

Item 4
File 11-0528

Department(s):
Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would retroactively approve a Feeder Agreement between the City, on behalf of Municipal Transportation Agency (MTA) and the Bay Area Rapid Transit (BART) for payment for transfer trips made on San Francisco Municipal Railway (MUNI) to and from BART for a one-year retroactive term from July 1, 2009 through June 30, 2010 (Fiscal Year 2009-10).

Key Points

- In the initial 1987 Feeder Agreement, BART's Feeder Agreement payment to the MTA for these transfer trips was calculated by subtracting the average MTA fare per boarding from the MTA's operating cost per boarding and multiplying that amount by the number of transfer trips between BART and the MTA for that fiscal year.
- By 1991, BART's Feeder Agreement payment to the MTA had been calculated by adjusting the previous year's Feeder Agreement payment from BART to the MTA by the percentage change in BART Sales Tax revenue for the two years prior to the current year's Feeder Agreement, irrespective of the actual number of transfer trips between BART and MUNI. As a result, the proposed retroactive FY 2009-2010 payment from BART to the MTA would be the FY 2008-09 payment amount adjusted by the percentage change in BART Sales Tax revenue between FY 2007-08 and FY 2008-09.

Fiscal Impact

- BART Sales Tax revenues for FY 2008-09 were \$184,285,565 and BART Sales Tax revenues for FY 2007-08 were \$202,632,203, resulting in a 9.05 percent decrease. Based on this 9.05 percent decrease, if the proposed Feeder Agreement is approved, the FY 2009-10 Feeder Agreement payment by BART to the MTA would be \$2,641,151, which is \$262,941 or 9.05 percent less than the \$2,904,092 that BART paid the MTA for FY 2008-09.
- Using the 1987 methodology, based on the actual number of transfer trips between BART and the MTA, the BART payment to the MTA for FY 2009-10 would be \$15,135,790, which is \$12,494,639 or 473.1 percent more than the \$2,641,151 amount calculated under the current methodology.

Policy Considerations

- The Budget and Legislative Analyst believes that the MTA and BART should renegotiate the Feeder Agreement methodology to provide a clear nexus between the actual number of transfer trips between BART and MUNI and the related Feeder Agreement payment by BART to the MTA for FY 2010-11 and FY 2011-12, including negotiations regarding BART providing retroactive payments to the MTA for FY 2009-10.

Recommendation

- Approval of the proposed resolution is a policy decision for the Board of Supervisors.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

In accordance with Charter Section 9.118(a), City agreements, or amendments to such City agreements, with anticipated revenue of \$1,000,000 or more are subject to approval of the Board of Supervisors.

Background

The Municipal Transportation Agency (MTA) and Bay Area Rapid Transit (BART) provide an integrated transit network in San Francisco through the interconnection of both transit agencies' systems. The MTA provides transit services to BART stations within San Francisco and Daly City, enabling BART users to access San Francisco Municipal Railway (MUNI) locations beyond walking distance from BART stations, while BART provides transit within San Francisco and to areas outside of San Francisco, including the East Bay and the San Francisco Airport, enabling San Franciscans to access Bay Area locations outside of San Francisco.

BART and the MTA have multiple agreements relating to the provision of services and payment for those services within San Francisco. One of the two most significant agreements between BART and the MTA is an annual Feeder Agreement, which establishes a lump sum payment from BART to the MTA for the provision of MTA feeder bus and rail services to BART stations. Feeder transit services are the MUNI bus and rail routes that directly serve BART stations to enable BART transit-riders to access MUNI public transportation.

The other significant agreement between BART and the MTA is the Fast Pass Agreement, which establishes a per-ride reimbursement rate for the MTA to pay BART for all trips on BART within San Francisco made by MUNI Adult Fast Pass holders.

Fast Pass Agreement

Mr. Jason Lee, Financial Services Manager in the MTA's Finance & Information Technology Division, advises that the MTA has records of entering into Fast Pass Agreements with BART since 1984.¹ These Fast Pass Agreements allow MUNI monthly Adult Fast Pass users to take an unlimited number of monthly rides on BART within San Francisco city limits at no additional cost to the rider, with reimbursements made by the MTA to BART at a fixed rate for each ride on BART.

The most recent Fast Pass Agreement, with a two-year term from December 21, 2007 through December 31, 2009, provided that the MTA pay BART a fixed reimbursement rate of \$1.02 per trip.

Since the latest Agreement expired on December 31, 2009, BART and the MTA have been negotiating the terms of a new Fast Pass Agreement, and the MTA has continued to pay BART at the same \$1.02 reimbursement rate that it was paying during the term of the last Fast Pass Agreement.

