



May 6, 2024

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RE: FY2024-25 through FY2028-29 Transit Capital Priorities (TCP) Call for Projects

Dear Interested Applicant:

The Metropolitan Transportation Commission (MTC) is soliciting transit projects from eligible federal grantees for programming:

- Federal Transit Administration (FTA) Sections 5307 Urbanized Area Formula, 5337 State of Good Repair, and 5339 Bus & Bus Facilities formula funds apportioned to the San Francisco Bay Area in FY2024-25 through FY2028-29,
- Bridge tolls and other regional revenues dedicated to transit capital projects by the Core Capacity Challenge Grant Program (CCCGP, MTC Resolution No. 4123), and,
- Potential other funding sources, including Federal Highway Administration STP and CMAQ funds dedicated to Transit Capital Rehabilitation and Transit Priorities projects by the One Bay Area Grant Program (MTC Resolution No. 4202).

Applications are due to MTC by **Friday, July 19, 2024**. Operators interested in in-depth application guidance will be invited to a webinar tentatively scheduled for June 5, 2024 (details to come via the Transit Finance Working Group (TFWG)) and are encouraged to meet with Margaret Doyle to go over any application questions. A complete application includes:

- Completed FY2024-25 through FY2028-29 Project Template and
- Supporting documentation (explained below)

Proposed projects will be used to develop a preliminary TCP program for FYs 2024-25 and 2025-26. The preliminary program will be based on estimated revenues using Bipartisan Infrastructure Law (BIL) authorization levels. Each year of the program will be revised to match final FTA apportionments for that year. The BIL is currently authorized through FY 2025-26; MTC plans to adopt a two-year program to match that authorization, and will likely adopt another multi-year program after that. Programming the first two years, and collecting information on the next three years, will allow MTC to plan for and assist with regional transit capital needs.

As part of the application, operators should include Board-adopted Capital Improvement Plan, Short-range Transportation Plan, Transit Asset Management Plan, or other Board-approved documentation that includes the project for which operators are requesting funding.

Transit Capital Priorities Policy

Project selection will be based on MTC's TCP Process and Criteria (MTC Resolution No. 4444, included as Attachment 1). There have been several updates to the Policy in the last few years; major changes are summarized in Attachment 1a. Staff anticipate additional Policy updates between this Call for Projects and the final programming of FYs 2024-25 and 2025-26, most

notably, the adoption of a final bus/van pricelist for use in those programming years, and possible additional requirements for bus replacements.

Discussion of several policy areas that either have recently changed, or will be considered alongside this call for projects, follows:

1. Length of Next Program Cycle

The length of this program is anticipated to be two years, FY2024-25 and FY 2025-26, as the BIL is currently authorized through FY 2025-26; MTC will adopt another multi-year program after that. Ultimately, the length of the following program will be determined by a number of factors, including the length of the next surface transportation authorization (BIL-successor) once passed by Congress, discussions with transit operators through TFWG, and any other policy factors. It is possible that if a new surface transportation authorization is not adopted, Congress may release continuing resolutions and MTC staff may be limited to one-year programs.

2. Bus-Van Pricelist

An FY2020-21 through FY2024-25 pricelist was developed using operator responses to a survey conducted in FY2019-20. However, beginning in FY 2021-22, operators indicated that the rate of inflation had vastly outpaced the existing pricelist. MTC Staff convened the bus/van pricelist subcommittee of the TFWG, conducted a survey of recent procurements and quotes, and ultimately developed a policy to problem-solve for bus purchases falling within the FY2021-22 through FY2023-24 window. The subcommittee will continue to meet over Summer 2024 to help recommend numbers to use for FY2024-25 and FY2025-26 pricelists; for this call for projects, operators are asked to use a draft pricelist, which has escalated the FY2024-25 pricelist by 20%, and then adjusted for inflation year-over-year thereafter. See attachment 1a for more detail on the existing bus/van pricelist interim policy and its impact on this call for projects. It is important to note that the deferred buses will be additional score-16 needs introduced to the FY2024-25 or FY2025-26 program (or programming year of operator's choosing); per existing policy, these replacements are treated as score-16 requests.

