



Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of November 14, 2024

From: Paul McClelland, Director of Fleet & Facilities  
Les Belton, Deputy General Manager, Bus Division  
Denis J. Mulligan, General Manager

Subject: **AUTHORIZE LEASE OF BUSES TO NAPA VALLEY  
TRANSPORTATION AUTHORITY AND OTHERS**

### **Recommendation**

The Finance-Auditing Committee recommends that the Board of Directors authorize a lease of four buses to Napa Valley Transportation Authority and grant the General Manager authority to enter similar leases with other public transit agencies.

This matter will be presented to the Board of Directors at its November 15, 2024, meeting for appropriate action.

### **Summary**

The Golden Gate Bridge, Highway and Transportation District (District) currently maintains more buses than are needed to support current post-COVID service levels. These excess buses have resulted in the District maintaining a spare ratio exceeding the Federal Transit Administration (FTA)-mandated cap of 20%.

On July 31, 2024, FTA approved the District's request for special dispensation to temporarily exceed the spare ratio requirement. As a condition of this approval, the District committed to taking measures to reduce the spare ratio over the next five years. Given the uncertainties of future service increases and the CARB-mandated transition to Zero-Emission Buses, the District does not want to take any action to permanently reduce its fleet size at this time, such as selling or transferring buses. Alternatively, the District will delay replacement of some buses reaching the end of their useful service lives, placing these buses into the contingency fleet. Additionally, the District will consider reducing its spare ratio by leasing buses to transit agencies that need buses to meet their service demands.

Multiple agencies have approached the District to express interest in leasing buses, though some have found the configuration of the District's buses to be a poor fit for their service. The first agency to reach agreement with the District to move forward with a lease is Napa Valley Transportation Authority (NVTA). NVTA is seeking to lease buses as a temporary measure while it awaits the procurement and production of new buses, given the prolonged and unpredictable

lead times associated with these acquisitions in the current manufacturing environment. District staff expect that additional lease opportunities may be available with other public transit agencies and is currently in discussion with at least one other agency.

The buses to be leased were purchased with FTA assistance at a share of 85% federal funds and 15% District funds; therefore, the lease terms must follow those set by FTA and the lessee is bound by the requirements in the FTA Master Agreement, grant agreements, and FTA Certifications & Assurances. The District has notified FTA of its intent to lease buses to NVTA. All leased buses will be used in public transit service, furthering the best interests and welfare of the public. All leases will adhere to applicable FTA guidelines, including those specified in FTA Circular 5010.1F. The lease will be for an approximate term of one year, with possible additional monthly extensions. At the end of the lease term, the District will re-take possession of the buses.

The District has established a fair market rate for the leases of approximately \$6,735 per bus, per month, based on research of available comparables and analysis of cost of ownership of the assets. The District will charge up to this rate, subject to negotiation with the lessee. Proceeds from the leasing of these FTA-assisted assets will be treated as incidental use proceeds, retained by the District for eligible operating expenses, including but not limited to preventive maintenance, operator salaries, and fuel. Comprehensive records will be maintained for audit purposes.

### **Fiscal Impact**

Approval of this item will generate NVTA lease revenues of up to \$484,920, depending on final rate negotiation and lease duration. FTA maintains an 85% interest in these revenues, though the entirety of lease proceeds will be used to offset District operating expenses, subject to concurrence of FTA. Proceeds will be potentially greater if additional leases are entered.