



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO) FINANCE, BUDGET
AND AUDIT STANDING COMMITTEE AGENDA REGULAR MEETING
FEBRUARY 12, 2021 – 8:00AM**

**DUE TO COVID-19, THE FEBRUARY 12, 2021 SANTA CRUZ METRO FINANCE, BUDGET
AND AUDIT STANDING COMMITTEE MEETING WILL BE CONDUCTED AS A
TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR’S EXECUTIVE
ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS OF THE
RALPH M. BROWN ACT**

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

Directors, staff and the public may participate remotely via the Zoom website [at this link](#) and entering the passcode (864205) or by calling 1-669-900-9128 Meeting ID 876 8927 4832

Public comment may be submitted via email to boardinquiries@scmttd.com. Please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the Directors before or during the meeting. Comments submitted after the meeting is called to order will be included in the Board’s weekly correspondence that is posted online at board meeting packet link.

The Finance, Budget and Audit Standing Committee Meeting Agenda Packet can be found online at www.SCMTD.com.

The Committee may take action on each item on the agenda. The action may consist of the recommended action, a related action or no action. Staff recommendations are subject to action and/or change by the Board of Directors.

COMMITTEE ROSTER

Director Donna Lind
Director Donna Meyers
Director Mike Rotkin

City of Scotts Valley
City of Santa Cruz
County of Santa Cruz

Alex Clifford
Julie Sherman
Kristina Mihaylova
Margo Ross
John Urgo

METRO CEO/General Manager
METRO District Counsel
METRO Finance Deputy Director
METRO COO
METRO Planning & Development Director

MEETING TIME: 8:00AM

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
- 2 ROLL CALL**

3 ORAL AND WRITTEN COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE

This time is set aside for Directors and members of the public to address any item not on the Agenda, but which is within the matter jurisdiction of the Committee. If you wish to address the Committee, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Committee and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.

4 ADDITIONS OR DELETIONS FROM AGENDA/ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

5 MONTHLY FINANCIAL UPDATE

Kristina Mihaylova, Finance Deputy Director

6 FY22 & FY23 PRELIMINARY OPERATIONS BUDGET ASSUMPTIONS

Kristina Mihaylova, Finance Deputy Director

7 KEY PERFORMANCE INDICATORS (KPI) REPORT FOR 2ND QUARTER FY21 THROUGH DECEMBER 31, 2020

Kristina Mihaylova, Finance Deputy Director

8 CONSIDERATION OF TEMPORARY FARE REDUCTION

John Urgo, Planning and Development Director

9 COVID-19 UPDATE

Alex Clifford, CEO

10 ADJOURNMENT

Accessibility for Individuals with Disabilities

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Public Comment

If you wish to address the Board, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Board and included in the official report, please include it in your email. Comments that require a response may be deferred for staff reply.



Year to Date Monthly Financial Report as of December 31, 2020

Finance, Budget & Audit Standing Committee

Feb 12, 2021

Kristina Mihaylova, Finance Deputy Director

FY21 Operating Revenue and Expenses For the Month Ending December 31, 2020

50% of Fiscal Year Elapsed

\$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
Operating Revenue:	\$4,271	\$5,093	(\$822)
Operating Expenses:			
Labor - Regular	\$1,240	\$1,563	\$323
Labor - Overtime	\$131	\$130	(\$1)
Fringe Benefits	\$1,746	\$1,719	(\$27)
Non-Personnel Expenses	\$755	\$803	\$48
Total Operating Expenses:	\$3,872	\$4,214	\$343
Transfers:	(\$183)	(\$174)	(\$8)
Operating Balance:			(\$471)

FY21 Operating Revenue and Expenses

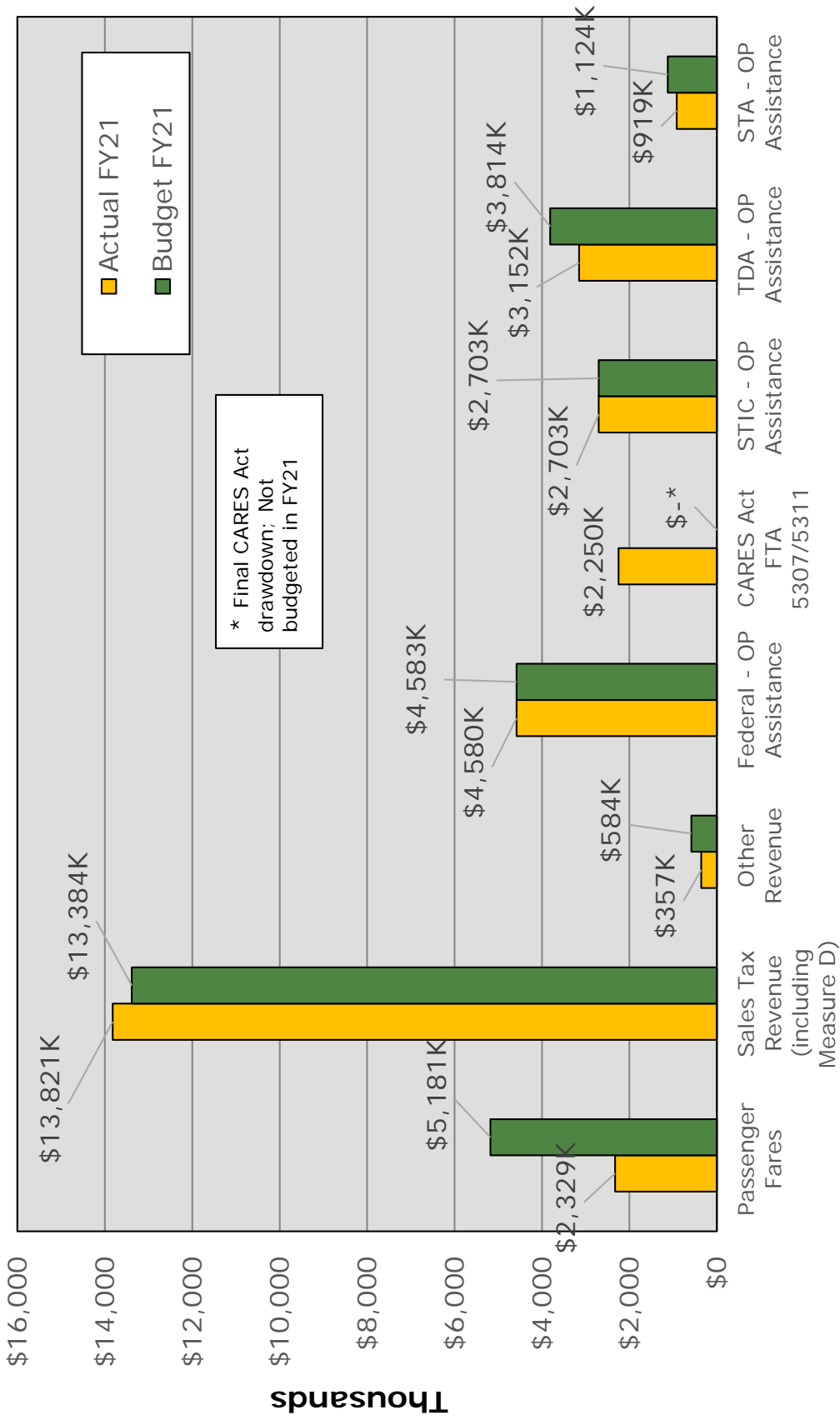
Year to Date as of December 31, 2020

50% of Fiscal Year Elapsed

\$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
Operating Revenue:	\$30,111	\$31,372	(\$1,261)
Operating Expenses:			
Labor - Regular	\$7,944	\$9,376	\$1,432
Labor - Overtime	\$509	\$779	\$270
Fringe Benefits	\$13,907	\$14,745	\$838
Non-Personnel Expenses	\$4,253	\$4,817	\$563
Total Operating Expenses:	\$26,613	\$29,717	\$3,103
Transfers:	(\$1,156)	(\$1,045)	(\$111)
Operating Balance:	\$2,342*	\$610	\$1,732

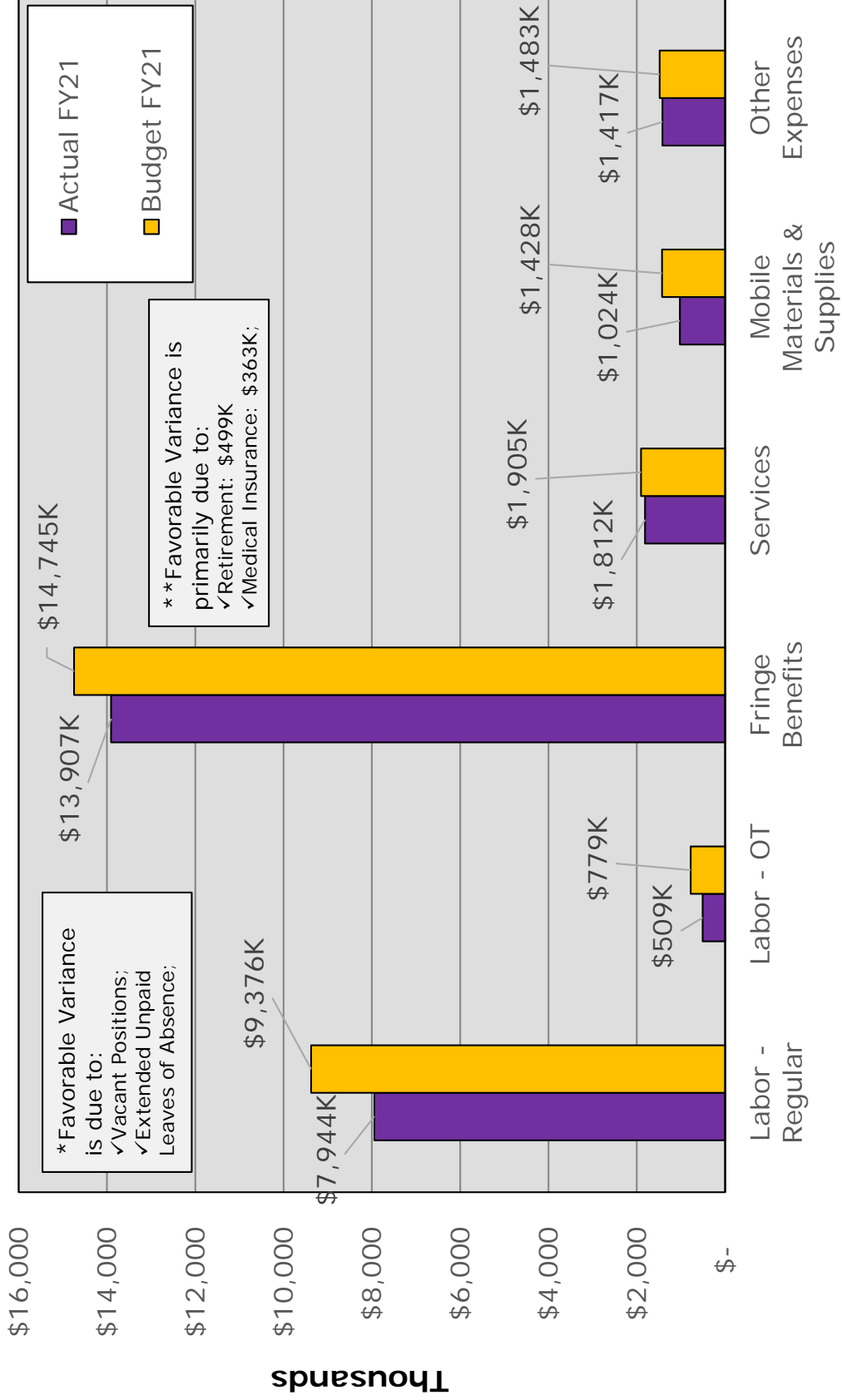
*Operating Balance remains positive; transfers from COVID Reserves are not needed.

