



## Transportation Committee

Meeting Date: April 4, 2024

Agenda Item No. 6

### Senate Bill 125 Transit Funding Allocation Update

Action

**Prepared by:** Kristina Svensk

**Attachments:** No

**Approved by:** Kristina Svensk

**Referring Committee:** Not Applicable

#### 1. Issue:

To approve the updated allocation plan for Senate Bill 125 Transit Funding plan.

#### 2. Recommendation:

That the Transportation Committee recommend that the board approve: (1) removal of the \$10 million contingent award for SacRT's low floor fleet TIRCP Cycle 7 match from the December 2023 allocation plan to return to the funding balance; (2) removal of the \$10 million contingent award for SacRT's bus maintenance facility TIRCP cycle 7 match; and (3) the second allocation plan for the remaining FY 2023-2024 Senate Bill 125 transit funding.

#### 3. Background/Analysis:

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 2023-2024 Budget, which will be distributed through two programs: The Transit and Intercity Rail Capital Program (TIRCP) and 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 and charging infrastructure. 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. Funding 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). The final guidelines for these programs were released on September 30, 2023.

#### TIRCP Funding

SB 125 authorizes RTPAs, like SACOG, to utilize funding for capital projects that both increase ridership and reduce greenhouse gas emissions. This includes high priority capital projects such as existing projects seeking to maintain or obtain federal or local funding commitments, project development for major projects that are seeking to enter or have already entered project development with federal partners, or new TIRCP-eligible

projects. Additionally, funds can be used to offset or mitigate operating expenses that prevent service cuts and increase ridership for operators.

### **ZETCP Funding**

The bill also authorizes RTPAs to utilize ZETCP funding for zero-emission infrastructure, including transit equipment, transit facility and network improvement projects, zero emission vehicles to replace aging fleets, and associated fueling or charging infrastructure or facility modifications. Funding from this program can also be used to fund transit operating expenditures that would prevent service reduction or elimination to maintain or increase ridership, as well as for planning efforts to implement ridership recovery and retention strategies.

### **Discussion/Analysis:**

#### December 2023 Allocation Plan

To obtain the SB 125 funding, RTPAs were required to submit an initial allocation plan to CalSTA by December 31, 2023, that outlined any capital projects and/or operating funds that we anticipate expending in the first year. That initial allocation plan was not required to allocate the total amount of funding in the first fiscal year. The SACOG Board approved and SACOG submitted an initial allocation package to CalSTA in December 2023, for \$45.6 million of the available FY 2023-2024 SB 125 funds.

Due to the expedited timeline to draft and submit an initial allocation plan by December 31, 2023, staff worked with our RTPA area eligible transit operators in late 2023 through our Transit Coordinating Committee and one-on-one meetings and determined a strategy that focused on capital projects only for the first allocation package due to the immediate need of these funds. Staff recommended identifying and allocating TIRCP funding to:

- Existing transit capital projects that are at risk of losing their grant funding due to a cost overrun or other unforeseen financial issue;
- Capital projects that plan to apply for the upcoming cycle 7 of the TIRCP Competitive Program;
- Near-term planning efforts that address pandemic ridership losses.

The December allocation package (Attachment A) included \$45 million in capital related project requests to SacRT (including \$1 million for a long-range planning study for operations), \$200,000 to YoloTD for a Short Range Transit Plan, and \$400,000 for SACOG's administrative and monitoring funding. Of the dollars awarded, \$44 million is contingent upon award of other grants to SacRT; specifically, projects will only receive their allocation if their grant proposals (TIRCP cycle 7 or RAISE) are awarded funds. If the awards are not successful, the funding is returned to the balance for allocation to any of the operators in a future package.