3. Bus Procurements, Replacements, and Fleet Size

As discussions around the rising cost of vehicle replacements continue, particularly in the context of the ICT-rule zero-emission bus (ZEB) transition and pandemic recovery efforts, future vehicle procurements may involve further analysis regarding actual service provided, spare ratios, miles in service, and other factors related to fleet size and vehicle replacement to ensure all procurements demonstrate replacement need. Relatedly, staff may initiate discussion on the compensation for deferred replacement policy. Finally, the recent focus by the federal government on reduction of vehicle customization (through joint procurements or partnership with bus manufacturers to procure standard models) and on encouraging contract terms with manufacturers to pursue advance payments and/or progress payments, indicate federal priorities to keep vehicle costs down that will need to be considered in our own TCP Policy. MTC staff will work with operators and TFWG to discuss any fleet size or vehicle procurement policies before application in future years (potentially as early as the FY2024-25 FY2025-26 program) or incorporation into the TCP Policy.

4. Fixed Guideway Caps

New fixed guideway (FG) caps have been established based on each FG operator's share of projected FG replacement and rehabilitation needs in the Transit Capital Needs Assessment

prepared for Plan Bay Area 2050. In FY2021-22, due to the influx of funding in the 5337 program via the BIL, the cap was increased by 20%, and now FG investments are capped at \$144 million per year. We anticipate this cap will increase beginning in FY 2024-25 as the Santa Rosa UZA begins receiving 5337 funds. Additionally, given the assumption that the 5337 “plus-up” in the BIL will be retired come FY2026-27, the total amount may be reevaluated upon enactment of a successor to the BIL.

5. ADA Set-Aside Formula & Policy

The ADA Set-Aside distribution formula was recently updated in April 2024, due to the UZA shifts from the 2020 census, and first implemented in FY2023-24 programming. This formula update was the first formula update that utilized pandemic recovery-era NTD data, which thus indicated major shifts in demand response operating expenses and ridership. Per FTA policy, up to 10% of the 5307 funds to each UZA can be used for ADA operating expenses, and any changes to the formula will be discussed with the TFWG.

6. FG Grant Spend-down Policy

For this next program, the proposed spend-down policy will cover FG grants awarded in FY2020-21 or earlier. Programming for FY2024-25 will be based on results from the current cycle, evaluating spending on grants awarded in FY2017-18 or earlier, with a target for 100% disbursement by September 30, 2024. For FY2024-25 through FY2027-28, FG programming will be based on the new 4-year cycle. More detail on the spend-down policy and its requirements can be found outlined in the policy.

7. Zero Emission Bus (ZEB) Infrastructure Set-Aside

Commission action in March 2022 set aside \$20 million annually specifically for bus operators as they transition to zero emission fleets. The CARB Innovative Clean Transit rule creates an extraordinary new funding demand to deliver transit service, with the need for new infrastructure in addition to typical vehicle replacement needs. The ZEB Infrastructure set-aside applies to bus operators within the San Francisco-Oakland, Concord, and Antioch UZAs, and the projects are exempt from the TCP scoring process and instead governed by principles outlined in the policy. In recent years, MTC staff has used a formula distribution system based on relative transit fleet size, according to the Regional Transit Capital Inventory; any changes to how this set-aside is programmed will be discussed with the TFWG. Additionally, staff may initiate discussion about the merits of continuing with this set-aside relative to outstanding score-16 needs or other priorities as may be determined.

Proposed Programming Timeline

The timeline for adopting the TCP program is outlined below.

TCP Policy / Programming	Start Date	Finish/Due Date
Call for projects	May 6, 2024	July 19, 2024
TFWG Preliminary Program Review	Summer/Fall 2024	
FYs 25-26 TCP Program to PAC/Commission	November/December 2024	
Preliminary TCP Program TIP amendment to PAC/Commission	December 2024/January 2025	

If you have any questions or require additional information, please contact Margaret Doyle, Transit Capital Priorities Program Manager (mduoye@bayareametro.gov or (415) 778-6743.

Sincerely,



Theresa Romell
Director, Funding Policy & Programs

TR:MD

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Attachments

1. MTC Resolution 4444, Revised. Transit Capital Priorities Process and Criteria for Development of the FY2020-21 and Future Transit Capital Priorities Project Lists
 - 1a. Summary of Recent TCP Policy Updates
2. Project Submission Template
3. Application Guide
4. Regional Transit Capital Inventory Asset Classes and Codes
5. FY2024-25 through FY 2028-29 TCP Apportionment Estimates
6. FY2024-25 through FY 2028-29 Regional Bus/Van Pricelist
7. Fixed Guideway Project Caps
8. ADA Set-Aside Formula and Distribution
9. ZEB Infrastructure Set-Aside Deferrals