FY21 Operating Revenue by Major Funding Source Year to Date as of December 31, 2020: 50% of Fiscal Year Elapsed



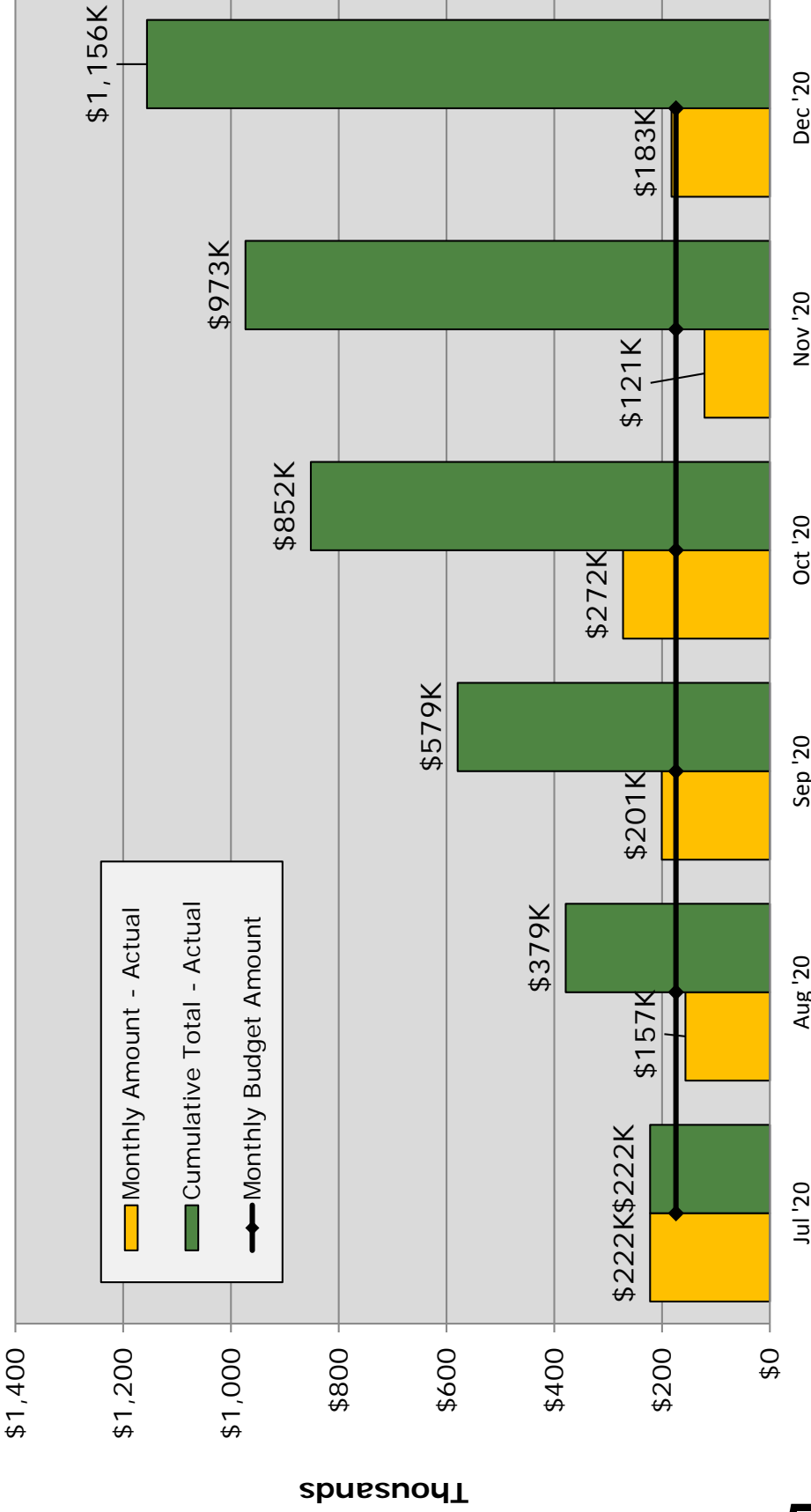
FY21 Operating Expenses by Major Expense Category Year to Date as of December 31, 2020

50% of Fiscal Year Elapsed



FY21 Transfers to Capital Budget: Measure D Year to Date as of December 31, 2020

50% of Fiscal Year Elapsed



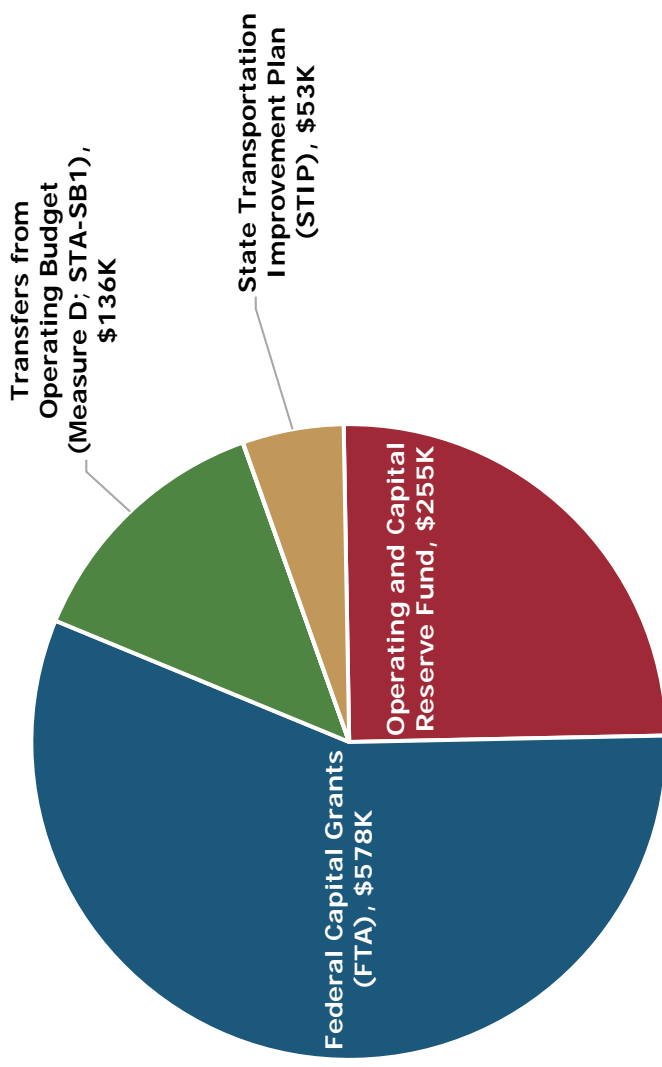
FY21 Transfer to Capital Budget Commitment = \$2.3M (Measure D and STA)
"Bus Replacement Program"

FY21 Capital Budget:

Spending Year to Date (by Funding Source) as of December 31, 2020

50% of Fiscal Year Elapsed

	Actual YTD	Total FY21 Budget	% Spent YTD
Total Capital Funding:	\$1,022,489	\$27,628,620	3.7%



Actual YTD

FY21 Capital Budget:

Spending Year to Date as of December 31, 2020

50% of Fiscal Year Elapsed

	Actual YTD	Total FY21 Budget	% Spent YTD
Total Capital Projects:	\$1,022,489	\$27,628,620	3.7%



Project Category:	Actual Spending YTD:
Construction Related Projects	\$36,621
Facilities Repair & Improvements	\$623,668
Revenue Veh Replacement & Campaigns	\$201,237
Revenue Veh Replacement & Campaigns - Electrification Projects	\$75,836
Non-Revenue Vehicle Replacement	\$984
Fleet & Maintenance Equipment	\$7,659
Misc.	\$76,485

FY21 Top Nine Capital Projects:

Status Report: Year to Date as of December 31, 2020

50% of Fiscal Year Elapsed

Top Capital Projects: (=> \$1M)	Actual YTD	Total FY21 Budget: \$27.6M	% Spent YTD	Status:
Electric Bus (3) + Infra & Proj Mgmt. (FTA 5339C Low-No FY16)	\$0	\$4.7M	0%	METRO working with CTE and Santa Barbara Consortium on purchases for electric buses.
Replace Six (6) CNG Buses (PTMISEA)	\$0	\$4.2M	0%	Purchase placed on Dec 10, 2020
FY18 STIP – 2 ZEBs (STIP, LPP, HVIP = \$300K) & 2 Electric Buses (Watsonville Circulator & Service) (FY15/16 & 17/18 LCTOP)	\$0	\$4.4M	0%	One bus scheduled to arrive early February, continue to work through punch list. Other buses to arrive throughout February
Metro owned Paracruz Facility FY20 LPP, Grant Match for 5339(b)	\$36K	\$2.3M	1%	Civil Engineers and Architects working on site drawings. Goal to apply for county permit in early March 2021, and Grant Application shortly after that.
Pacific Station/Metro Center Redevelopment w/City of SC (Bus Replacement Funds – Board Commitment: \$4M (\$1M/year: FY20 – FY23)	\$0.9K	\$2.1M	0%	Ongoing discussions with the City/Consultant. Identifying METRO needs for administrative space and bus tarmac logistics. Grant application delayed to spring 2021

