PROPOSITION A 40% DISCRETIONARY FUND
Discretionary Grant Program and Incentive Program Guidelines
Adopted April 24, 1991

INTRODUCTION

The Proposition A Discretionary Fund Guidelines summarize the funding policies and administrative procedures related to the Discretionary Grant Program as well as to the Incentive Program. They can be used as a reference manual by LACTC staff, eligible recipients, and the interested public. The following serves as a Table of Contents:

I. DISCRETIONARY GRANT PROGRAM

1. Eligible Operators
2. Eligible Service
3. Funding Methodology
4. Carryover Funds
5. Capital Projects
6. Contract and Negotiation
7. Reimbursement
8. Conditions
9. Close-out
10. Penalties

II. INCENTIVE PROGRAM

11. Eligible Recipients
12. Eligible Projects
13. Funding Methodology
14. Carryover Funds
15. Capital Projects
16. Contract and Negotiation
17. Reimbursement
18. Conditions
19. Close-out
20. Penalties
21. Termination
22. Amendments

DISCRETIONARY GRANT PROGRAM

1.0 Eligible Operators

Participants in the Discretionary Grant Program will be limited to the following operators:

Arcadia Dial-A-Ride	Gardena Municipal Bus Lines
Claremont Dial-A-Ride	La Mirada Dial-A-Ride
Commerce Municipal Bus Lines	Long Beach Public Transportation Company
Culver City Municipal Bus Lines	Montebello Bus Lines
Norwalk Transit System	Torrance Transit System
Redondo Beach Dial-A-Ride	Southern California Rapid Transit District
Santa Monica Municipal Bus Lines	LACTC - approved Transportation Zones 1

1 LACTC approved Transportation Zones shall be eligible for Proposition A Discretionary funds and must adhere to the Zone Guidelines.

1.1 In order to receive Proposition A Discretionary Grant Funds, operators must provide warranties in the Memorandum of Understanding that they will:

A. Cooperate and coordinate with other operators in the development of an integrated countywide transportation system;

B. Make every effort to improve upon the existing span and scope of their transit service (minimum standards are detailed in Section 8.1);

C. Ensure that service quality improvements are implemented whenever possible (e.g., added service to meet demand; routing and scheduling improvements);

D. Ensure that the existing level of service is maintained and that major service changes are subject to the adopted Service Notification Policy (Attachment C);

E. Make every effort to ensure that the total number of linked passengers (riders) is maintained or increased;

F. Certify that they are not effectively precluded by any new collective bargaining agreement which is in effect on or after July 1, 1988, from contracting existing, new or restructured services;

G. Make every effort to control operating costs within the CPI on an average over time, in order to keep base fare increases within the Consumer Price Index (CPI) increase;

H. Agree to secure a local contribution as described in Section 8.3.

2.0 <u>Eligible Service</u>

Fixed-Route and General Public Dial-A-Ride services operated by the Transportation Development Act (TDA) Article 4 recipients are eligible for Discretionary Grant formula funds. In addition, the LACTC can make a Transportation Zone eligible for funds, subject to the Zone Guidelines. Service operated on a cost-less-revenue basis, subscription service, and special event services are not eligible for Discretionary Grant formula funds. Only the services included in the Transit Performance Measurement program are eligible for Discretionary Grant Formula funds. It should be noted that

any service added will be subject to the LACTC TPM program. Operators should refer to the Service Notification policy for the procedures regarding elimination or significant reductions in service.

3.0 Discretionary Grant Funding Methodology

3.1 The maximum Discretionary Grant subsidy during fiscal year 1992 for each operator is determined by their percentage share of a formula that consists of 50% Fare Units and 50% Vehicle Service Miles. The data used for calculating the transit operators' base year (FY 92) percentage share is the latest available audited data (FY 90).

For FY 92, total Discretionary Grant subsidies will be based on the formula share and increased by an amount not to exceed the CPI increase for each fiscal year thereafter. The CPI increase will be determined by LACTC each year based on the Los Angeles - Long Beach urbanized area cost of living index. Final fiscal year maximimum grant shares will be determined when CPI data is available. The Executive Director is authorized to administratively amend the MOU to reflect any changes as a result of the actual CPI increase for that fiscal year.

