Transportation Development Act Claims Manual

May 2024

The following pages comprise the Tulare County Transportation Development Act (TDA) Claims Manual. The manual is intended as a summary to TDA rules as they're pertinent to TDA claims, as well as a guide that includes the required forms and attachments needed for completing your TDA claim. It is not a comprehensive overview of the TDA. Caltrans publishes a TDA Guidebook which provides thorough information on all aspects of the TDA. The last publishing date was September 2016. The Caltrans TDA Guidebook can be found at: http://www.dot.ca.gov/hq/MassTrans/State-TDA.html.

If you have any questions about the forms or the TDA claims process, please contact TCAG staff at (559) 623-0450. We hope this TDA Claims Manual is helpful in completing your TDA claims.

Tulare County Association of Governments

Table of Contents

Transportation Development Act Introduction

The California Transportation Development Act provides two funding sources: the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA). Each of these funding sources are based on state sales tax: ¼ cent of the general sales tax and the sales tax on diesel fuel, respectively. The TDA has compliance requirements for eligibility such as the annual unmet needs process, appointing a Social Services Transportation Advisory Council, the preparation of annual State Controller's Reports, fiscal audits, performance audits, and more. Many agency requirements must be documented and documentation submitted to TCAG for review and for keeping records. For detailed information, please refer to the Public Utilities Code (PUC) where applicable, or the TDA Guidebook prepared by the Caltrans Division of Mass Transportation (http://www.dot.ca.gov/hq/MassTrans/State-TDA.html).

On May 20, 2024 the TCAG Board of Directors approved the following new or reemphasized requirements related to FTA Programming and TDA Claims by resolution:

1. **Resolution of concurrence from each local agency contributing to the proposed claim for operating/capital transit project(s).**
2. **Federal Transit Administration (FTA) Urbanized Area Splits are to be done by local agency / transit operator agreement for services. Otherwise the TCAG default formula split will be used: Population 40%, Service Miles 20%, Ridership 40%.**
3. **At a minimum a draft Short-Range Transit Plan (SRTP) starting July 1, 2025 and an approved SRTP thereafter is required for Federal Transportation Improvement Program (FTIP) programming.**
4. **Local Transit Fund (LTF) 50% expenditure limitation for transit operations. Available Federal Transit Administration (FTA) 5307/5311 funds and State Transit Assistance (STA) funds are required to be fully utilized before LTF can be used as a local match for transit.**

State Transit Assistance Fund (STA)

STA funds are derived from diesel fuel taxes and can only be used on transit. The State Controller sends out STA amounts under two PUC sections (99313 and 99314). One portion of the STA allocation provides direct funding per agency on a revenue basis, and the second is a sum total for Tulare County agencies that is divided by population. These amounts are typically finalized by the Controller each August. STA funds are a clearly budgeted annual funding source apportioned out to each agency with no funds taken off the top for planning or other activities. TCAG shall provide the apportionment estimates to be used for TDA claims. Many Tulare County agencies have transfer agreements: these most often are exchanged in the STA fund.

Efficiency Standard for STA Operations Funding
STA funds shall not be allocated for operations if an agency does not meet one of two efficiency standards set by TDA*. Below are the efficiency standards set by the TDA. A spreadsheet is provided as Form E of this document for use in documenting that at least one of the two efficiency standards are met. Text below is taken directly from page 82 of the Caltrans TDA Guidebook:

1) The operator's total operating cost per revenue vehicle hour in the latest year for which audited data are available does not exceed the sum of the preceding year's total operating cost per revenue vehicle hour and an amount equal to the product of the percentage change in the Consumer Price Index for the same period multiplied by the preceding year's total operating cost per revenue vehicle hour.

2) The operator's average total operating cost per revenue vehicle hour in the latest three years for which audited data are available does not exceed the sum of the average of the total operating cost per revenue vehicle hour in the three years preceding the latest year for which audited data are available and an amount equal to the product of the average percentage change in the Consumer Price Index for the same period multiplied by the average total operating cost per revenue vehicle hour in the same three years.