FY21 Top Nine Capital Projects con't:

Status Report: Year to Date as of December 31, 2020

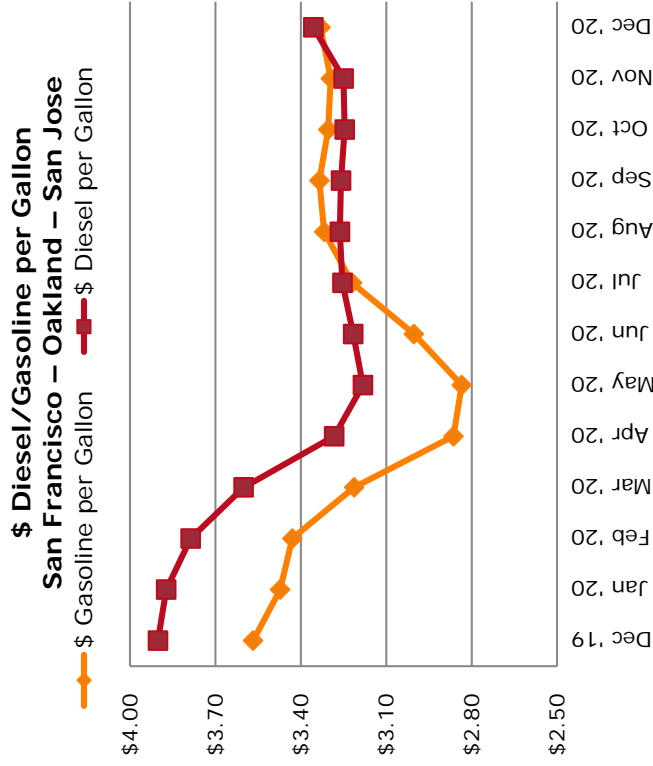
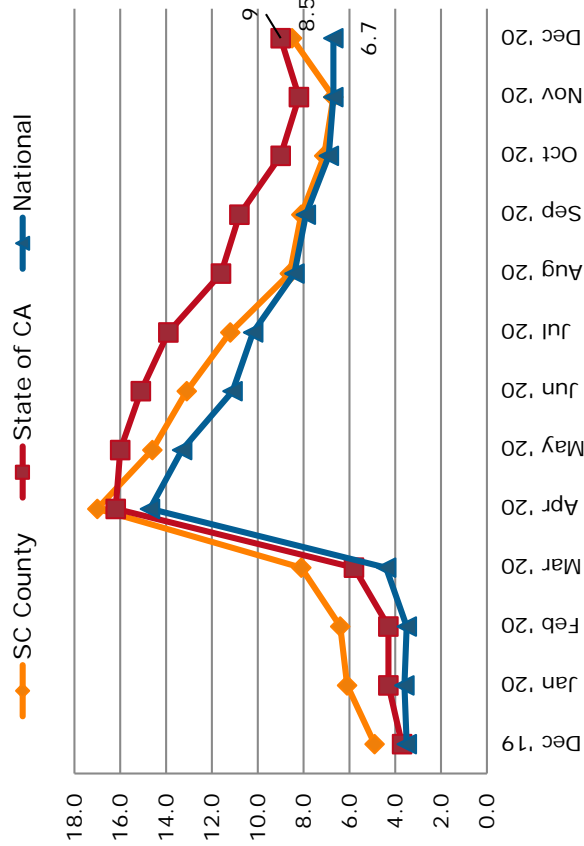
50% of Fiscal Year Elapsed

Top Capital Projects: (=>\$1M)	Actual YTD	Total FY21 Budget: \$27.6M	% Spent YTD	Status:
14 CNG Buses, Lease to Buy; Capital Lease - Year 1 of 6 Prin Only - (Bus Replacement Fund: SGR; Measure D)	\$0	\$1.5M	0%	Project is on hold until funding is secured.
2 35' CNG Buses (FY19 Caltrans Discretionary FTA 5339, Bus Replacement Fund)	\$0	\$1.4M	0%	Standard Agreement to be in place Feb 2021. METRO working on formal procurement documents to be prepared to extend purchase when funding is released.
Maint Yard-Security Hardening/Expanded Parking/Access Control	\$22K	\$1.0M	2%	Developing IFB
7 Replacement Paracruz Vans (FY19 LLP, Measure D); 3 Paracruz Vans (STBG FY19 via RTC)	\$0	\$0.9M	0%	Procurement placed on Jan 15, 2021
Total Top 9:	\$58.6K	\$22.5M	0.3%	
Other Smaller Projects:	\$963.9K	\$5.1M	18.9%	
Total All Projects:	\$1,023K	\$27.6M	3.7%	

Additional Information

Economic Indicators & Ridership:

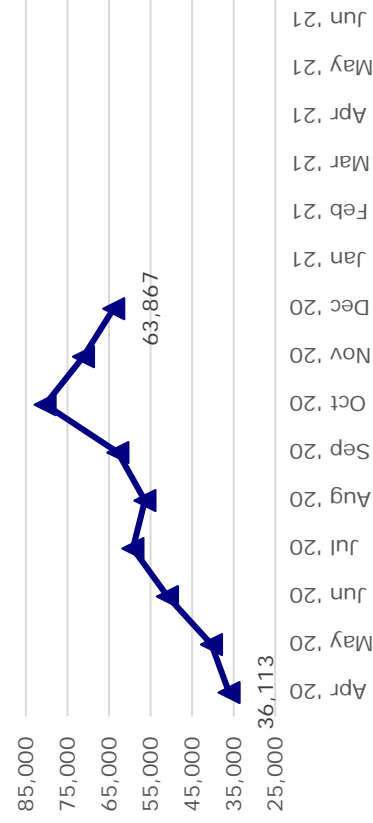
Unemployment Rate %



FY20-FY21 Ridership: December YTD

Ridership	FY20	FY21	% Change
Total	2,304,401	394,263	-82.9%
Hwy 17	139,261	19,141	-86.3%
Local	2,165,140	375,122	-82.7%
UCSC	1,108,535	44,433	-96.0%
Cabrillo	155,355	2,774	-98.2%
Non-Student	901,250	327,915	-63.6%

FY20-FY21 Ridership Recovery



FY21 Operating Revenue, Expenses, and Transfers:
Year to Date as of January, 2021: PRELIMINARY:

58% of Fiscal Year Elapsed

\$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
Revenue:	\$32,890	\$34,492	(\$1,602)
Operating Expenses:			
Personnel Expenses	\$25,433	\$28,311	\$2,878
Non-Personnel Expenses	\$4,983	\$5,619	\$636
Total Operating Expenses:	\$30,416	\$33,930	\$3,514
Transfers:			
Transfers to Capital Budget	(\$1,359)	(\$1,219)	(\$140)
Transfers to Operating and Capital Reserve Fund	\$0	\$0	\$0
Total Transfers:	(\$1,359)	(\$1,219)	(\$140)
Operating Balance:	\$1,118*	(\$657)	\$1,772

*Operating Balance remains positive; transfers from COVID Reserves are not needed.

FY21 Operating Revenue, Expenses, and Transfers:

Year to Date as of June 30, 2021: PRELIMINARY*:

100% of Fiscal Year Elapsed

\$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
Revenue:	\$51,869	\$57,263	(\$5,394)
Operating Expenses:			
Personnel Expenses	\$41,023	\$45,365	\$4,342
Non-Personnel Expenses	\$8,686	\$9,633	\$947
Total Operating Expenses:	\$49,709	\$54,998	\$5,289
Transfers:			
Transfers to Capital Budget	(\$2,265)	(\$2,265)	\$0
Transfers (to)/from COVID Reserves	\$105*	\$0	\$105
Total Transfers:	(\$2,160)	(\$2,265)	\$105
Operating Balance:	\$0	\$0	\$0
*COVID Reserve balance decreased by \$0.1M; Anticipated FY21 Year – End Balance: \$17.9M.			

*Reflects Actual Data for Qtrs. 1 & 2 and Projections for Qtrs. 3 & 4 in FY21

Questions

5.15

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FY22 & FY23 Preliminary Operations Budget: Assumptions

Finance, Budget & Audit Standing Committee

February 12, 2021

Kristina Mihaylova, Finance Deputy Director

Overview of Today's Presentation

- FY22 and FY23 **Preliminary** Budget: Assumptions
 - Revenue Sources
 - Fares
 - Sales Tax & TDA – LTF Funds
 - FTA 5307, STIC, TDA – STA, LC Top
 - Operating Expenses
 - Personnel Expenses
 - Non-Personnel Expenses
 - Transfers
 - Transfers to Capital Budget
 - Transfers to Operating and Capital Reserve Fund
 - Transfers to (from) COVID Reserves
 - Budget Timeline

FY22 and FY23 Revenue Sources

Budget Assumptions: Fares

\$ In thousands	Passenger Fares		Special Transit Fares		Highway 17 Fares		Highway 17 Payments	
			UCSC	Cabrillo	City of SC	VTA	AMTRAK	
FY21 Budget	\$2,371		\$4,510	\$749	\$311	\$330	\$166	
FY21 Actual (Projection)	\$711		\$2,363	\$448	\$18	\$350	\$161	
<u>FY22 Preliminary Budget</u>	\$1,390		\$4,503	\$799	\$57	\$350	\$161	
%VAR Budget (FY21-FY22)	(41%)		0%	7%	(82%)	6%	(3%)	
%VAR (FY21 Actual FY22 Budget)	95%		91%	78%	212%	0%	0%	
<u>FY23 Preliminary Budget</u>	\$1,418		\$4,503	\$799	\$57	\$350	161	
%VAR Budget (FY22-FY23)	2%		0%	0%	0%	0%	0%	