LACTC agrees to develop a methodology in cooperation with the bus operators for determining future fiscal year changes to the base year noted above. LACTC recognizes that services have been added by the operators since FY 1990, and agrees that those services will be given priority in the development of new fund uses.

Twenty percent of the total Discretionary Grant funds allocated will be considered "fare subsidy dollars." The transit operator's local contribution will be credited when calculating "Total Farebox Revenue". For Discretionary grant funds, the 0.25% formula allocation cap on Dial-a-Ride operators will be eliminated for the purpose of calculating FY 1992 share.

For those operators who are cost-effective and who draw down less than 50% of their current annual allocation of Proposition A Discretionary funds, the following shall apply:

- Operators can use up to 20% of their annual allocation of Discretionary funds for fare subsidy purposes; and

- that amount shall be deducted from the operating expenses when calculating the 38% farebox (plus local contribution) recovery TPM standard.

3.2 All available TDA, STA, and Section 9 operating subsidies must

be committed before Discretionary Grant formula funds can be allocated. No carryover of TDA, STA, or Section 9 operating assistance is allowed. A worksheet to determine and operator's eligible subsidy will be provided (Attachment A). Exhibit A-1 shows how an operator's eligibility is determined.

3.3 If the mid-year adjustment (which will be completed in February of each year) indicates that the Proposition A Discretionary fund receipts will be higher than committed under CPI as described in Section 3.1, additional Discretionary Grant funds will be transferred to the Proposition C 40% Fund. LACTC recognizes that services have been added by the operators since FY 1990, and agrees that those services will be given priority in the development of new fund uses. If the mid-year adjustment shows that the Proposition A receipts will be lower than the CPI, there will be a mid-year adjustment to each operator's maximum grant and operators will be credited with the marginal increase in future years as Proposition A 40% funds become available. Notice of an adjustment shall be provided at the earliest opportunity.

4.0 <u>Carryover Funds</u>

4.1 Operators participating in the Discretionary Grant formula fund program can carryover, for two years, 100% of their annual formula grant allocation minus any portion received during the fiscal year. The carryover funds will be calculated after the Discretionary Grant formula fund program's fiscal year close-out and will be based on audited actual expenses.

All carryover funds will be held in the operator's name with the County Auditor. Any unused carryover funds will be transferred to the Proposition C 40% Fund after two years. TPM bonus funds earned prior to FY 1992, not spent by an operator at the close of FY 1991, will be available to the same operator for a period of two years.

These carryover funds will be held by the Commission until the next fiscal year when the operator requests Discretionary Grant formula funds. At that time, the carryover funds, will be drawn down first. The carryover funds will not be considered when calculating an operator's eligibility for Discretionary Grant formula allocation. Interest accrued to the carryover funds will be credited to the Discretionary fund and not to the individual operator.

4.2 Operators who are due a credit based upon the Proposition A

Fare Reduction program must notify the LACTC no later than March of each year, concurrently with the operator's SRTP, how much, if any, of the credit they wish to draw down for the following year's operating expenses. The amount of credit an operator wishes to draw down will be subtracted from the total available Discretionary Grant formula fund for that year.

If an operator is eligible for Proposition A Fare Reduction and Stabilization funds under this section, the operator may claim up to the full 20% fare subsidy funds noted in Section 3.1, notwithstanding the provisions under Section 3.2.

All available subsidies, including the remaining Discretionary Grant formula funds, must be used by the operator before any Proposition A Fare Reduction and Stabilization credit funds will be allocated. The following process will be used to reimburse the funds:

In order to avoid commingling Proposition A Fare Reduction and Stabilization credit funds with the annual Discretionary Grant formula funds, the Discretionary Grant Memorandum of Understanding (MOU) worksheet will be amended to reflect monthly payments of the Discretionary Grant formula subsidy for the first few months of the year. These balances will be monitored against the operator's budget, and after all Discretionary Grant formula funds are expended, the Proposition A Fare Reduction credit will be disbursed in the final months of the year (unless the credit is needed sooner). The disbursement schedule will be flexible; for example if the annual Discretionary Grant formula funds are used the first six months, the credit will be disbursed during the last six months.