*There are two qualifying adjustment types that are allowable within the efficiency calculations: 1) Start-up costs for new services may be excluded for up to two years; and 2) Cost increases beyond the change in the CPI for fuel, power, insurance premiums, payments in settlement of liability claims, or mandates requiring additional operating costs required to provide comparable complementary paratransit service as required by Section 37.121 of Title 49 of the Code of Federal Regulations, pursuant to the Americans with Disabilities Act of 1990.

TCAG will provide the CPI to use for this calculation. The inputs into the efficiency calculation must be derived from final audited numbers. STA claims cannot be processed prior to completion of TDA audits.

Local Transportation Fund (LTF)

LTF can be used on transit, bicycle, pedestrian, and rail projects, planning, and, if a county has a total population of 500,000 or less, streets and roads that are provided for use by pedestrians and bicyclists, when certain conditions are met. In order to submit a claim for streets and roads funding, an agency must show that all adopted and required unmet transit needs are met by the agency. This is determined by TCAG. Whereas STA amounts are finalized annually by the State Controller, LTF amounts will vary during the year and the final LTF amount is equal to the payments made to TCAG. The amount will vary and is less exact than STA. LTF is derived from the general sales tax and multiple estimates and revisions will come out each year. Funds are taken off the top of this fund for purposes such as planning and administration. If claim amounts are higher than actual revenues, the full amount of claims will not be paid out. Actual receipts are paid out, regardless of the estimate-based claim amount. In the case that the approved claim amount was lower than revenue received, the claim amount will be paid in full and excess funds held in an agency's account for future use. TCAG shall provide the apportionment estimates to be used for TDA claims.

50 Percent Expenditure Limitation
LTF has a 50 percent expenditure limitation. Operating costs, capital requirements, and debt service requirements are to be added, and then federal grants and state transit assistance funding subtracted from the operating/capital/debt service total. Federal transit funds and STA funds are

required to be fully utilized before LTF can be used for transit. LTF can cover, at a maximum, 50 percent of the remaining cost after federal and STA funding has been deducted. An exception is for service extensions less than three years old. In the case of service extensions less than three years old, that cost should be removed from the overall operating cost number for the calculation under the 50 percent rule, and that cost can be fully funded with LTF (Form F). Refer to page 119 of the Caltrans TDA Guidebook.

Farebox

What is it?
Farebox is defined as the ratio of fare revenues to total operating costs (minus depreciation). The farebox required for urban systems is 20%, and 10% for rural systems, as determined by the most recent US Census. The farebox requirement may be set in between those amounts for a system that serves both urban and rural areas. A formula for this adjustment is approved by TCAG and Caltrans, and, after approval, will be applied to agencies as applicable. TCAG has the authority, with justifiable reasons under law, to temporarily reduce an urban area farebox in any increment down to 15%. New routes and/or services can be excluded from the operations amount used in the farebox calculation in the fiscal year the service started and the following two years (Form D). Please see New Service Exemption below.

What is counted in calculating fare revenues and operating costs?

- *Farebox Revenue Sources*

Farebox revenues may include the following:
401: Passenger fares
402: Special transit fares (fares provided by a human services agency per client ride or guaranteed revenues provided by an organization for a specific route)
403: School bus service (via an agreement with a school/school district to provide student service
406: Auxiliary transportation revenue (includes advertising and concessions revenue)
408.000: Taxes levied directly by transit agency
408.020: Local sales tax revenues, as applicable. Use of Measure R revenue has specific policies for its use. Please see Measure R Policies and Procedures for details on the use of Measure R revenue for farebox recovery. Form G is required for use of Measure R as a farebox revenue source.
410: Local special fare assistance (subsidy collected from a local government to help offset the difference between full and reduced fares)
440: Subsidy from non-transit sectors to help cover the cost of operating a transit system.

