

Regional Council

INFORMATION SUMMARY

AGENDA ITEM # 4



DATE

April 15, 2020

SUBJECT

CARES Act Federal Transit Administration Funding Distribution

CONTACT

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SUMMARY

The COVID-19 pandemic has had a significant impact on transit operations throughout the MAG region. Transit operators have had to incur additional expenses as a result of increased cleaning and changes to operating procedures. At the same time, operators are also seeing drastic declines in ridership which has resulted in decreased fare revenue. Further, nearly all of the revenue base that supports transit operations in the region comes from sales taxes, which have decreased dramatically due to the public health measures that have been put in place. This agenda item represents a request to program the \$198 million in Federal Transit Administration (FTA) funding that the MAG region has received as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) towards transit operations to help offset the financial impacts of the COVID-19 pandemic.

CARES Act Background

On March 27, 2020, President Trump signed the CARES Act into law, which included \$25 billion nationwide for public transit formula operating and capital grants to prevent, prepare for and respond to COVID-19. The act provides that the FTA distribute the transit funds proportionally based on the ratio of funding for specific programs; in the MAG region this includes urbanized area formula grants (FTA § 5307), state-of-good-repair formula grants (FTA § 5337), and growing/high density formula grants (FTA § 5340). While the funding distribution was based on different FTA programs, the entirety of the funding has been disbursed through the FTA § 5307 program, as it has the most flexible requirements.

A total of approximately \$198 million has been apportioned to the MAG region under the CARES Act; \$188.4 million to the Phoenix-Mesa Urbanized Area (UZA) and \$9.6 million to the Avondale-Goodyear UZA. The overall apportionment to the region represents approximately two and a half times our total typical annual FTA apportionments and three times our typical annual FTA § 5307 apportionment.

Funding under the CARES Act is provided at a 100-percent federal share, with no local match required. It is available to support capital, operating, and other expenses generally eligible to prevent, prepare for, and respond to COVID-19. While capital expenses are eligible, FTA has prioritized funding for operational expenses. Of note, operating expenses incurred beginning on January 20, 2020, for all recipients – even those in large urban areas – are eligible at a 100-percent federal share. This differs from the traditional FTA § 5307 funding for the Phoenix-Mesa UZA receives, which cannot be used for operational expenses.

FTA has encouraged transit systems to spend the funds expeditiously to respond to local needs.

Regional Approach to the CARES Act

MAG, Valley Metro, and the City of Phoenix, the region's designated recipient for FTA funding, have been working in close partnership tracking the development, and ultimate passage, of the CARES Act. To encourage transit agencies, designated recipients, and Metropolitan Planning Organizations (MPOs) to act quickly, CARES Act funds used to pay for operating and most capital expenses do not need to be included in the Transportation Improvement Program (TIP) prior to use. However, formal approval of the

distribution methodology is requested to document the regional approach to implementing CARES Act funding and to demonstrate to FTA the region's unified commitment to expending the funding expeditiously.

To this end, it is proposed to program funding received as part of the CARES Act to transit operations to help offset impacts of the COVID-19 pandemic caused by both the increase in costs as well as decreases in fare and sales tax revenue. A combination of the CARES Act distribution formula and the MAG region's preventive maintenance formula has been utilized to allocate the funding between transit operators. This ensures a quick, equitable, and simple distribution of the funds to provide immediate financial assistance in line with the intent of the CARES Act.

Proposed Programming

As has been noted, it is proposed that the entirety of the funds be allocated towards transit operations, which have experienced the largest impact. It is important to note this methodology will result in a benefit to all agencies who purchase or operate transit service.

The funding distribution for the MAG Region is proposed as follows:

Phoenix-Mesa UZA

1. Split the apportionment proportionally based on the CARES Act distribution between FTA § 5307, FTA § 5337, and FTA § 5340 programs.
 - a. Approximately 33 percent of the CARES Act apportionment is representative of FTA § 5337 grants while the remainder is representative of FTA § 5307 and § 5340.
 - b. Consistent with FTA annual apportionments, urbanized area apportionments for FTA § 5307 and § 5340 are combined into a single amount.
2. Split the CARES Act apportionment representative of FTA § 5337 state-of-good repair funds between the bus and rail programs. FTA § 5337 has a fixed guideway modernization (rail) component and a high-intensity busway (bus) component. The share of funds are split proportionally according to the amounts received under the 2020 annual apportionments.

3. Split the balance of the CARES Act funding utilizing the approved Preventive Maintenance (PM) formula.
 - a. The MAG Regional Council last approved the PM formula on June 26, 2019, as part of the *Regional Programming Guidelines for Federal Transit Formula Fund*.
 - b. The formula uses the latest data available from the National Transit Database (NTD); funding is proportionally split between the bus and rail program based on total operating costs reported to the NTD. Bus program funds are then sub-allocated based on total passenger miles traveled and total vehicle revenue miles reported to the NTD.