5.0 Capital Projects

Only carryover Discretionary Grant formula funds can be used for capital projects. Operators must follow the existing approval process as required under the Transportation Development Act and the Transportation Improvement Program when applying Proposition A Discretionary formula grant carryover to capital projects.

6.0 Contract and Negotiation

The contracting document will be the Memorandum of Understanding (MOU) (shown on Attachment B). The negotiation of the MOU is conducted triennially unless Proposition A Discretionary Guidelines are revised by the LACTC, whichever occurs first. The Executive Director shall have the authority to administratively amend the operator's MOU to reflect the financial plan worksheet. The MOU amount cannot exceed an operator's annual formula allocation; carryover is not

included in the MOU (until the audit is completed).

Worksheets must be submitted within 120 days of the beginning of the fiscal year, and the Discretionary Grant worksheet will be considered part of the MOU. LACTC staff will process the MOU within 30 days from receipt of the worksheet and completed TDA claim. The worksheet must be consistent with the transit operators' adopted current year operating budget and must not show a deficit greater than the maximum Proposition A Discretionary Grant allocation and prior year's carryover funds. Fare, service and expense assumptions must be supported by governing board action.

The Executive Director has the authority to negotiate agreements with an operator based on the Commission-adopted standard MOU providing that all of the conditions in Sections 1.1 and 8 are met. Any agreement that does not comply will be brought to the Commission for approval.

7.0 Reimbursement

7.1 LACTC will reimburse an operator up to the maximum amount allowable under the executed MOU, No payments will be made until the MOU is fully executed.

7.2 LACTC will disburse 1/12 of the operator's maximum eligible formula grant share each month provided funds are available. Reconciliation will occur annually in May, based upon estimated expenses and revenues. Final adjustments will be made in November, pending audit completion.

8.0 Conditions

In order to obtain Discretionary Grant formula funds, operators must meet the following conditions:

8.1 The following minimum service standards will be maintained within transit operators' respective service areas by fixed-route operators throughout the boundaries of the SCRTD district:

- Hours of operation - The system shall be in operation on workdays during the hours of 6:00 a.m. to 7:00 p.m.

- Availability - It is the responsibility of the operator to ensure that transit service is provided in an operator's service area within one mile of 95% of the residents no less frequently than hourly. However, the operator does not have to be the provider of that service.

8.2 Proposition A Discretionary Grants can be only awarded to transit operators with adopted current year operating budgets which do not show a deficit. Fare, service, and expense assumptions must be supported by governing board action.

8.3 In accordance with the Proposition A Local Return Guidelines, the municipal operator must secure continued financial support of any funds derived from a property tax. In addition, the municipal operator must secure local financial support. The actual amount of support will be equivalent to 5% of the fiscal year's operating budget, or 25% of the fiscal year's Local Return funds received by the municipality, whichever is less. The local contribution requirement will be calculated at the beginning of the fiscal year. A mid-year adjustment will be made to the local contribution requirement no later that January 31 of each year. Only local contributions made to the operating budget are eligible.

If the local contribution requirement is not met, the operator must make full refund of its Discretionary Grant formula allocation to LACTC.

If Local Return funds are to be used toward the local contribution requirement, they should be used in accordance with the Local Return Guidelines.

Any municipal operator whose sponsoring city did not commit an amount equal to or greater than 50% of their annual allocation, during the year ending June 30, will have their Proposition A Discretionary fund grant reduced by the amount of the uncommitted annual allocation that is over 50%.

8.4 Operators are subject to the Transit Performance Measurement (TPM) program and the LACTC Private Sector Participation policy (Attachment D) which are hereby incorporated into the Guidelines by reference.

9.0 <u>Close-out</u>

The TDA Fiscal and Compliance audit required by state law must verify an operator's revenues and expenses and certify that the operator has complied with all the conditions of the Discretionary Grant program. The Local Contribution requirement must also be verified for municipal operators.

Audits are due within 120 days of the end of the fiscal year. LACTC will withhold current fiscal year Discretionary Grant

program payments from operators with audits outstanding after the 120-day due date.

10.0 Penalties. Any recommendation to withhold Proposition A Discretionary funds as described in Sections 10.1 and 10.2 below will require eight (8) affirmative votes of the Commission.