¹ Some of these agreements were subject to Board of Supervisors approval and expenditures for the BART agreements were included in previous MTA budgets, which were subject to approval by the Board of Supervisors.

On May 4, 2011, the Budget and Finance Committee tabled that Fast Pass Agreement (File 11-0201) negotiated between the MTA and BART which would have (a) increased the MTA's reimbursement rate from \$1.02 to \$1.19 per trip, retroactive to January 1, 2010, (b) tied the MTA reimbursement rates to BART's percentage rate of increases through July 1, 2012, (c) after July 1 2012, tied the MTA's reimbursement rates to BART's actual fare increases and (d) capped future MTA annual reimbursement rate increases to a maximum of ten percent. The MTA and BART have recommenced discussions to negotiate a new Fast Pass Agreement and are in the process of finalizing new terms. According to Mr. Lee, the MTA plans to bring the new Fast Pass Agreement to the Board of Supervisors for approval by September, 2011.

Proposed Feeder Agreement (subject of this proposed resolution File 11-0528)

Since 1987, BART and the MTA have entered into annual Feeder Agreements, in which BART pays the MTA to offset a portion of the MTA's costs to provide MUNI feeder services to BART stations located in San Francisco. The original methodology for calculating BART's Feeder Agreement payment to the MTA was to subtract the average MTA fare per boarding from the MTA's operating cost per boarding and multiplying that amount by the number of transfer trips between BART and the MTA for that fiscal year.

According to Mr. Lee, by 1991 the methodology for calculating BART's Feeder Agreement payments to the MTA had changed. However, the MTA could not provide the Budget and Legislative Analyst with any information documenting the reason for the change. Since 1991, BART's Feeder Agreement payment to the MTA has been calculated by adjusting the previous year's Feeder Agreement payment from BART to the MTA by the percentage change in BART Sales Tax revenue for the two years prior to the current year's Feeder Agreement, irrespective of the actual number of transfer trips between BART and MUNI.

For example, in FY 2008-09, BART paid the MTA the amount that BART paid in FY 2007-08 minus the percentage change in the amount of Sales Tax BART received² from FY 2006-07 as compared to FY 2007-08. Table 1 below summarizes the Sales Tax revenues BART retains, annual percentage changes in such revenues and the payments received by the MTA from BART from FY 1999-2000 through FY 2008-09.

² BART collects 0.5 percent Sales Tax from San Francisco, Alameda, and Contra Costa counties. Of this amount, BART retains 75 percent and the remaining 25 percent is split evenly between AC Transit and MTA.

Table 1: Summary of BART's Feeder Agreement Payments to MTA

Fiscal Year	BART Sales Tax Revenue		BART Feeder Agreement Payment to MTA	
	Amount	Percent Increase (Decrease) from Previous Year	Amount	Percentage Increase (Decrease) From Previous Year
FY 1999-2000	\$170,911,394	12.59%	\$2,175,648	5.28%
FY 2000-01	191,648,289	12.13	2,449,471	12.59
FY 2001-02	172,773,943	(9.85)	2,746,668	12.13
FY 2002-03	167,440,932	(3.09)	2,476,164	(9.85)
FY 2003-04	170,566,337	1.87	2,399,733	(3.09)
FY 2004-05	178,391,706	4.59	2,444,526	1.87
FY 2005-06	191,679,598	7.45	2,556,678	4.59
FY 2006-07	198,805,232	3.72	2,747,117	7.45
FY 2007-08	202,632,203	1.92	2,849,241	3.72
FY 2008-09	184,285,565	(9.05)	2,904,092	1.92

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new Feeder Agreement for FY 2009-10 between the City, on behalf of the MTA, and BART, with a term retroactive to July 1, 2009 through June 30, 2010. Under the proposed resolution, the required one –year FY 2009-2010 payment by BART to the MTA would be \$2,641,151 which is \$262,941 or 9.05 percent less than the amount of \$2,904,092 paid by BART to the MTA for FY 2008-09 as shown in Table 1 above

The MTA Board of Directors approved the proposed retroactive FY 2009-10 Feeder Agreement with BART on April 5, 2011.

FISCAL ANALYSIS

Feeder Agreement Payment for FY 2009-10 Under Proposed Methodology is \$2,641,151.

As shown in Table 1 above, BART Sales Tax revenues in FY 2008-09 were \$184,285,565. As also shown above in Table 1, BART Sales Tax revenues in FY 2007-08 were \$202,632,203, representing a 9.05 percent decrease. As shown in Table 2 below, based on this 9.05 percent decrease, if the proposed Feeder Agreement is approved, the FY 2009-10 Feeder Agreement payment by BART to the MTA would be \$2,641,151. This FY 2009-10 proposed payment of

\$2,641,151 by BART to the MTA represents a \$262,941 reduction from the \$2,904,092 (see Table 1 above) that BART paid the MTA for FY 2008-09, or a decrease of 9.05 percent.