The table below shows the proposed funding programmed for each operator in the Phoenix-Mesa UZA:

Proposed CARES Act Transit Funding Distribution		
<i>Phoenix-Mesa UZA</i>		
CARES Apportionment	\$ 188,416,721	
<i>Rail sub-allocation</i>	\$ 45,123,200	
<i>Bus sub-allocation</i>	\$ 143,293,521	
Operator	Amount	Fund Type
Valley Metro Rail	\$ 45,123,200	5307 C
City of Glendale	\$ 1,057,521	5307 C
City of Peoria	\$ 485,926	5307 C
City of Phoenix	\$ 95,655,862	5307 C
City of Scottsdale	\$ 2,248,813	5307 C
Valley Metro RPTA	\$ 43,845,399	5307 C

Avondale-Goodyear UZA

1. Sub-allocate one percent of the Avondale-Goodyear UZA CARES apportionment to the City of Goodyear for security cameras at the Goodyear Park and Ride. FTA Requires that at least one percent of the apportionment is spent on safety or security projects. To satisfy this requirement, the CARES Act funds are being programmed to an existing TIP project.
2. Sub-allocate the remaining 99 percent of funding to operators proportionally based on budgeted cost of service in the UZA for FY 2021. The proportional cost

of service in the UZA operated by Valley Metro is approximately 60 percent with the remaining 40 percent operated by City of Phoenix Public Transit.

The table below shows the proposed funding programmed for each operator/agency in the Avondale-Goodyear UZA:

Proposed CARES Act Transit Funding Distribution		
<i>Avondale-Goodyear UZA</i>		
CARES Apportionment	\$ 9,620,003	
Operator/Agency	Amount	Fund Type
City of Goodyear	\$ 96,200	5307 AVN UZA C
City of Phoenix	\$ 3,845,495	5307 AVN UZA C
Valley Metro RPTA	\$ 5,678,308	5307 UZA C

MAG would also work with members agencies in the Avondale-Goodyear UZA to seek funding from ADOT through a process to reallocate CARES Act funding that was apportioned to other small UZAs in Arizona who are unable to spend their full apportionment. This would include \$2,500,000 of funding to construct an expansion of the City of Buckeye’s Park and Ride lot.

PUBLIC INPUT

None.

PROS & CONS

PROS: This funding distribution methodology utilizes federal and regional distribution policies. Funds for operating assistance can be quickly allocated and programmed to regional rail and bus transit operators to maintain current service levels and help mitigate some of the financial impacts of the COVID-19 pandemic.

CONS: While funding allocated as part of the CARES Act is a significant increase in typical annual apportionments, it is unlikely to be sufficient to cover the long-term impacts to regional sales tax revenues.

TECHNICAL & POLICY IMPLICATIONS

TECHNICAL: To enable expedient use, CARES Act funds do not need to be included in the metropolitan Transportation Improvement Program (TIP) and Statewide Transportation Improvement Program (STIP) for FTA obligation.

POLICY: The proposed funding distribution methodology utilizes a combination of the CARES Act distribution formula and the MAG Regional Council approved preventive maintenance formula.

ACTION NEEDED

Approval of the proposed CARES Act funding distribution.

PRIOR COMMITTEE ACTIONS

On April 8, 2020, the MAG Management Committee recommended approval of the proposed CARES Act funding distribution.

MEMBERS ATTENDING

<p>#Queen Creek: John Kross, Chair #Goodyear: Julie Arendall, Vice Chair #ADOT: Eric Gudino as proxy for John Halikowski #Apache Junction: Bryant Powell #Avondale: Charles Montoya #Buckeye: Roger Klingler #Carefree: Gary Neiss *Cave Creek: Carrie Dyrek #Chandler: Marsha Reed #El Mirage: Crystal Dyches #Florence: Brent Billingsley *Fort McDowell Yavapai Nation: Phil Dorchester #Fountain Hills: Grady Miller #Gila Bend: Kathy Valenzuela *Gila River Indian Community: Kathyleen Curley #Gilbert: Patrick Banger</p>	<p>#Guadalupe: Jeff Kulaga *Litchfield Park: Bill Stephens *City of Maricopa: Kazi Haque as proxy for Rick Horst #Maricopa County: Reid Spaulding as proxy for Joy Rich #Mesa: Christopher Brady #Paradise Valley: Jill Keimach #Peoria: Jeff Tyne #Phoenix: Ed Zuercher #Pinal County: Andy Smith as proxy for Louis Andersen *Salt River Pima-Maricopa Indian Community: Bryan Meyers #Scottsdale: Brad Lundahl as proxy for Jim Thompson #Surprise: Mike Frazier #Tempe: Andrew Ching #Tolleson: Reyes Medrano, Jr. #Valley Metro/RPTA: Scott Smith</p>
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#Glendale: Kevin Phelps	*Wickenburg: Vince Lorefice #Youngtown: Jeanne Blackman
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* Those members neither present nor represented by proxy.

Participated by webinar/telephone conference call.