Based on Ridership trends

Contracts: assumes in person learning returns Fall 2021

Based on Ridership trends

Contracts

Budget Assumptions: Sales Tax & TDA - LTF

\$ In thousands	Sales Tax		TDA – LTF Funds
	1979 Gross Sales Tax (1/2 cent)	2016 Net Sales Tax (Measure D)	
FY21 Budget	\$22,388	\$3,501	\$7,629
FY21 Actual (Projection)	\$23,172	\$3,629	\$6,305
<u>FY22 Preliminary Budget</u>	\$21,269	\$3,326	\$6,809
%VAR Budget (FY21 - FY22)	(5%)	(5%)	(11%)
%VAR (FY21 Actual FY22 Budget)	(8%)	(8%)	8%
<u>FY23 Preliminary Budget</u>	\$21,269	\$3,326	\$7,013
%VAR Budget (FY22 - FY23)	0%	0%	3%

Projections reflect the uncertainties surrounding the long term financial impact of the pandemic

Based on FY 2020-2021 actual claim as per RTC 6/29/2020 and 8% est. increase FY22-23

Budget Assumptions: FTA 5307, STIC, TDA – STA, and LC Top

\$ In thousands	FTA 5307	STIC	TDA – STA Operating	LC Top
FY21 Budget	\$4,583	\$2,703	\$4,494	\$0
FY21 Actual (Projection)	\$4,579*	\$2,703	\$3,752	\$0
<u>FY22 Preliminary Budget</u>	\$4,521	\$2,761	\$3,455	\$750
%VAR Budget (FY21-FY22)	(1%)	2%	(23%)	100%
%VAR (FY21 Actual FY22 Budget)	(1%)	2%	(8%)	100%
<u>FY23 Preliminary Budget</u>	\$4,521	\$2,761	\$3,395	\$750
%VAR Budget (FY22-FY23)	0%	0%	(2%)	0%

As per FTA 2021 Apportionment Table, published in January 2021.

As per SCO estimate, provided in January 2021

* Excludes CARES Act payment of \$2.3M

FY22 and FY23 Operating Expenses

6.7

Budget Assumptions: Personnel

- Wage Increase:

	FY22	FY23
Management	No Wage Increase	No Wage Increase
SEIU	2.5%	No Wage Increase
SMART	2.25%	No Wage Increase

- CalPERS Contribution (Employer Share):

	FY21	FY22	FY23
Normal Cost (% of Payroll)	10.5%	9.96%	9.7%
UAL Payment	\$4,434,221	\$4,955,467	\$5,359,000
Total as a % of Payroll	32.81%	34.72%	35.76%

- Medical Insurance: 5.6% increase effective in January of each Year
- Funded Personnel (Full Time Equivalent: FTE)

	FY21	FY22	FY23
	324 FTEs	314 FTEs	314 FTEs

Budget Assumptions: Non-Personnel

- Most Non-Personnel Expenses are kept at or below their FY21 current budget level, except:
 - Casualty & Liability: 10.8% anticipated increase in FY22, 6.7% increase in FY23

\$ In Thousands	FY21	FY22	FY23
Insurance – PL&PD	\$751	\$834	\$908
Insurance – Other	\$37	\$61	\$61

- Utilities: 8.6% anticipated increase in FY22, flat in FY23

\$ In Thousands	FY21	FY22	FY23
Gas & Electric	\$312	\$337	\$337
Telecomms	\$157	\$188	\$188

- Total Non-Personnel Expenses are expected to decrease **0.3%** in FY22 and increase by **0.9%** in FY23

FY22 and FY23 Transfers

6.10

Budget Assumptions: Transfers

- Transfers:

	FY22	FY23
Transfers to Capital Budget (Measure D and STA)		\$3M Annual Commitments to the Capital Budgets <u>are met in FY22 and FY23</u>
Transfers to Operating and Capital Reserve Fund (Fuel Tax Credit, CalPERS UAL & OPEB)		To be determined.
Transfers to (from) COVID Reserves		To be determined.

Notes:

- ✓ Projected operating surplus/deficit in some years could result in significant fluctuations in the Transfers to the Operating and Capital Reserve Fund

Budget Assumptions: Transfers

February 2021

02-12-2021: Committee: Presentation of FY22 and FY23 Preliminary Operating Budget Assumptions

March 2021

03-12-2021: Committee:

Presentation of FY22 and FY23 Preliminary Operating Budget, and FY22 Capital Budget

03-26-2021: Board Meeting:

Adoption of the Preliminary line item budget in order to allow submittal of METRO's TDA and STA claims to the Santa Cruz County Regional Transportation Commission (SCRTC) by the April 1st deadline.

April 2021

Staff will continue to refine revenue and expense projections.

May 2021

1st week in May: Budget Presentation to Union Partners

05-14-2021: Committee: Review and Recommend Approval of METRO's FY22 and FY23 Operating Budget, and FY22 Capital budget

05-21-2021: Board Meeting:

Consideration of METRO's FY22 and FY23 Operating Budget, FY22 Capital Budget, and a Resolution setting a public hearing on June 25, 2021

June 2021

06-11-2021: Committee: Review and Recommend Adoption of METRO's FY22 and FY23 Operating Budget, and FY22 Capital budget

06-25-2021: Board Meeting: Adoption of the Final FY22 and FY23 Budget

Questions

6.13

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KEY PERFORMANCE INDICATORS (KPI) REPORT FOR 2nd QUARTER THROUGH DECEMBER 31, 2020

Finance, Budget & Audit Standing Committee

Feb 12, 2021

Kristina Mihaylova, Finance Deputy Director

Overview of Today's Presentation:

KPI Category	Criteria / Metric
Financial Performance	<ul style="list-style-type: none"> ✓ System Farebox Recovery Ratio ✓ Fixed Route & Commuter Cost / RSH ✓ ParaCruz Cost/Trip
Productivity	<ul style="list-style-type: none"> ✓ Total Ridership and Total Ridership / Hour ✓ Highway 17, USCS, Cabrillo, & Local Ridership ✓ Passengers / RSH by Route
Risk Management & Safety	<ul style="list-style-type: none"> ✓ Traffic Accidents ✓ Passenger Incidents
Reliability	<ul style="list-style-type: none"> ✓ Miles Between Chargeable Road Calls for Fixed Route, Highway 17, & ParaCruz
Dependability	<ul style="list-style-type: none"> ✓ Cancelled Trips by Cause ✓ Cancelled Trips by Region ✓ Pass-Ups
Peer Comparison	<ul style="list-style-type: none"> ✓ MST Comparisons ✓ GET Comparison

7.2



Financial Performance:

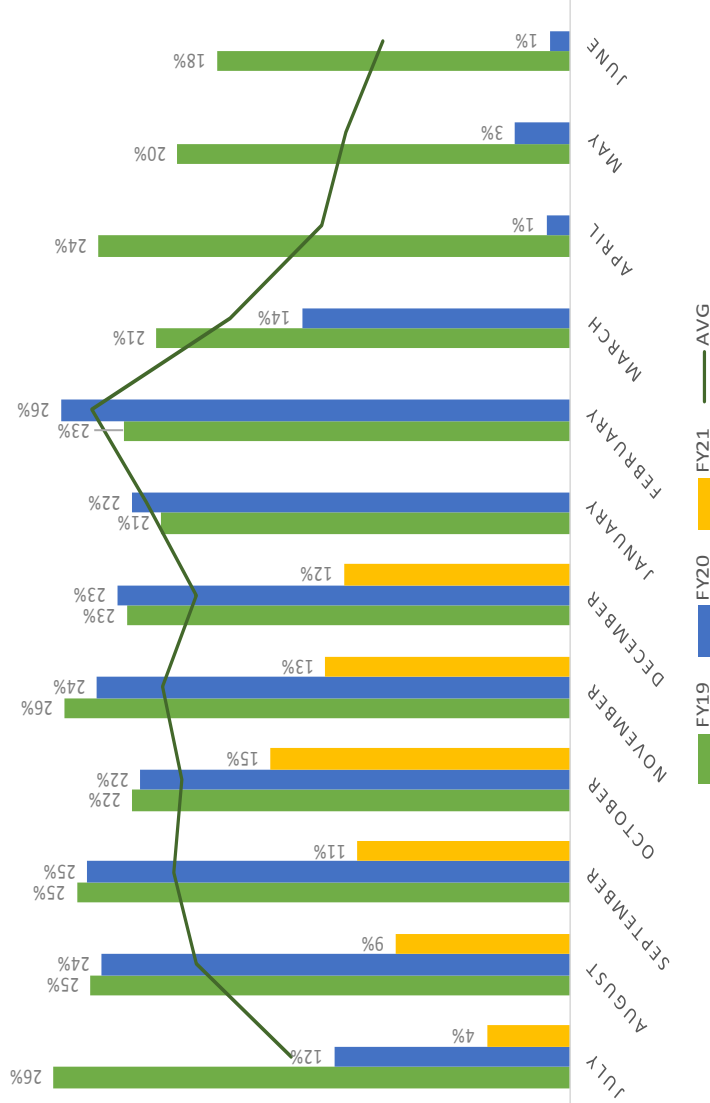
Metric:

System Farebox Recovery Ratio

Description & Importance:

The Farebox Recovery Ratio is an indication of how much of a transit agency's costs are covered by passenger fares and provides insight to the amount of non-passenger revenue (subsidy) needed to cover costs. Additionally, it allows the agency to compare cost-effectiveness within its own service.