Lease revenues, accumulated interest, and other revenue sources not listed above are not eligible for inclusion in an agency's farebox revenue. Farebox revenue can be seen as a locally required match to state funds provided. Please see PUC 99243 and CCR 6644.2 and 6611.3 for more information. (Forms A and B)

- *Operating Costs*

Operating costs include the following items:
501: Labor
502: Fringe benefits
503: Services
504: Materials and Supplies
505: Utilities
506: Casualty and Liability Costs (including insurance costs)
507: Taxes
508: Purchased transportation service
509: Miscellaneous
510: Expense Transfers
511: Interest
512: Leases and Rentals

Please see PUC 99247 and CCR 6611.1 for detailed instructions. Depreciation, amortization expenses, and, in some cases, charter service costs, are excluded from the operations total. (Forms A and B)

What happens if you don't meet it?
Transit providers must meet their farebox requirement in order to be eligible for TDA funds. If farebox revenues collected via eligible fare revenues are not enough to meet the required ratio, the agency should use local funds to meet farebox, or the agency is subject to the TDA penalty. The penalty cycle starts with a one-year grace period. If an agency fails to meet farebox two years in a row, TDA funding will be reduced in the immediately following year in the amount of the farebox deficit from the second year of farebox non-compliance. Please refer to page 121 in the Caltrans TDA Guidebook.

<u>New Service Exemption</u>

New services can be excluded from the required farebox ratio calculation for a specified timeframe. The timeframe is defined as two full fiscal years after the fiscal year in which the service began (timeframe is 2-3 years depending on service start date). New service is defined as the addition of geographic areas, increase in route miles, increase in frequency, or increase in hours greater than 25% of the route total, or independent new service. Agencies must provide a report on the extension services including, at a minimum, the area served, the cost to provide the extended services, and the revenue generated from the extended services only. Please provide the information as an attachment to your claim if you are proposing an operations cost and fare reduction in the farebox calculation (Form D). Refer to page 58 in the Caltrans TDA Guidebook.

<u>Audits and Reports</u>

- *Performance Audits*

TDA Performance Audits are conducted triennially. TCAG procures the consultant for this task. Each transit provider and TCAG will undergo a performance audit for compliance with TDA and related transit regulations. Performance audit recommendations must be reported to TCAG, documented in TDA claims, and resolved or documented for progress or failure to the satisfaction of the Regional Transportation Planning Agency (TCAG) before TDA claims will be paid. (Attachment E)

϶ *Fiscal Audits*

Each year all agencies are required to complete fiscal audits. TCAG must be provided a copy of the audited financial statements of each agency's transportation and transit funds in order for agencies to meet requirements for TDA funding disbursements. TCAG may provide guidelines/information and/or confer with fiscal auditors regarding the specific rules and policies of the TDA. As a result of recommendations from TCAG's performance audit and due to errors that tend to occur in these specialized audits, TCAG requests that agencies submit draft audits for review and comment when draft audits are available. Final audits are due by December 31st of each year (for year-end June 30 audits). An extension may be requested and approved by TCAG; extensions can be granted until March 31 of the following calendar year for prior fiscal year-end audits, and no later.

TCAG is prohibited by law to release TDA funds to agencies that do not submit audits on time. TCAG, in a good faith effort to serve agencies and comply with the law, will release up to half of approved LTF claim amounts for the current fiscal year to agencies before the submittal of their prior fiscal year audit. The remaining amount of LTF funds for the current fiscal year will be released to agencies after prior fiscal year audit submittal. If an agency submits an audit late, LTF funds the following year will not be released until after the subsequent fiscal year's audit submittal, (i.e. the agency will not be eligible for the 50% pre-audit submittal payment). (Attachment B)

϶ *State Controller's Reports (SCRs)*

State Controller's Reports are due each year in October. A copy of the final Transit Operators Financial Transactions and Compensation Report must be submitted to TCAG. TCAG will use the SCR as a reference document when evaluating TDA claims. (Attachment C)

<u>Unmet Transit Needs</u>

The Unmet Transit Needs process is carried out by TCAG each year. The process is required in order for any agency to use LTF funds on streets and roads. Annually, the TCAG Board shall determine whether there are unmet transit needs that are reasonable to meet. Unmet needs reasonable to meet will be specified for the agencies to which they apply. An agency may not use LTF funds on streets and roads unless they have met all required unmet needs reasonable to meet. Documentation of satisfying the unmet need, or documentation explaining why the implementation is impossible or must be delayed, is a required attachment to TDA claims. (Attachment F)

<u>Substantiation of Increases in Budget</u>

No funding may be allocated to an operator whose operating budget is 15% or higher than the preceding year, unless the increase is substantiated by supporting data (Form C). No costs may be excluded from this calculation. Refer to page page 55 of the Caltrans TDA Guidebook.

