, but is not limited to:

- I. Demonstration of the implementation of ridership retention and recovery strategies, including, but not limited to, policies that prioritize safety and cleanliness and streamlined coordination between transit operators, such as schedule coordination, reduced boarding times, operational management, and site sharing, to improve rider experience.
- II. A five-to-ten year forecast of operating funding requirements with detail on all sources of funding proposed for operations, including any new local and regional funding sources being pursued and the progress and improvements implemented since the last submitted regional short-term financial plan.

SACOG will also include an analysis of Blueprint implementation to be utilized in the five-to-ten year forecast assumptions to assist SACOG's regional transit planning efforts.

To complete this work, the consultant will conduct a thorough review of existing operators' operating and capital conditions and budgets, and create a 2022 baseline to work from.

#### *Annual Reporting and Audits*

As a condition of ongoing disbursement of requested SB 125 funds, SACOG must submit to CalSTA an Annual Report documenting the activities and progress made toward implementation of the projects and operating expenditures, which includes total SB 125 expenditures to date and total amount remaining. The consultant contract will include this work, including the development of a template for ongoing recordkeeping and reporting requirements that apply, per SB 125 guidelines, through the life of the projects.

Audits and on-site monitoring can take place at any time at the discretion of CalSTA, without prior warning given to the agency. CalSTA has the right to audit the project records, including technical and financial data of the Project Applicant, the Implementing Agency, and any consultant or sub-consultants at any time after award, during the course of the project and for three years from the date of the final closeout of the project, therefore all project records shall be maintained and made available at the time of request.

The SB 125 financial plan and annual reports will provide all required information and opinions in accordance with generally accepted auditing standards and government auditing standards.

#### *RFP Scope of Work*

The RFP's scope of work will include tasks necessary to execute the work discussed above. At a high level, the work is expected to include:

- Project management, including SACOG coordination, monitoring, and invoicing;
- Development of baseline conditions for each operator in the SACOG four-county region: SacRT, YoloTD, Yuba-Sutter Transit, Unitrans, and South County Transit Link;
- Development of the Long-Term Financial Plan for the region, including detailed plans for each of the region's transit operators;
- Annual reporting and other required documentation for three years, including assistance developing a process and procedures for SACOG and the region's transit operators for the reporting activities

The recommended term of the new contract(s) is three years total, with the option for a two-year extension. Staff proposes setting the initial RFP value not to exceed \$800,000 for the new contract(s) cumulatively.

The RFPs will be released to an extensive list of auditing firms and/or firms with knowledge and experience with transit funding and financing. A selection panel of SACOG staff and transit service representatives will convene to score the proposals based on the criteria set forth in the RFP(s). After an audit firm or firms are chosen SACOG staff will return to the board to recommend that the executive director negotiate, award, and execute the contract(s).

At the June 6, committee meeting, the members emphasized the importance of the proposed RFP for financial analysis and the Long-Term Financial Plan as it related to SB 125 funding and overall funding for transit services. They stressed the importance of using the financial information from this effort in helping the transit agencies deal with the fiscal cliff and consider service changes that they need to make to address ongoing sustainability of transit services for those that rely on them. Staff responded that starting this effort now and releasing an RFP for the financial analysis and Long-Term Financial Planning as soon as possible would allow SACOG to assist the transit operators in determining how to best use the SB 125 one-time funding and will work with the operators' own efforts in service planning to address fiscal and service sustainability going forward.

#### **Fiscal Impact/Grant Information:**

The allocation of \$2,382,077 (1 percent of the total funding over the full term of SB 125) to SACOG to cover the administration of the programs and work required by SB 125 in financial analysis, monitoring, reporting and planning; Staff time and funding for the analysis and audits is included in the Overall Work Program for FY 2024-25.

**List of Attachments:**

SB 125 Financial Audit Consultant Scope of Work