SYSTEM FAREBOX RECOVERY RATIO



Current Status:

- Farebox recovery ratio started declining in March of FY20 due to COVID-19
- As Fare collection resumed in June of FY20 and gained traction, METRO's Farebox recovery ratio has steadily increased into Q2 of FY21
- Major factors affecting lower year-over-year performance is the loss of in-person classes at UCSC and Cabrillo. Year-to-date lost revenue from these institutions is approximately \$1,269K (year over year)

Financial Performance:

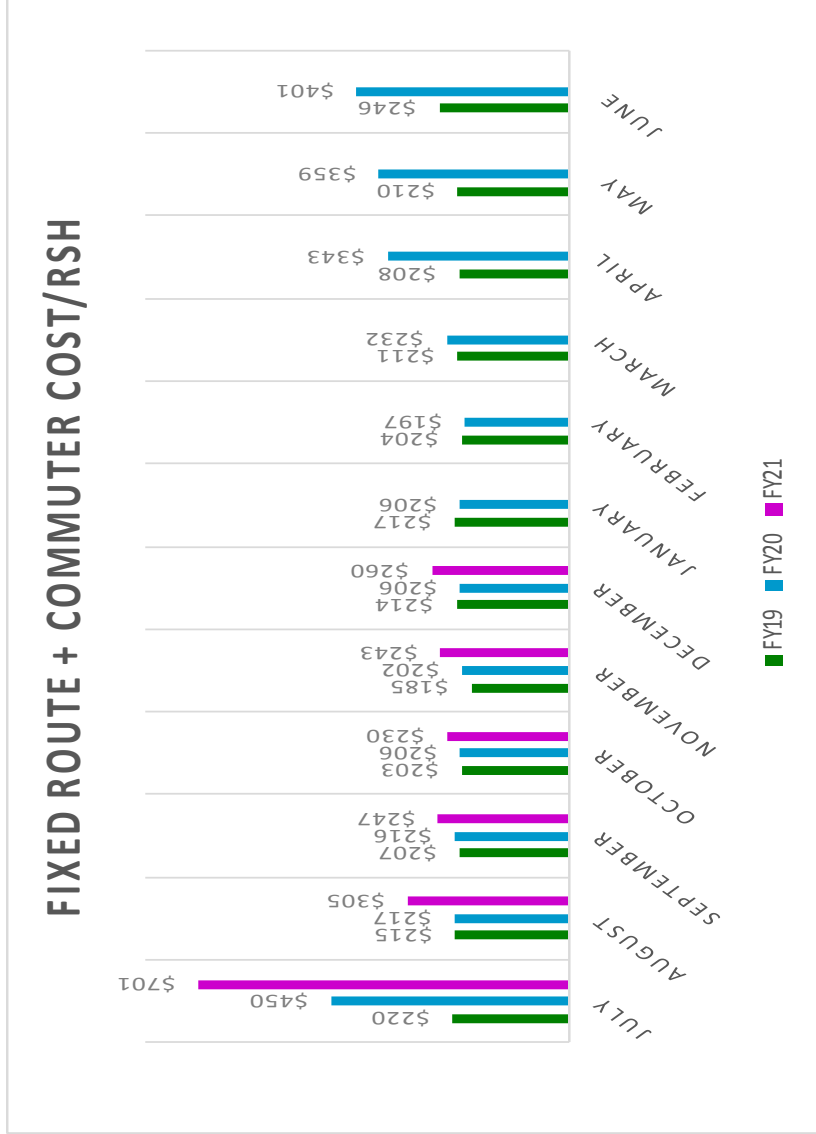
Metrics: Fixed Route & Commuter Cost per Revenue Service Hour (RSH)

Description & Importance: The metrics depict the cost per hour of service and are measured to ensure that transit services are delivered efficiently through effectively tracking and minimizing costs.

Current Status:

- Cost per Revenue Service Hour (RSH) increased in July FY21 because of the PERS pre-payment for the Unfunded Accrued Liability (UAL) for \$4.4M
- In FY20 and FY21 cost per RSH increased due to reduced service hours during shelter-in-place, while costs remained relatively fixed

Fiscal Year	12 Month Average
FY19	\$212
FY20	\$395
FY21 YTD	\$331

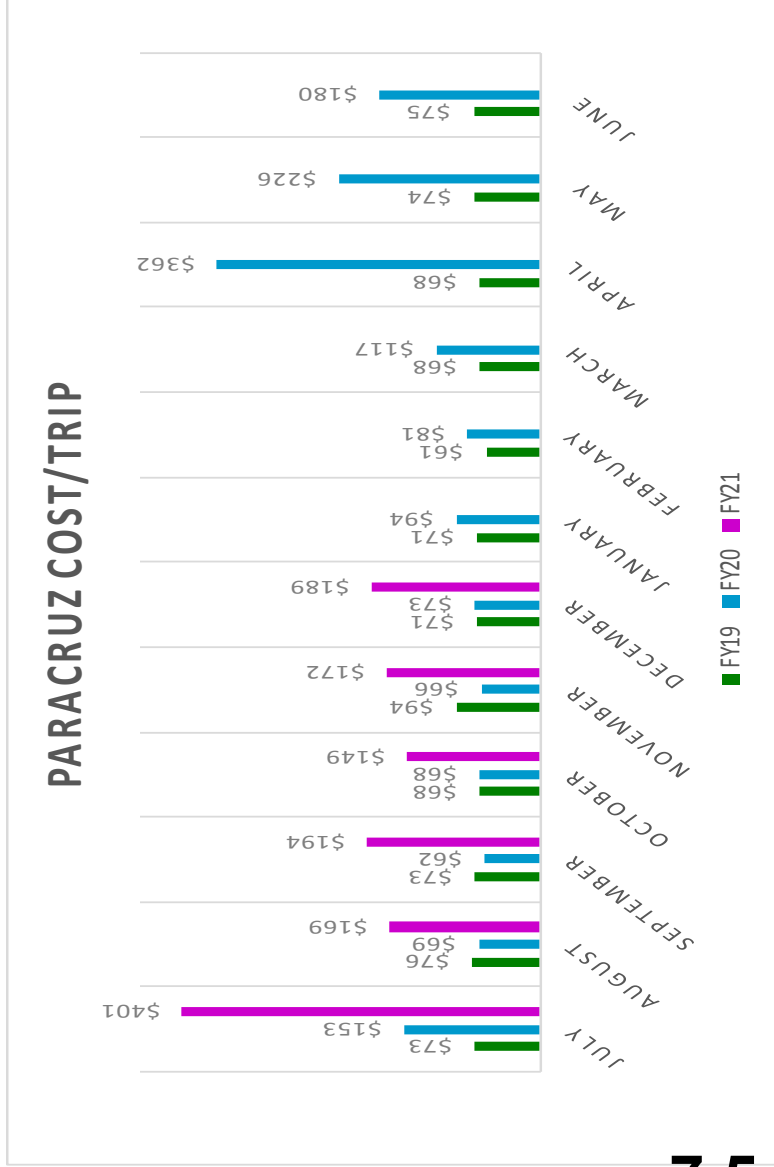


Financial Performance:

Metrics:	<ul style="list-style-type: none"> • ParaCruz Cost per Trip
Description & Importance:	<p>The metrics depict the cost per trip and are measured to ensure that transit services are delivered efficiently through effectively tracking and minimizing costs.</p>

Current Status:

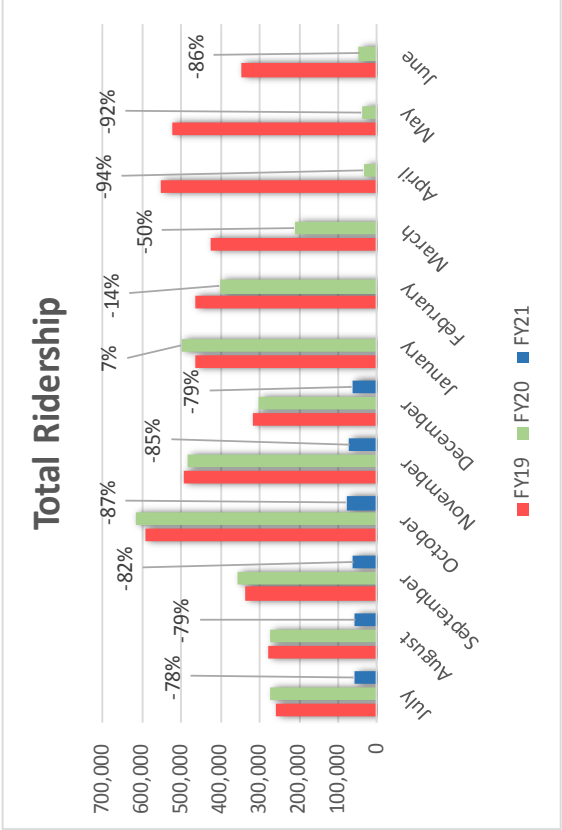
- ParaCruz cost per trip increased in July FY21 because of the PERS pre-payment for the Unfunded Accrued Liability (UAL) for \$4.4M
- In FY20 and FY21 ParaCruz cost per trip increased due to reduced trips during shelter-in-place because of the pandemic, while costs remained relatively fixed



Fiscal Year	12 Month Average
FY19	\$73
FY20	\$149
FY21 YTD	\$212

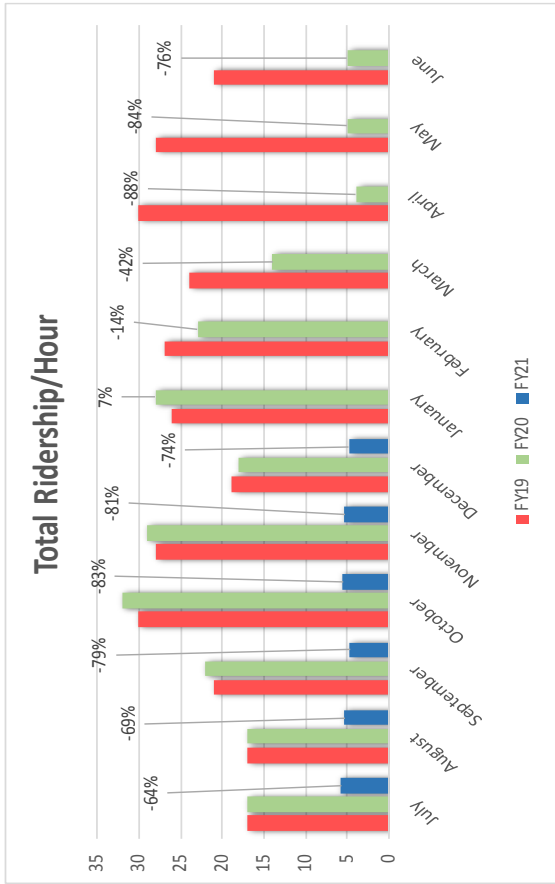
Productivity:

Metrics: <ul style="list-style-type: none"> • Total Ridership • Total Ridership per Hour 	Total Ridership and Ridership per hour are measures of productivity. The metrics depict seasonal fluctuations in ridership related to holidays and school terms and other.
Description & Importance:	Total Ridership per hour are measures of productivity. The metrics depict seasonal fluctuations in ridership related to holidays and school terms and other.



