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DATE: May 1, 2023

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Ray Atkinson, AICP, Senior Transit Planner, Public Works & Utilities (PW&U)  
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SUBJECT: Resolution Authorizing the Filing of an Application with the Metropolitan  
Transportation Commission for Allocation of Transportation Development Act/  
State Transit Assistance Funds for City of Petaluma Transit Services for FY  
23/24

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### **RECOMMENDATION**

It is recommended that the Council adopt a Resolution Authorizing the Filing of an Application with the Metropolitan Transportation Commission for Allocation of Transportation Development Act/State Transit Assistance Funds for City of Petaluma Transit Services for FY 23/24 and finding this item is exempt from CEQA pursuant to CEQA guidelines sections 15378 and 15061.

### **BACKGROUND**

There are two major statewide sources of funding for the operation of local public transportation in California: the Transportation Development Act (TDA) and the State Transit Assistance (STA) Fund. TDA funds are generated by a statewide ¼-cent sales tax, and STA funds are generated through taxes on the sales of diesel fuel. Although the County Treasury holds the revenues, the Metropolitan Transportation Commission (MTC), as the Transportation Planning Agency for the region, has the responsibility for approving applications authorizing the usage of the funds and ensuring that they are used for eligible expenditures. Upon approval of an application, MTC authorizes payment of a set amount to be paid in installments or as funds become available. The TDA and STA programs require the transit agency's governing bodies to adopt a resolution of support of the application as a condition of applying for these annual funds. The City of Petaluma submits an application for TDA/STA funds every spring for the upcoming fiscal year; the City Council approved the most recent TDA/STA application in May 2022.

FY 22/23 estimates for TDA and STA funds outperformed the original estimates with TDA funds being up by approx. 5% and STA increasing by 19% region wide. Locally, the FY 23/24 estimates

for TDA funds within Sonoma County are projected to have faster growth (5%) than the projected growth for the region as a whole (2.1%). TDA and STA revenues have continued to rebound throughout the region, seeing an increase in TDA sales tax revenue of 56% from quarter 1 and quarter 2 of FY 21/22 to FY 22/23.

## Fund Estimate Overview

	Program	Description	FY 2021-22 Actuals	FY 2022-23 Revised Estimates	FY 2023-24 Estimates
Sales Taxes and Tolls	Transportation Development Act (TDA) ¼ ¢ Sales Tax	¼ ¢ sales tax in each county	\$481M	\$508M	\$519M
	AB 1107 ½ ¢ Sales Tax	MTC administers 25% of the revenue from the ½ ¢ sales tax in the three BART district counties	\$104M	\$104M	\$104M
	Bridge Tolls	MTC 2% Toll Revenues and 5% State General Fund Revenues	\$5M	\$5M	\$5M
STA Formula	State Transit Assistance (STA)	Sales tax on diesel fuel in CA	\$260M	\$350M	\$388M*
	State of Good Repair (SGR) Program	Transportation Improvement Fee (vehicle registration fee)	\$43M	\$44M	\$52M
	Low Carbon Transit Operations Program (LCTOP)	5% of Cap-and-Trade auction revenues	\$70M	\$47M	\$43M

Note: Estimated revenue amounts are rounded to nearest million.

\* There are inconsistencies with the underlying distribution factors. Staff is working to reconcile these issues.

\*Region-wide revenue estimate chart from MTC (February 2023)

TDA funds apportioned to the City have increased by less than 1% from the prior year, from \$3,815,114 to \$3,829,846. STA funds available to the City have increased by an estimated 29.4%, from \$940,389 in FY 22/23 to \$1,216,860 in FY 23/24.

Beyond these two largest sources of operating funds, Petaluma Transit also receives funding from the following sources: local Sonoma County sales tax Measure M/Go Sonoma, passenger fares, and competitive grant programs at the regional and federal levels. TDA/STA funding provides the majority of the funding needed to operate transit service, providing nearly 75% of operating funds for Petaluma Transit and Paratransit. Measure M funds are expected to generally mirror the trends of TDA funds and similarly increase for FY 23/24. MTC will provide a more detailed update on the transit revenue outlook at the next Fund Estimate revision this fall.