<u>Submission of Claims</u>

Under the TDA, TCAG must release apportionment estimates by March 1st each year, and agency claims are due by April 1st. However, TCAG will accept LTF claims after finalization and submittal of agency State Controller's Reports in October the prior calendar year, and will accept STA claims as soon as audits are completed. Completing claims this early in the year may necessitate revisions. For example, if the final agency audit reflects different information than that presented in Form B, prior year actuals, claim portions must be revised.

϶ *Please submit a cover letter with all attachments and forms to complete your TDA claim.*

϶ *List of Required Forms and Attachments for TDA Claims:*

Form A: Budget for Current Year Claim
Form B: Prior Year Actuals
Form C: Annual Budget Increase
Form D: Farebox Recovery Ratio
Form E: Efficiency Standards Calculation
Form F: 50% Expenditure Limitation
Form G: Measure R Fare Recovery (One form per service)
Form H: Claims

Attachment A: Certifications
Attachment B: Audited Financial Statements (Transportation and Transit Funds)
Attachment C: State Controller's Report (Transit Operators report only)
Attachment D: California Highway Patrol Certifications
Attachment E: Triennial Performance Audit Findings & Recommendations, with responses
Attachment F: Agency Unmet Needs Requirements, with implementation responses

*All forms and attachments may not be required for all agencies.

϶ *<u>Submission of Claims under Article 4.5 – Community Transit Services</u>*

Pursuant to PUC section 99233.7, Article 4.5 claims may be filed for community transit services, including such services for those, such as the disabled, who cannot use conventional transit services. TCAG allocates these funds to the Consolidated Transportation Services Agency (CTSA) for Tulare County as designated pursuant to Section 15975 of the Government Code.

Please refer to Appendix A of this manual for Evaluation Criteria. (Page 64 in the Caltrans TDA Guidebook, PUC Section 99275.5) If you believe your agency qualifies for TDA funds under Article 4.5, please contact TCAG staff for further assistance.

Attachment A
Certifications

1. Claimant certifies that it has submitted or is making significant and timely progress on a satisfactory independent audit. Audits are due to TCAG and the State Controller not more than 180 days after the end of the prior fiscal year. (LTF claims may be filed prior to the audit completion date. If claimant certifies that it is making significant and timely progress on the audit, up to 50% of current year LTF may be paid to claimant, **if** claimant's audit was submitted by March 31st of the prior calendar year. The 50% advance does not apply to agencies who submitted prior year audits late. The remaining 50% of current year LTF will be paid out after fully completed and certified audits are received from all agencies. See page 4.) (Required as Attachment B, when completed)

   Initial ________

2. Claimant certifies that it has submitted the annual Transit Operators Financial Transactions and Compensation Report to the State Controller and TCAG not more than 120 days after the end of the prior fiscal year. (Required as Attachment C)

   Initial ________

3. Claimant certifies that it has been certified by the California Highway Patrol within the last 13 months to be in compliance with Section 1808.1 of the California Vehicle Code. (Required as Attachment D)

   Initial ________

4. Claimant certifies that it complies with the Americans with Disabilities Act (ADA) which includes the following provisions: 1) Prohibits discrimination against the disabled in hiring and employment; 2) Prohibits discrimination in public transportation and requires public transit systems to provide the same level of service to individuals with disabilities as to those without disabilities using the same system; and 3) Prohibits discrimination against the disabled in public accommodations and in commercial facilities.

   Initial ________

5. Claimant certifies that it is in compliance with the Federal Transit Administration (FTA) Drug and Alcohol Testing rules and provides a drug-free workplace.

   Initial ________

6. Claimant certifies that the operator has made a reasonable effort to implement the productivity improvements recommended pursuant to PUC Section 99244:
   a. Operating Cost per Passenger: Improve service efficiency for the last 12 quarters based on available data.
   b. Operating Cost per Service Hour: Improve efficiency for the last 12 quarters based on available data. Consider fixed and variable administrative costs, maintenance costs, and maintenance program effectiveness.
   c. Passengers per Service Hour: Improve passenger productivity for the last 12 quarters based on available data.

d. Passengers per Service Mile: Improve passenger productivity for the last 12 quarters based on available data.
e. Service Hours per Employee: Improve labor productivity for the last 12 quarters based on available data. Consider both fixed and variable costs.
f. Farebox Recovery: Meet or exceed the minimum requirement for farebox recovery for the last four quarters of available data.