Current Status:
 Total Ridership per hour took a sharp decline in march and has been slowly increasing. Ridership has remained steady through FY21 Q2

Current Status:
 Total Ridership across all routes has decreased due to COVID-19 compared to previous years. Ridership has stayed low throughout FY21 Q2



Productivity:

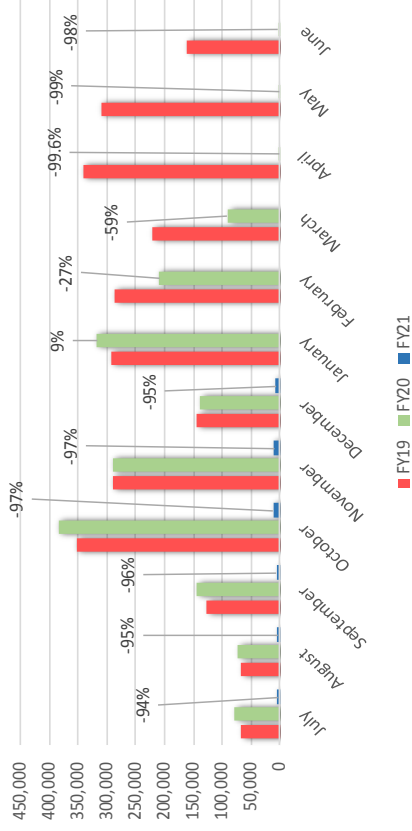
Metrics:

- UCSC Ridership
- Cabrillo Ridership

Description & Importance:

Historically, student ridership has been a large portion of METRO's total ridership. Increases in student enrollment and seasonal trends can be seen year over year in the graphs below.

UCSC Ridership



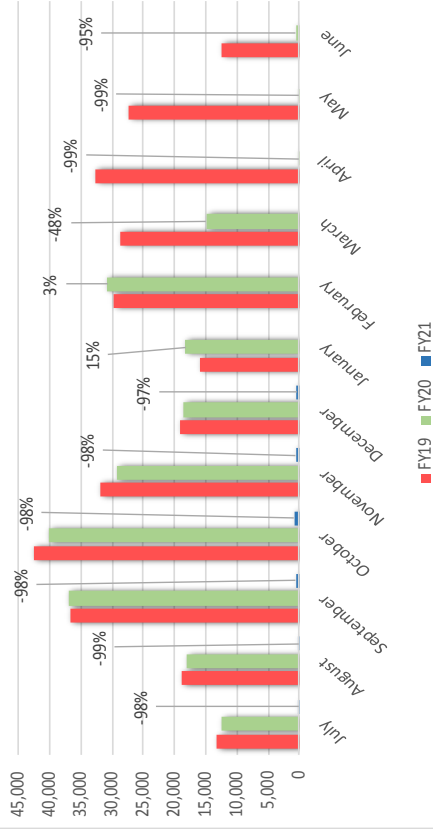
Current Status:

Cabrillo ridership has dramatically decreased since the community college started online classes in March of FY20 and has stayed low throughout FY21 Q2

Current Status:

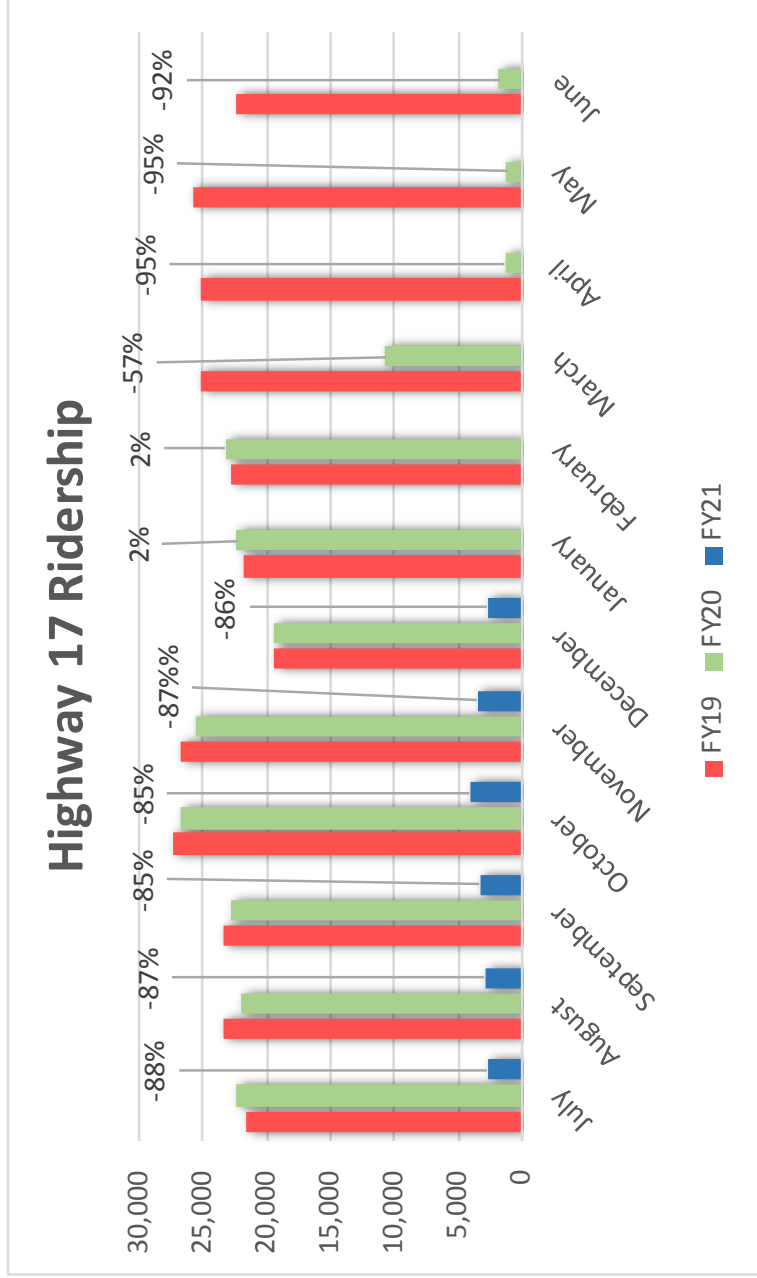
In March of FY20 UCSC switched to online classes, thus ridership decreased. Through FY21 Q2 ridership has slightly increased

Cabrillo Ridership



Productivity:

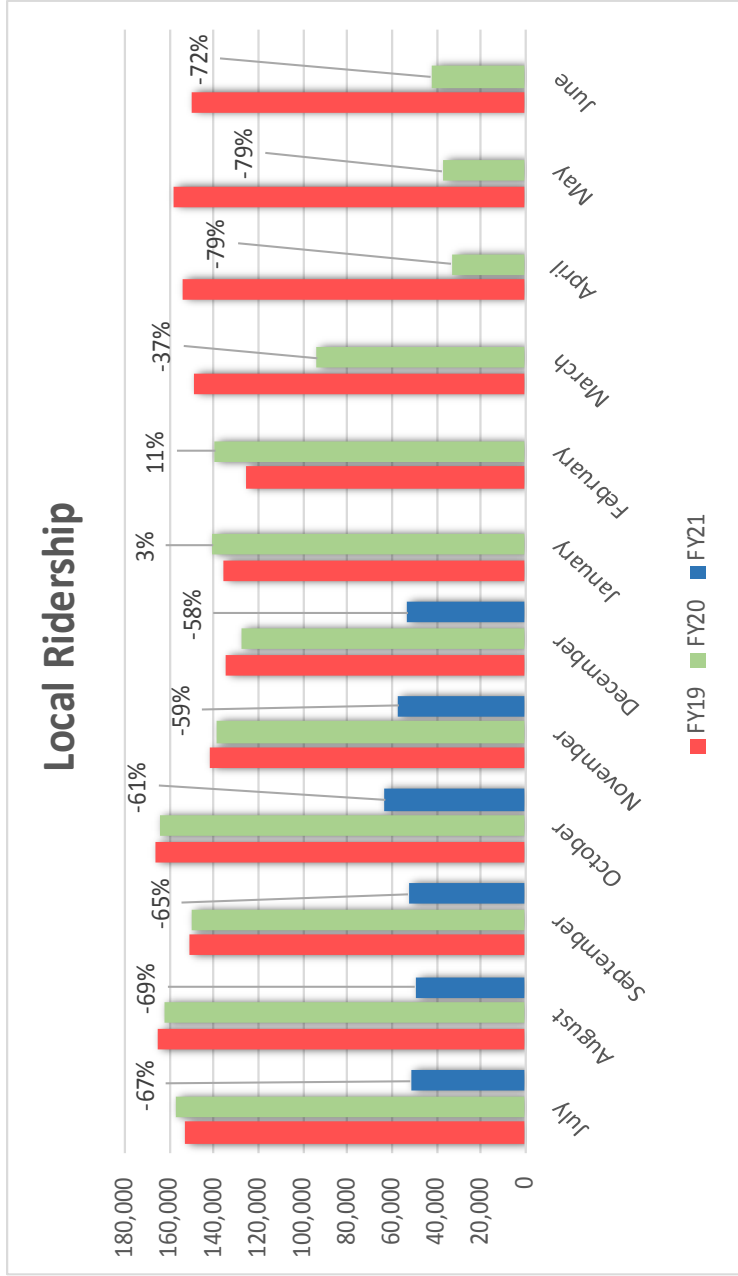
Metrics:	<ul style="list-style-type: none"> Highway 17 Ridership
Description & Importance:	<p>Highway 17 demonstrates METRO's commuter ridership, connecting Santa Cruz to San Jose. Ridership excluding student and commuter routes reflects all other local routes within the county.</p>



Current Status:
 Highway 17 ridership plummeted since March FY20 and has been slowly increasing through FY21 Q2

Productivity:

Metrics:	<ul style="list-style-type: none"> Local Ridership
Description & Importance:	Local Ridership, excluding student and commuter routes, reflects all other local routes within the county.



