County Connection

INTER OFFICE MEMO

To: Marketing, Planning, & Legislative Committee **Date:** 8/28/2017

From: Ruby Horta, Director of Planning & Marketing **Reviewed by**:

SUBJECT: Local/State Operating Assistance Trends

Background:

State Transit Assistance (STA)

Staff has developed the following memo to provide a historical representation of critical operating fund sources, and their respective trends and legislative limitations. With the introduction of Senate Bill 1 (SB1), it is important to understand the significance of this new operating revenue source and its potential to provide financial relief. SB1, passed by the Legislature in April, is expected to raise over $5 billion statewide, per year in perpetuity. The funds will be directed at a number of transportation initiatives, among them, the bill will allocate portions of the revenue to the STA Program.

State Transit Assistance, or STA, funds are generated by the sales tax on diesel fuel, and the amount of money available for transit agencies varies from year to year based on the ups and downs of diesel prices. The State splits the STA program into two components:

- Population-based funds: MTC receives STA based on their share of the population. MTC determines how to use these.

- Revenue-based funds: The State allocates funds to transit operators based on their revenue as defined by PUC 99314 (b).

SB1 will provide an additional $400K in STA revenue-based funds. Although it provides additional STA, it does not compensate for the loss of STA funds over the last several years.

It is expected that MTC will determine how to distribute the population-based STA allocation, estimated at $24M, sometime in the Fall. If MTC were to allocate STA funds at current levels, County Connection could receive approximately $2M. These funds would provide the financial relief needed to avoid significant service reductions in the coming years. If MTC decides to distribute these funds in a different manner, the operating gap would remain and service cuts would be inevitable. How MTC allocates this additional source of operating revenues will significantly impact service proposals.

Transit Development Act (TDA)

TDA funds are derived from a ¼ cent general sales tax, which have declined in the last several years. Over the last five (5) years, actual TDA revenue collected has been significantly lower than initial estimates. This shortfall in TDA has increased the need to access the reserve fund. The shortfall between initial estimates and actual revenues collected has ranged from approximately $230K to close to $1M. This has a direct negative impact on our reserves.

Cap and Trade

In 2015, Cap and Trade funds were made available to transit through the Low Carbon Transit Operations Program (LCTOP). Although the funds can be used for operating or capital projects, the guidelines require that at least half of the allocation be spent in a Disadvantage Community (DAC) as defined by the California Environmental Protection Agency (CalEPA). In addition, LCTOP funds are very volatile. These funds are dependent on Cap & Trade auction sales conducted on a quarterly basis. In the last three years, County Connection has received $186K, $616K, and $308K, respectively. Given the restrictive guidelines and fluctuating allocations, it is difficult to design service or identify projects dependent on LCTOP funds.

Recommendation:

None at this time. For information only.

Financial Implications:

No direct financial impact.