10.1 The LACTC may withhold funds if it is determined that an operator has not made every effort to adhere to all warranties and conditions identified in the Discretionary Guidelines .

10.2 LACTC reserves the right to terminate the MOU and withhold all payments identified in the MOU in the event of continued and/or gross violations.

INCENTIVE PROGRAM

11.0 Eligible Recipients

Only the County of Los Angeles, cities, and public transit operators are eligible to apply for and receive Incentive Program funds. Private operators or other agencies may receive funds, however, only through sponsorship by the County of Los Angeles, cities and public transit operators.

Eligible recipients include public and private, for-profit and non-profit, transit and paratransit operators.

12.0 Eligible Projects

12.1 Paratransit Substitution - Paratransit alternatives will be funded for the replacement or substitution of fixed-route bus service.

12.2 Contracting - Contracting alternatives will be funded for replacement or substitution of fixed-route bus service.

12.3 Subregional Paratransit Projects

12.4 Coordination Demonstration Projects - Applicants demonstrating viability of coordination of non-service activities (for example, marketing and telephone information.

12.5 Service Restructuring - Applicants may request planning funds to pursue joint efforts in service restructuring.

13.1 A maximum of 5% of the Proposition A Discretionary funds will be allocated to the Incentive Program. Portions of the 5% Incentive Program funds not spent in a given year will be either: 1) reallocated to Incentive Projects; 2) carried over to the next year to minimize future fare increases or service reductions; or 3) allocated to other eligible Commission projects.

13.2 In order to be considered for Incentive Program funds, all eligible applicants must submit a completed Incentive Project application.

13.3 In-kind contributions may be considered as part of the local contribution if auditable financial information is available.

13.4 An Applicant may request additional Incentive funds at mid-year to implement additional service. Funding increases up to $100,000 may be administratively approved up to the prevailing CPI level.

Replacement transit service projects will be eligible to receive additional incentive funds for service increases up to 10% or $100,000, whichever is less, on a 50/50 match basis provided the need for such service increase is documented by ridership demand and the project continues to conform with at least one of the cost saving criteria. Funding for service increases in excess of 10% will be subject to Transportation Commission approval.

14.0 Carryover Funds

Any Discretionary Incentive Program funds not spent by a recipient by the close of the contract period will lapse back to the Proposition A 40% Discretionary Fund.

15.0 Capital Projects

Incentive Program funds cannot be used for capital projects. Revenue service vehicles and depreciation for fixed facilities may be funded pending supporting justification.

16.0 Contract and Negotiation

16.1 The contracting document will be the Memorandum of Understanding (MOU) and the scope of work. The negotiations of the MOU and the scope of work will be reviewed annually for compliance. Staff will provide the Transit Committee quarterly status reports on the commitments and expenditures of the Incentive Program.

16.2 In the case of contract service, the applicant is required to provide an estimated cost of major budget items under the scope of work; however, the extent of the LACTC funding will be contingent upon the amount of the final contract. No funding will be provided until LACTC is notified of the amount of the final contract.

17.0 Reimbursement

17.1 LACTC will reimburse a recipient up to the maximum amount allowable under the executed MOU. Requests for funds should be accompanied by the Incentive Program Reimbursement Form. Requests for funds must be submitted quarterly but can be submitted as often as monthly.

17.2 Advance payments are not allowable. The Incentive Program Reimbursement Form requests interim information on specific operating and financial data as a check on the reasonableness of expenditures and revenues.

17.3 LACTC agrees to pay an operator within 15 days of submittal of a completed reimbursement form.

18.0 Conditions

In order to obtain Incentive Program funds, recipients should meet the following conditions:

18.1 Paratransit Substitution, Service Contracting, and Service Restructuring:

- o Service must be for general public use.
- o Service replaced is not special event service.
- o The applicant commits to funding at least 50% of net project cost from local funds.

18.2 Each Applicant will be funded for no less than one year. At Commission discretion, the contract period may be extended consistent with the duration of the project.

18.3 The project proposal must indicate that the service currently provided will be maintained or improved, including accessibility to handicapped individuals. All indicators will be considered, but failure to meet one or more of the criteria does not necessarily exclude the potential project. Documentation must be provided if any indicator cannot be met. The following indicators will be used to analyze the quality of service.