Initial ________

7. Claimant certifies that its operating budget is no more than 15% greater than its previous year unless supported by documentation that substantiates such change. (Required Form C)

Initial ________

8. Claimant certifies that it has responded to all recommendations in the most recent Triennial Performance Audit. (Required as Attachment E)

Initial ________

9. Claimant certifies that all Unmet Transit Needs have been met. (Required for LTF streets and roads claims only, voluntary for all others.) (Required as Attachment F)

Initial ________

10. Claimant certifies that it is making full use of federal funds available under the Federal Transit Act.

Initial ________

11. Claimant certifies that it meets one of two efficiency standards set forth in PUC Section 99314.6. (Required for STA claims for operations only.) (Required Form E)

Initial ________

12. Claimant certifies that the LTF claim does not exceed 50% of claimant's total public transportation budget (minus federal transit and STA funds). (Required Form F)

Initial ________

____
Signed

______________________ ______________________
Title Date

Appendix A
Article 4.5 Claims Evaluation Criteria

Prior to approving a claim filed under Article 4.5, TCAG shall make the following findings (Article 99275.5):

1. That the proposed community transit service is responding to a transportation need currently not being met in the community of the claimant.

   Claimant shall:
   - Clearly define the proposed service population, both in magnitude and geographic location.
   - Identify past, current, and proposed efforts at providing a definition of the magnitude and location of the service population to be served.
   - List existing transportation services available to proposed service population and the reason that the proposed service population cannot utilize this service.
   - Describe community involvement in the design of the program proposed.

2. That the service shall be integrated with existing transit services, if appropriate.

   Claimant shall:
   - Provide an inventory of transportation service providers within the proposed service area.
   - Describe alternatives to the proposed service.
   - Provide evidence of efforts made to notify other operators of the proposed program and efforts to provide the proposed service through extension of existing services or contract with existing operators.

3. That the claimant has prepared an estimate of revenues, operating costs, and patronage, and a marketing program.

   Claimants shall:
   - Prepare and submit in its claim the information required in Section 6632 of the Administrative Code. This information includes, but is limited to, a five-year financial plan, a proposed budget, maps of proposed service area, timetables, fare schedules, estimated vehicle miles traveled, and passengers.
   - Prepare a budget and financial plan indicating all funding sources to be used in the proposed program (including farebox revenue, local, state, federal, and private sources).
   - Describe proposed methods of marketing the proposed service in the community and the specific population to be served.

4. That a reasonable farebox recovery in relation to other operators in the county is proposed by the claimant.

   Claimants shall:
   - The Claimant shall be required to maintain, at a minimum, an overall farebox revenue to operating cost ratio of 10% for all transportation services. The funding formula maximum is 45% TDA/LTF Article 4.5 moneys and 55% local match.
   - Demonstrate in its financial plan that there will be an increase in farebox recovery over the proposed program schedule.

5. That the claimant is in compliance with Sections 99155 and 99155.5 regarding reduced transit fares for elderly and disabled persons and non-discrimination towards these groups.

If there are competing claims under Article 4.5, funds will be allocated to a claimant based on the following criteria:

1. The commitment of local, state, federal, and private program funds to participate in the project.
2. Percentage of operating revenue recovered from farebox.
3. TDA/LTF Article 4.5 money shall not be expended without a minimum dollar for dollar match with other available funds.
4. Projected cost of service (per passenger/mile/hour/etc.), as compared to similar services in the area.
5. Extent to which the project responds to demonstrated and unmet community needs.
6. Degree of coordination with other public, private, and non-profit operators.
7. Level of community involvement in the project planning, implementation, and evaluation process.
8. Reasonableness and justification of estimated demand for proposed project.
9. Degree of management capability to administer the use of TDA funds and to operate a transportation project.
10. Suitability of proposed marketing program to reach and attract potential riders.
11. Appropriateness of proposed equipment needs, costs, and level of service.