FY 2008-09 Payment	\$2,904,092
9.05% decrease in Sales Tax revenues between FY 2007-08 and FY 2008-09	-262,941
Amount of FY 2009-10 Payment if Feeder Agreement is Approved	\$2,641,151

Feeder Agreement Payment for FY 2009-10 Under 1987 Methodology would be \$15,135,790.

Mr. Lee advises that, as previously discussed, an alternative methodology to the current formula to determine BART's Feeder Agreement payment to the MTA is the methodology employed by BART and the MTA from 1987 – 1991, which is tied directly to MUNI and BART ridership and is based on the actual number of transfer trips between BART and MUNI. The Budget and Legislative Analyst agrees with the MTA's position that the formula utilized from 1987 to 1991 is preferable in order to tie the Feeder Agreement payment by BART to the MTA to the actual number of transfer trips between BART and MUNI which more accurately reflects the MTA's costs to provide the Feeder transit services. This 1987-1991 methodology is preferable to the existing methodology utilized after 1991, which is now based upon previous payment amounts and BART's annual Sales Tax revenues, irrespective of the actual number of transfer trips between BART and MUNI.

As shown in Table 3 below, utilizing the 1987 methodology, the Feeder payment by BART to the MTA for FY 2009-10 would be \$15,135,790, which is \$12,494,639 or 473.1 percent more than the \$2,641,151 amount calculated under the current methodology.

Cost per Boarding*	\$2.69
Minus Average Fare per Boarding	-0.77
Multiplied by the Number of Transfer Trips*	x 7,883,224
Amount of FY 2009-10 Payment under 1987 Feeder Agreement Methodology	\$15,135,790

*Source: the 2010 National Transit Database

POLICY CONSIDERATIONS

Mr. Lee advises that, based on the MTA's belief that the Feeder Agreement (subject of this proposed resolution) and the Fast Pass Agreement between BART and the MTA do not reflect the appropriate nexus between the level of transit services provided and the required

reimbursement payments from BART to the MTA, the MTA began negotiations in January, 2010 with BART on both the Fast Pass Agreement and the Feeder Agreement in order to revise the methodologies. It was the MTA's hope that it could renegotiate both Agreements simultaneously. However, according to Mr. Lee, BART did not wish to negotiate the Feeder Agreement until negotiations regarding the Fast Pass Agreement had concluded. Negotiations surrounding the Fast Pass Agreement (which as noted above was tabled by the Budget and Finance Committee on May 4, 2011) have taken longer than expected and BART and the MTA have not yet discussed any proposed changes to the methodology of the Feeder Agreement. Because FY 2009-10 had ended some time ago, the MTA Board of Directors made the decision to retroactively approve the existing methodology for the proposed Feeder Agreement for FY 2009-10 in order to receive the Feeder Agreement payment from BART, which is needed to balance its operating budget.

The Budget and Legislative Analyst also believes that a different methodology than the existing methodology utilized after 1991, which is being proposed for the required BART FY 2009-10 Feeder Agreement payment to the MTA, should be utilized to calculate BART's Feeder Agreement payment amount to MTA in order to establish a clear nexus between the actual number of transfer trips between BART and MUNI and the related required Feeder Agreement payment by BART to the MTA. Mr. Lee advises that the MTA is currently negotiating with BART to develop a revised methodology for the Feeder Agreements for both FY 2010-11 and 2011-12. Mr. Lee further advises that a retroactive payment for the Feeder Agreement for FY 2009-10 would be feasible if BART agrees to make such a payment to the MTA.

Given (a) the MTA's current negotiations with BART to amend the terms of the Feeder Agreement's methodology to provide a clear nexus between the actual number of transfer trips between BART and MUNI and the related required Feeder Agreement payment by BART to the MTA, and (b) the \$12,494,639 or 473.1 percent increase for the required Feeder Agreement payment for FY 2009-10 which the MTA would have recovered from BART if the methodology previously utilized between 1987 and 1991 was used, the Budget and Legislative Analyst believes that the MTA and BART should renegotiate the Feeder Agreement methodology to provide a clear nexus between the actual number of transfer trips between BART and MUNI and the related required Feeder Agreement payment by BART to the MTA for FY 2010-11 and FY 2011-12, including negotiations regarding BART providing retroactive payments for FY 2009-10, based on the 1987 methodology.

RECOMMENDATION

Approval of the proposed resolution is a policy decision for the Board of Supervisors.