- o Frequency of service (the number of times a vehicle passes a given point in a period of time). Response time also may be given to satisfy this requirement.
- o Span of service (the extent of service from beginning to end, e.g., 8 a.m. - 6 p.m. is a span of service.
- o Access (distance to a bus stop or a pick-up point).
- o Passenger capacity (vehicle capacity should reflect passenger demand so that the total number of passengers are safely accommodated on all in-service vehicles; this includes both seated and standing persons).
- o Interagency transfer agreement (an agreement between two transit agencies where the passengers of one may transfer to the other at a nominal cost. If the applicant cannot establish an interagency transfer agreement, evidence must be provided demonstrating good faith effort.
- o Coordination with other agencies.

18.5 The project must show that implementation would result in anticipated cost savings of at least 25%, using at least one

of the following indicators:

- Total cost savings
- Subsidy per passenger
- Cost per vehicle service hour
- Cost per passenger

19.0 Close-Out

The LACTC reserves the right to require an audit of the project's financial and performance statistics.

20.0 Penalties

The LACTC reserves the right to terminate the MOU and to withhold all payments identified in the MOU in the event that the project does not result in cost savings of at least 25% as discussed in Section 18.5.

21.0 Termination

Either the LACTC or the recipient can terminate the MOU with a minimum of 60 days' notice.

22.0 Amendments to the Proposition A Discretionary Guidelines

22.1 The Commission may find it necessary to make changes to the Proposition A Discretionary Program Guidelines. Changes in policy as defined in 22.2 below will require a formal amendment to the guidelines. Administrative changes as defined in 22.3 below will be implemented without a formal amendment to the guidelines.

22.2 Policy amendments are changes to the guidelines which will impact the total amount of funds received by an operator. Policy amendments include changes in the formula used to allocate funds or conditions required to receive funds.

22.3 Administrative changes are technical or procedural changes which will have no impact on the total amount of funds received by an operator. Included in this section are changes related to reporting requirements. Administrative changes will be made at the discretion of Commission staff.

22.4 Affected operators will be notified in writing of any proposed amendments and will be given 30 days from the date of written notification by the Commission prior to review by any committees to review and comment on the proposed changes. The review process for policy amendments will further include review by the appropriate advisory committees including the Bus Operators Subcommittee, Technical Advisory Committee and Planning and Mobility Improvement Committee before final

action is taken by the Commission. The Commission's action will be the final authority regarding changes to the Discretionary Program.

22.5 Administrative changes will take effect 30 days following written notification by the Commission. Upon approval by the Commission, operators will be given notice of policy amendments at least six months prior to effective date.

TABLE 4
FINANCIAL STATEMENT
FY 1992 PROPOSITION A DISCRETIONARY GRANT WORKSHEET
(THOUSANDS OF DOLLARS)

Claimant: Date:
Mode: Contact:

(Bus, DAR, Rail, or System Total)	FY 1991	FY 1992
SOURCES OF FUNDS FOR OPERATING	+	
FEDERAL CASH GRANTS AND REIMBURSEMENTS	+	
UMTA Sec. 9 Operating	+	
UMTA Sec. 18 Operating	+	
UMTA Sec. 8 Technical Studies	+	
Other Federal	+	
STATE CASH GRANTS AND REIMBURSEMENTS	+	
TDA Carryover - Prior Year	+	
TDA Current From Unallocated	+	
STA Current From Unallocated	+	
Other State	+	
LOCAL CASH GRANT AND REIMBURSEMENTS	+	
Passenger Fares	+	
Special Transit Service	+	
Charter Service Revenues	+	
Auxiliary Transportation Revenue	+	
Non-transportation Revenues	+	
Prop. A Discretionary Grant	+	
Prop A. Local Return	+	
Prop A. Incentive Fund	+	
Other Local - Prop. A Exchanges	+	
SUBTOTAL OPERATING REVENUES	+	
TOTAL OPERATING EXPENSES	+	
	+	
	+	
	+	
COST PER VSH CALCULATION	+	
Vehicle Service Hours (VSH)	+	
Cost Per VSH	+	
%Change Cost/VSH	+	
MAINTENANCE OF EFFORT	+	
5% of Operating Expenses	+	
25% of Local Return Funds	+	