## DISCUSSION

Petaluma's TDA apportionment for FY 23/24 is \$3,829,846, based on the initial estimations and MTC's guidance. Of that apportionment, \$1,104,300, or 28.8%, is diverted to Golden Gate Transit for regional transit services, and \$253,458, or 6.6%, is directed to Sonoma County for intercity services, such as Routes 44 and 48 to Rohnert Park, Sonoma State, and Santa Rosa, and intercity paratransit service. Payments to Golden Gate Transit and Sonoma County Transit are drawn from the total, leaving Petaluma with an estimated \$2,421,397 of the available apportionment.

Petaluma Transit is requesting \$2,335,538 of TDA funding for the upcoming year. This is larger than the \$295,373 requested in FY 22/23 as Petaluma Transit was able to utilize \$1,553,739 in federal stimulus funding in FY23 made available through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and American Rescue Plan Act (ARPA) Act of 2021, which are now fully expended. \$1.6 million in TDA funding will be put toward operations. In addition to running the existing Petaluma Transit, FY24 will see service expansions in running additional school tripper service and starting a new micro transit/shuttle service in FY24. The remaining \$719,080 of TDA funding being requested is matching funds for capital projects including the purchase of two replacement fixed-route buses, two replacement paratransit vans, scheduling software, upgrade an onboard security system, Automatic Vehicle Location (AVL) system upgrade, roof replacement for the Transit Yard Administrative Building, and miscellaneous small capital improvements.

In addition to the TDA apportionments, \$1,169,048 in FY 23/24 STA funds will be requested to be used toward operations. STA funding must be expended annually and cannot be “banked” or carried over to subsequent years.

It is recommended that the City Council approve the attached resolution to authorize staff to file an application with the MTC for allocation of the TDA/STA funds for FY 23/24.

### **PUBLIC OUTREACH**

The TDA/STA claim is discussed annually by the Transit Advisory Committee (and subsequently the City Council) and reflects the identified needs of Petaluma Transit as identified over the past two years for operating and capital improvements including discussions with the Transit Advisory Committees and associated agency goals.

The item was discussed on April 13, 2023, at the Transit Advisory Committee meeting. Additionally, this item appeared on the City’s tentative agenda document on April 17, 2023, which was a publicly-noticed meeting.

### **COUNCIL GOAL ALIGNMENT**

This action supports the following City Council Goals:

- Workplan item #1 – “Develop a fiscal sustainability plan with the community that balances City services with available revenues and integrates policies and identifies potential revenue sources that can ensure long-term financial health and effectiveness of the City.”
- Workplan item #7 – “Leverage local, regional, and state programs and resources to maximize city revenues.”

## **CLIMATE ACTION/SUSTAINABILITY EFFORTS**

This proposed action provides vital operating and capital funds for Petaluma Transit. This funding is vital to the operation of the Petaluma Transit system and its ability to help to achieve City climate action goals in reducing Greenhouse gas (GHG) and Vehicle Miles Traveled (VMT) by providing public transit alternatives to single-occupant vehicle trips.

## **ENVIRONMENTAL REVIEW**

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, in that applying for a grant does not meet CEQA's definition of a "project," because the action does not have the potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because the action does not commit the City to a definite course of action (See *City of Irvine v. County of Orange* (2013) 221 Cal 4th 846, 865 County's decision to apply for state funding for potential jail expansion was not project approval). If the item were a "project" pursuant to CEQA it would be exempt under the commonsense exemption, CEQA Guidelines Section 15061 as these funds will be used to maintain existing services and CEQA Guidelines Section 15301 (existing facilities). Moreover, any use of the funds for expanded services will require its own analysis for compliance with CEQA.

## **FINANCIAL IMPACTS**

The targeted funding of \$3,504,586 (\$2,335,538 from TDA and \$1,169,048 from STA) is reflected in the FY 23/24 Proposed Budget.

## **ALTERNATIVES**

Failure to submit a TDA/STA application would result in the City not receiving this funding and not being able to increase its funding reserve to help safeguard against a future increase in costs or potential drop in funding levels potentially resulting in reduced transit service throughout Petaluma.

## **ATTACHMENTS**

1. Resolution with Exhibit A (CEQA exemption letter)