Current Status:
 Local ridership has been increasing through FY21 Q2 compared to the decrease in Q4 of FY20

Productivity:

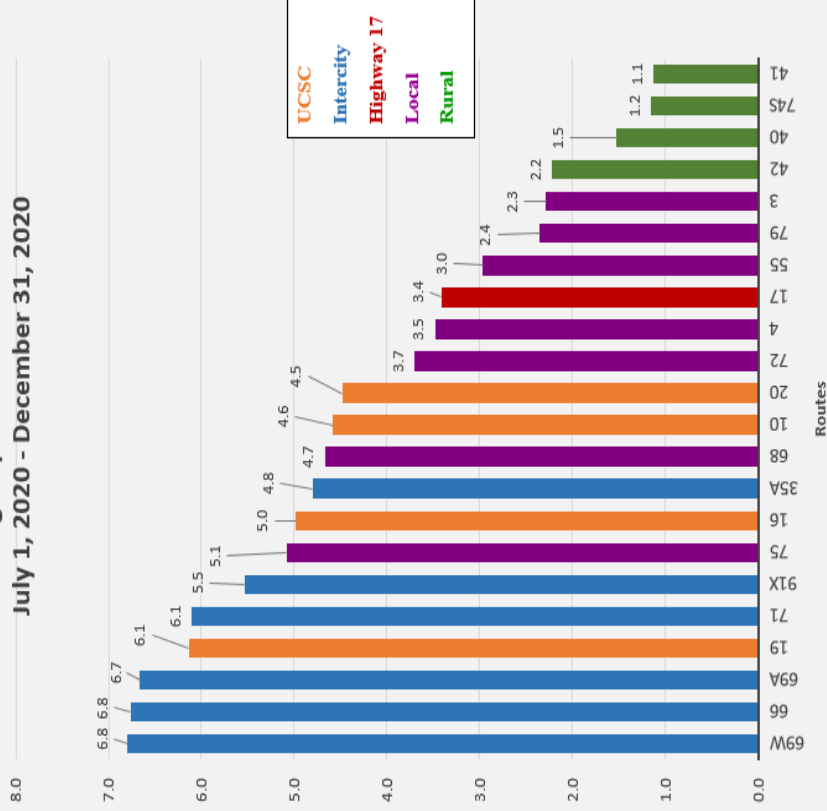
Metrics:

- **FY21 Passengers per Revenue Service Hour by Route**

Description & Importance:

Passengers per Revenue Service Hour (RSH) depicts the overall productivity of each route measured by passengers per hour of service. This ratio of productivity helps the agency focus on poor productivity routes and can stimulate discussions about frequency of service in urban and semi-urban areas of the county versus geographic coverage.

FY21 Passengers per Revenue Service Hour
July 1, 2020 - December 31, 2020



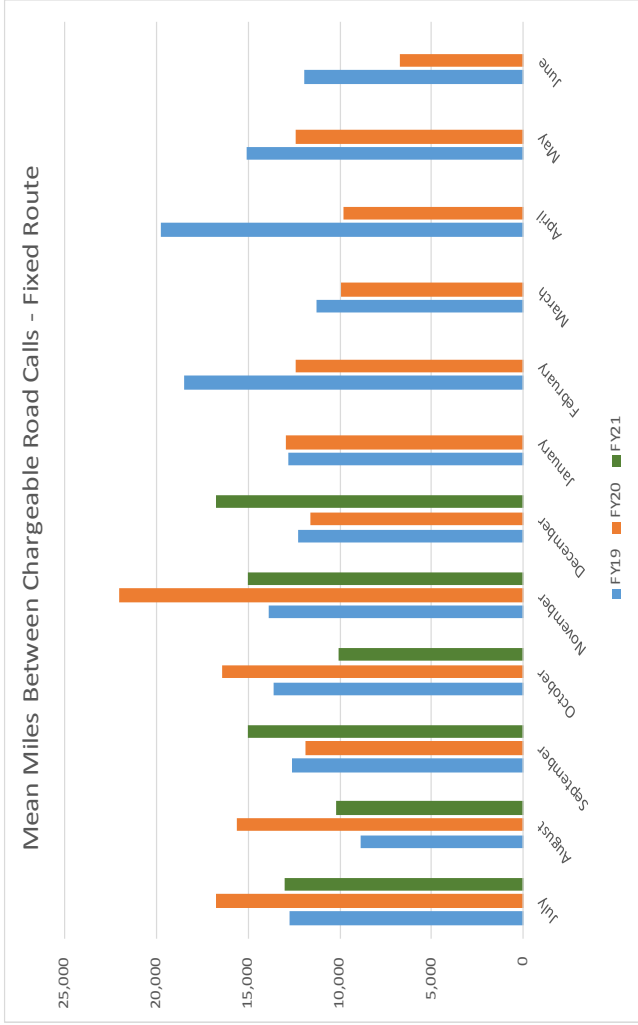
Current Status:

Traditionally UCSC routes have had higher passengers per RSH, however since COVID-19 and online classes, Intercity routes are showing a higher number of passengers per RSH

Reliability:

Metrics: Mean Miles Between Chargeable Road calls – Fixed Route (Local)

Description & Importance: A chargeable road call results from a mechanical failure that impedes the vehicle from completing or starting a scheduled revenue trip because actual movement is limited, or there are safety concerns. The mileage depicted is how many miles were run for the month divided by the number of chargeable road calls. The graph below is for METRO's Fixed Route.



Fiscal Year	12 Month Average
FY19	13,610
FY20	13,216
FY21 YTD	13,354

Fiscal Year	Average age of Fleet	Avg. Road Miles
FY19	13.8 yrs	2,792,066
FY20	12.55 yrs	2,359,097
FY 21 YTD	12.96 yrs	1,779,027

Current Status:

Mileage is increasing while road calls vary by 1 or 2. Chargeable road calls in FY21 Q2 are 18, 11, and 10 for October, November, and December, respectively.

Risk Management & Safety:

Metrics:

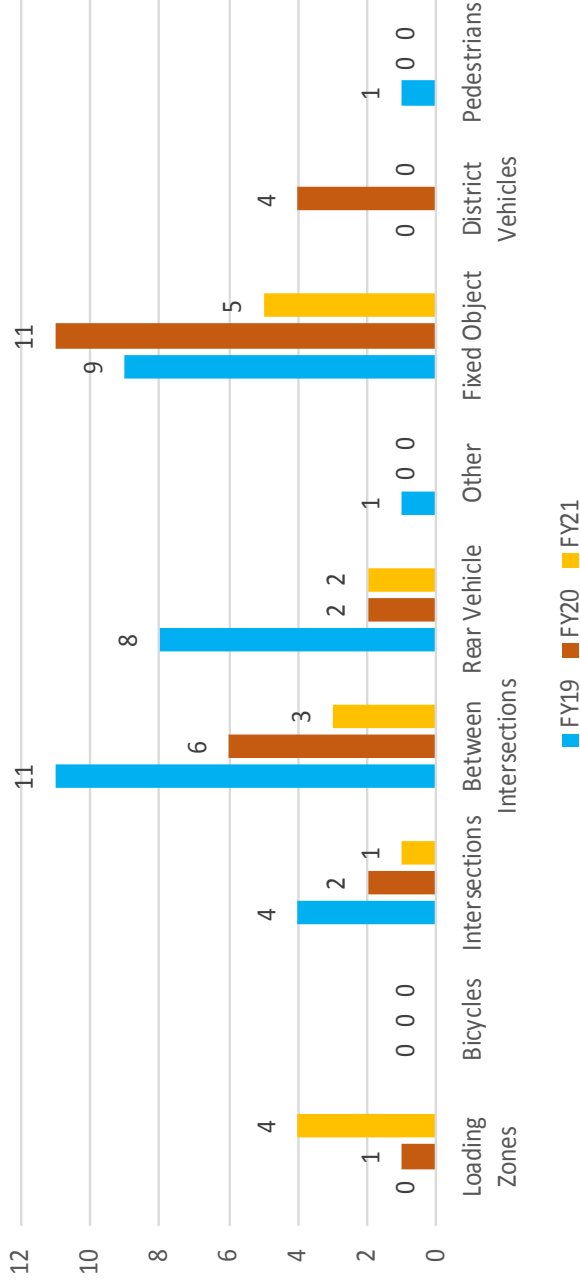
- Traffic Accidents

Description & Importance:

Traffic Collisions are broken down into different categories: in loading zones, in intersections, between intersections, with bicycles, with pedestrians, with other district vehicles, with the rear of the vehicle, and other types of collisions, including with stationary objects. This chart does not represent the final determination of fault (chargeability). This metric reflects Accidents that occurred during Q1 of each fiscal year.