#### Current Funding Allocation Requests and Plan

After conferring more recently with our eligible RTPA area operators, we have learned that some have an immediate emergency operating need for the remaining \$68.6 million in FY 2023-2024 SB 125 funding. RTPAs are allowed to update their allocation plans on a rolling basis. SACOG has worked with our operators and put together two potential options to allocate the remaining FY 2023-2024 SB 125 funds as shown in the table below:

	Option 1			Option 2		
	TIRCP	ZETCP	Total	TIRCP	ZETCP	Total
<b>Balance Forward</b>	\$54,721,824	\$13,907,018	\$68,628,842	\$54,721,824	\$13,907,018	\$68,628,842
<b>Return/Repurpose December Allocations</b>	\$20,000,000		\$20,000,000			
<b>Balance</b>	<b>\$74,721,824</b>	<b>\$13,907,018</b>	<b>\$88,628,842</b>	<b>\$54,721,824</b>	<b>\$13,907,018</b>	<b>\$68,628,842</b>
<b>Funding Requests</b>						
SacRT	<del>\$58,110,379</del> \$59,468,747	<del>\$12,516,316</del> \$13,907,018	<del>\$70,626,695</del> \$73,375,765	\$39,468,747	\$13,907,018	\$53,375,765
YoloTD	\$3,071,000		\$3,071,000	\$3,071,000		\$3,071,000
Yuba Sutter Transit	\$10,200,000		\$10,200,000	\$10,200,000		\$10,200,000
<b>Subtotal: Operators</b>	<del>\$71,381,379</del> <b>\$72,739,747</b>	<del>\$12,516,316</del> <b>\$13,907,018</b>	<del>\$83,879,695</del> <b>\$86,646,765</b>	<b>\$52,739,747</b>	<b>\$13,907,018</b>	<b>\$66,646,765</b>
SACOG	\$1,982,077		\$1,982,077	\$1,982,077		\$1,982,077
<b>TOTAL</b>	<del>\$73,363,456</del> <b>\$74,721,824</b>	<del>\$12,516,316</del> <b>\$13,907,018</b>	<del>\$85,879,772</del> <b>\$88,628,842</b>	<b>\$54,721,824</b>	<b>\$13,907,018</b>	<b>\$68,628,842</b>
<b>Balance FY 23/24 Funds</b>	<del>\$1,358,368</del> <b>\$0</b>	<del>\$1,390,702</del> <b>\$0</b>	<del>\$2,749,070</del> <b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

SacRT and YoloTD are both requesting operating funds to address projected budget deficits for the upcoming Fiscal Year 2024-2025, while Yuba Sutter Transit is requesting capital funding to fill the remaining funding gap on their NextGen Transit Facility project. SacRT has also requested the revision of two previous contingent awards from December to address revised capital requests and the operating needs.

SB125 guidelines include 1 percent of the total funding received by an RTPA to be programmed to the RTPA for planning, monitoring, conducting financial analyses, and administering the funds. This includes “planning expenses related to preparing and implementing the initial short-term financial plan, updates to the short-term financial plan, and the long-term financial plan, including planning expenses related to implementation of ridership recovery and retention strategies.” For SACOG, this totals \$2,382,077. In December, SACOG programmed \$400,000 of these funds, and in this updated request, SACOG is requesting the remaining allowable funding allocation of \$1,982,077 for the full term of the funding source. Programming the full funding to SACOG in this first year will allow SACOG to accurately budget and account for the staff time required to administer, plan, monitor, and implement the allocation plans and conduct required analyses. The guidelines require that a long-term financial analysis and strategy be developed by the RTPA for the region; SACOG plans to initiate this extensive effort in the coming fiscal year through a contract with a consultant (not yet procured), which will utilize these funds. Additionally, SACOG staff will serve as a resource for partner transit agencies in the short-term to assist in developing any short-term financial strategies to minimize operating deficits that are anticipated, prior to the completion of the long-term analysis and any agency-sponsored planning documents (like YoloTD’s Short Range Transit Plan and SacRT’s Comprehensive Operations Analysis).

A few key details on the proposed options:

- In the absence of funding to offset the anticipated deficits for the next fiscal year, service providers would need to make severe service cuts that would have significant, negative impacts on riders and the transit community. The intent of the SB125 funding is to minimize these types of service impacts and maintain ridership levels, while also developing a plan for longer term financial sustainability. The funding is not meant to be a long-term source to sustain service levels that may ultimately be infeasible given the current and future operating environment. As such, it is critical that the operators utilize the funding provided for service planning studies in the December allocation package, as well as SACOG staff's technical assistance, to conduct short-term and long-term analyses in the next fiscal year to ensure cost efficiencies are identified that prevent growing operating deficits and subsequent service reductions.
- Option 1 would allow the operators' immediate operating and capital needs to be met, while also allowing the remainder of the SACOG administrative funding to be allocated. By doing so, SACOG would not program any future funding to itself, thus focusing future funds for operator use exclusively.
- Option 1 reflects two revisions to previous contingent awards in the December allocation package:
  - SacRT indicated that the agency would no longer be pursuing a \$10 million TIRCP Cycle 7 application for a bus maintenance facility, as originally requested in December 2023. Instead, SacRT would like to utilize this contingent award for match to the FTA's LoNo program. This allocation plan would remove the previous award, return the funding to the balance, and resubmit a new request for \$10 million match for the LoNo program. (*Note: this action has been built into the recommendation to the Transportation Committee*)
  - SacRT also indicated that they would like to revise their previous TIRCP Cycle 7 match request for the low floor fleet request. SACOG will remove a \$10 million contingent award for low floor vehicles from the December allocation plan and return the funds to the funding balance for allocation during this round. A revised request for a TIRCP Cycle 7 match is included in the allocation plan for \$2,749,000; the remaining balance is returned to the funding balance. (*Note: this action has been built into the recommendation to the Transportation Committee*)
- Option 2 would not fully fund SacRT's operating needs, leaving roughly a \$7.25 million shortfall in the deficit. The option would wait for results of some of the contingent awards from the December allocation package, mainly the RAISE match request of \$10 million for the Dos Rios Light Rail Station. If the RAISE grant is not successful, the \$10 million would be returned to the funding balance and a portion would be re-allocated (through an updated allocation package to the board) to fill the operating funding gap for SacRT. Since many of the December awards were contingent, and any unsuccessful attempts would return funding to the balance, SACOG would likely wait to complete the updated allocation package until multiple grant awards were announced, to have a broader package that could incorporate other operators' needs, if applicable.

After comparing the requested allocations and the SB125 guidelines, SACOG staff is recommending Option 1 which would adequately balance the immediate operating needs of the operators, in addition to capital needs, ~~and would leave balances in each fund source to be used in later allocation packages~~. As part of this recommendation, SACOG is making the following assumptions:

- In the December 2023, allocation package, SacRT was awarded funding for a Comprehensive Operations Analysis and YoloTD was awarded funding for a Short Range Transit Plan, both of which were awarded as a means to identify near and long term operating efficiencies, and minimize the potential for growing operating deficits. To ensure the best use of these SB125 public dollars, the

operating funding awards this cycle would require that each agency initiate these plans and report progress to SACOG regularly.

- Operating allocations will be processed by SACOG on a cost reimbursement basis from the operators.

In addition to requests submitted by local transit operators, the San Joaquin Regional Rail Commission also initiated conversations with SACOG to discuss a potential allocation in operating funds for planned Valley Rail service in the region, allowing them to leverage the funding to secure additional operating funds and initiate service by 2026. SACOG has not included the allocation in this current package due to the existing allocation requests for current operators, however we will continue to evaluate opportunities to include Valley Rail in subsequent allocation packages.

Focusing the first fiscal year allocation package on immediate operating and capital needs will give SACOG staff adequate time to conduct the required in-depth financial and operating analysis associated with operating funds. Based on the current budget information from the state, the second year (FY 2024-2025) of SB 125 TIRCP funding will now be split between FY 2024-2025 and FY 2025-2026 to help address the current state fiscal deficit.

SACOG does not intend to allocate the remaining balance of future fiscal years in a single action. Instead, the agency recognizes the level of uncertainty in transit funding and transit costs and believes that allocating funds in increments in each fiscal year would allow the region's evolving transit needs to be addressed "in real time." Further, as SacRT and YoloTD prepare their planned operating analyses, service changes could be made that impact operating expenses and needs.

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

The action would: (1) authorize the allocation of ~~\$83,879,695~~ \$86,646,765 in SB125 funds to transit operators based on Option 1; (2) authorize the allocation of \$1,982,077 (the balance of the 1 percent of the total funding over the full term of SB125) to SACOG to cover the work required by SB 125 in financial analysis, monitoring, reporting planning and the administration of the programs; and (3) authorize the executive director to disburse the funds to transit operators on a cost reimbursement basis without programing the funds into SACOG OWP/Budget, except for the SACOG administrative amount.