

TRANSIT TRANSFORMATION TASK FORCE MEETING 13

AGENDA ITEM: 4

SUBJECT: Staff Report on Tranche 3 of the TTTF Report to the Legislature

- a. Principle: "Transit should be operationally and financially sustainable" including detailed strategies and recommendations in Appendix B

ACTION: Action to:

1. Receive Feedback on: Principle: "Transit should be operationally and financially sustainable" including detailed strategies and recommendations in Appendix B
2. Approve, modify, or reject new recommendations AA.2. and Strategies and recommendations within W- Z to fulfil legislative section "New options for revenue sources" (1.f.6)

BACKGROUND:

Senate Bill (SB) 125 established and convened the Transit Transformation Task Force (TTTF) to include transit representatives from various organizations to establish a structured, coordinated process for engagement of all parties to develop policy recommendations to grow transit ridership and improve the transit experience for all users of those services. The TTTF Report, which is due to the Legislature on October 31st, 2025, shall include findings and policy recommendations based on the task force's efforts. The report is required to include a detailed analysis of specified issues and recommendations on specified topics, including, among others, reforming the Transportation Development Act.

The following staff report includes Tranche 3 of the TTTF Report and focuses on the strategies and recommendation under the principle: "*Transit should be operationally and financially sustainable.*"

DISCUSSION:

This section provides a high-level summary and updates on the strategies and recommendations under the principle: "*Transit should be operationally and financially sustainable.*" This principle includes the following topic areas from SB 125:

- Strategies to achieve fleet and asset management goals and needs, including ICT (1.f.1.F)

- Strategies to address workforce recruitment, retention, and development challenges (1.f.3)
- Reforming the Transportation Development Act (1.f.4)
- New options for revenue sources (1.f.6)
- Oversight and reporting (1.f.5)
- Capital Construction costs and timelines

A summary of this principle can be found in the **Tranche 3 Report** (attached).

A complete list of the detailed strategies and recommendations under this principle can be found in **Appendix B** (attached).

New strategies and recommendations include:

- AA.2., which was recommended by the Task Force
- The following recommendations regarding "New Options for Revenue Sources:"
 - o Strategy W., which includes recommendations W.1.- W.4.
 - o Strategy X., which includes recommendation X.1.
 - o Strategy Y, which includes recommendations Y.1.- Y.3.
 - o Strategy Z, which includes recommendations Z.1.- Z.2.

These can all be seen in the table below, as well in Appendix B.

Tracking ID	Legislative Section	Strategy	Policy Recommendation
AA.2.	1.f.1.F	AA. Coordinate with and incentivize manufacturers to collaborate on zero-emission bus and paratransit vehicle fleet	AA.2. Facilitate statewide coordination to address zero emission vehicles and related technologies not in service due to lack of OEM support to render vehicles operational and to ensure vehicles are adequately maintained.
W.1.	1.f.6	W. Reprogram and re-focus existing revenues	W.1. Encourage regions to review existing programming of current revenues from LTF and STA and identify opportunities to reprogram those dollars to support transit operations and expand service in the near term, especially in conjunction with TDA reform efforts, as most of the transit-directed revenues are programmed locally and regionally.
W.2.	1.f.6	W. Reprogram and re-focus existing revenues	W.2. Explicitly align definitions of capitalized maintenance between federal and TDA programs so that regions can better support operations within the TDA framework for LTF and STA funds.
W.3.	1.f.6	W. Reprogram and re-focus existing revenues	W.3. Allow additional flexibility in the use of local option sales taxes to support transit operations, especially for older Local Option Sales Taxes by allowing regions to reprogram revenues to support transit services when in alignment with state and regional priorities.

W.4.	1.f.6	W. Reprogram and re-focus existing revenues	W.4. Identify opportunities for regions to reprogram FHWA formula for transit uses as allowable under federal law. Consider opportunities to temporarily support regions that allocate FHWA-formula funds into FTA or for transit purposes for a limited duration by matching with state share dollars where available to help eliminate a backlog in spending FHWA formula dollars.
X.1.	1.f.6	X. Support local communities in raising revenues	X.1. Consider additional flexibility in the ability for transit agencies or advocates to place measures on the ballot by allowing transit agencies and advocates to have authority to place measures on the ballot for their service areas, similar to how cities can place sales taxes on the ballot without enabling legislation
Y.1.	1.f.6	Y. Generate new revenue through value-capture	Y.1. Give transit and other government agencies the ability to sell air rights or other development incentives to create development opportunities above and near transit stations and facilities to generate additional revenue via sale and/ or investment
Y.2.	1.f.6	Y. Generate new revenue through value-capture	Y.2. Explore opportunities to allocate revenue from managed lanes in California's most congested regions to expand transit service, giving travelers reliable alternatives to driving alone
Y.3.	1.f.6	Y. Generate new revenue through value-capture	Y.3. Update increment financing tools to make it easier for transit agencies to capture value and establish district, with a specific focus on removing the number of bodies and votes that need to approve the creation of a TIF district
Z.1.	1.f.6	Z. Create new revenue through efficiencies and higher ridership service offering	Z.1. Allow agencies to retain state grant funding if projects come in under-budget as incentive, available to be used on an eligible project within the same program without recompeting
Z.2.	1.f.6	Z. Create new revenue through efficiencies and higher ridership service offering	Z.2. Allow agencies to borrow against future STA and LTF or other state share revenues for projects that will improve efficiencies and lower operating costs

The following recommendations were updated with additional information and/or reworded based on Task Force and CalSTA feedback: N.1., P.1., P.3., P.4., BB.1., DD.2., DD.3, FF.1., VV.3., XX.1., XX.4., YY.2., YY.8., and YY.9. These can all be seen in Appendix B, and the changes are highlighted in red text.

Note Recommendation XX.1. was updated after further consultation with Caltrans staff.

The following recommendations were removed based on Task Force and CalSTA feedback: O.1.- O.9., AA.2., FF.2., FF.3., GG.7., HH.4., HH.6., II.1.- II.5., UU.3., VV.2., VV.4., and YY.4.

Note Recommendations II.1.- II.5. were removed, as they are encapsulated in Strategy GG. VV.4. was removed due to an error in information reported.

ACTION:

Receive feedback on principle "*Transit should be operationally and financially sustainable.*" including detailed strategies and recommendations in Appendix B.

Approve, modify, or reject new recommendations AA.2. and Strategies and recommendations within W- Z to fulfil legislative section "New options for revenue sources" (1.f.6)