Note: this slide has not been updated to reflect FY21 Q2

Traffic Accidents in Q1



Current Status:

In FY21 Q1 there have been fewer traffic accidents, compared to Q1 of prior years. This is likely, in part, due to the lower volume of trips

Risk Management & Safety:

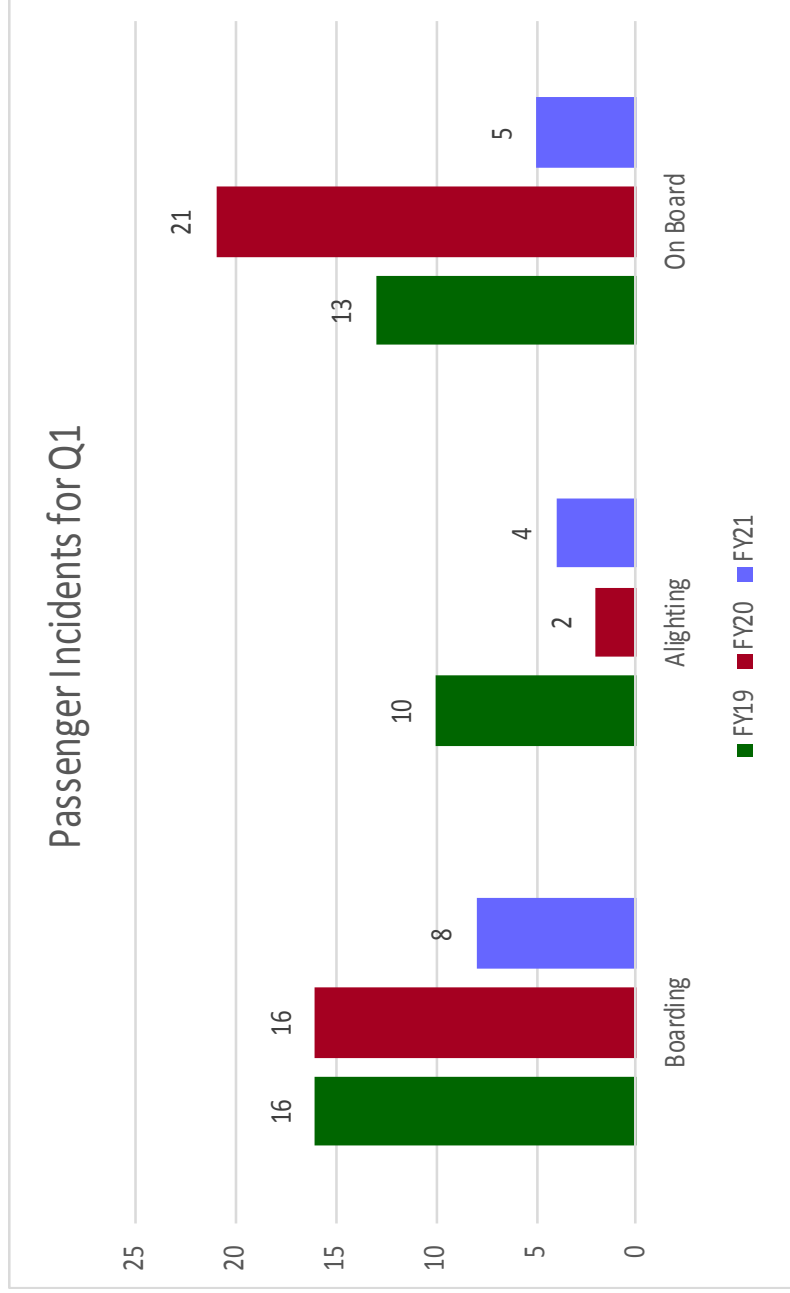
Metrics:

• Passenger Incidents

Description & Importance:

Passenger Incidents are accidents with METRO passengers either while boarding a bus, on board a bus, or alighting (descending) a bus. This metric reflects Incidents that occurred during Q1 of each fiscal year.

Note: this slide has not been updated to reflect FY21 Q2



Current Status:

Similar to Traffic Accidents, there are few passenger incidents to report in FY21 Q1 compared to Q1 of prior fiscal years. This is, in part, due to METRO's decreased service during the pandemic

Reliability:

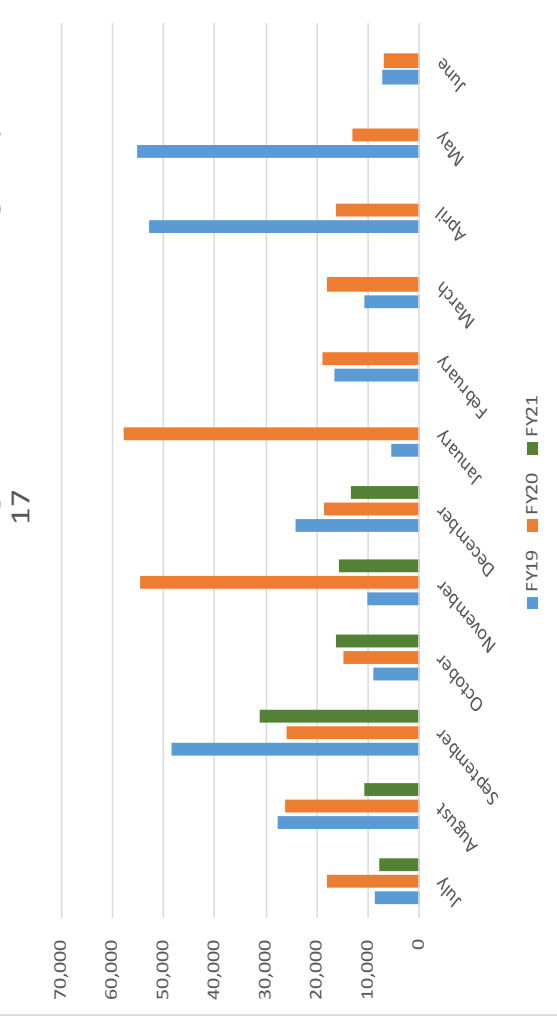
Metrics:

- Mean Miles Between Chargeable Road Calls – Highway 17

Description & Importance:

A chargeable road call results from a mechanical failure that impedes the vehicle from completing or starting a scheduled revenue trip because actual movement is limited, or there are safety concerns. The mileage depicted is how many miles were run for the month divided by the number of chargeable road calls. The graph below is for METRO's Commuter Route.

Mean Miles Between Chargeable Road Calls - Highway 17



Current Status:

- Commuter buses tend to perform better due to more highway miles, fewer stops, and the newer fleet with less wear and tear
- Chargeable road calls have been 2 per month in FY21 Q2. Mean miles between chargeable road calls has been steady in this time

Fiscal Year

Fiscal Year	12 Month Average
FY19	23,043
FY20	24,126
FY21 YTD	15,826

Fiscal Year

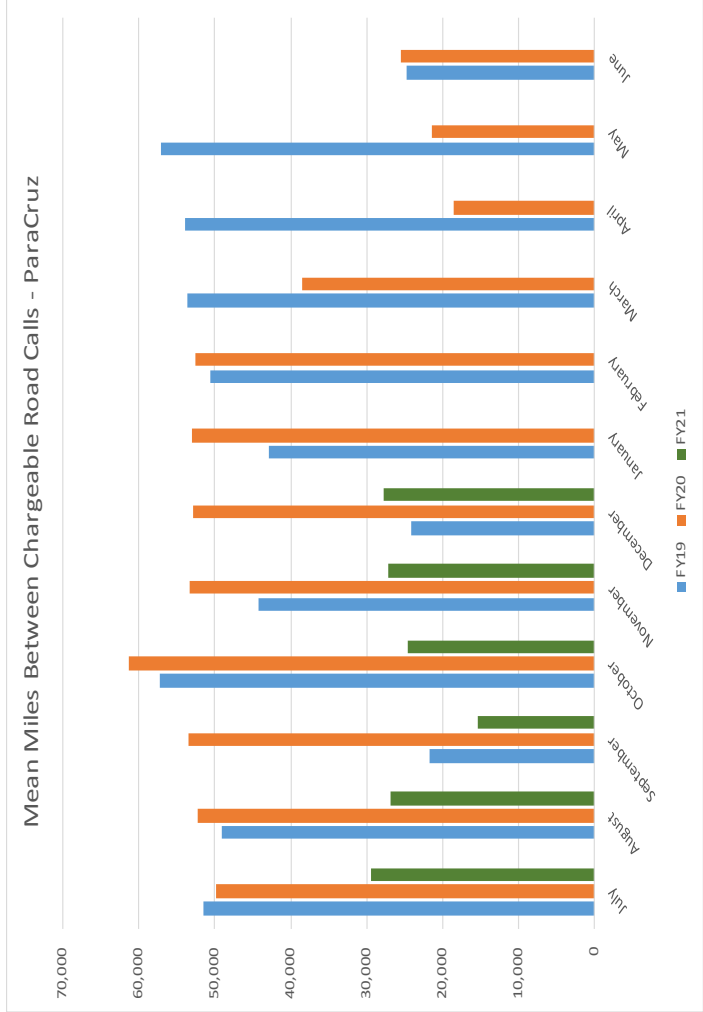
Fiscal Year	Average age of Fleet	*Avg. Road Miles
FY19	13.8 yrs	447,895
FY20	12.55 yrs	588,010
FY 21 YTD	12.96 yrs	198,982

*this is a percentage of Fixed Route road miles

Reliability:

Metrics: • Mean Miles Between Chargeable Road Calls - ParaCruz

Description & Importance: A chargeable road call results from a mechanical failure that impedes the vehicle from completing or starting a scheduled revenue trip because actual movement is limited, or there are safety concerns. The mileage depicted is how many miles were run for the month divided by the number of chargeable road calls. The graph below is for METRO's ParaCruz vehicles.



Fiscal Year	12 Month Average
FY19	44,236
FY20	44,374
FY21 YTD	25,183

Fiscal Year	Average age of Fleet	Avg. Road Miles
FY19	5.13 yrs	663,786
FY20	6.13 yrs	571,539
FY 21 YTD	6.71 yrs	209,003

7.15

Current Status: In FY21 Q2 there was only 1 chargeable road call in the month of December. While road calls are low, ParaCruz mileage has significantly decreased, which is why mean miles between chargeable road calls has stayed low as well.

Dependability:

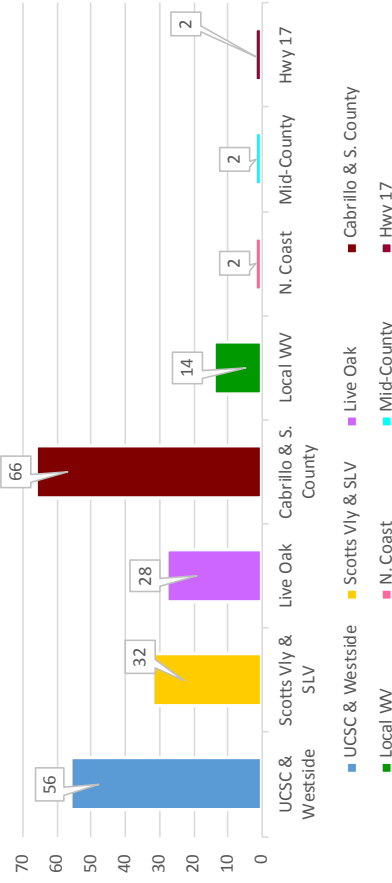
Metrics:

- Cancelled Trips by Region
- Cancelled Trips by Cause

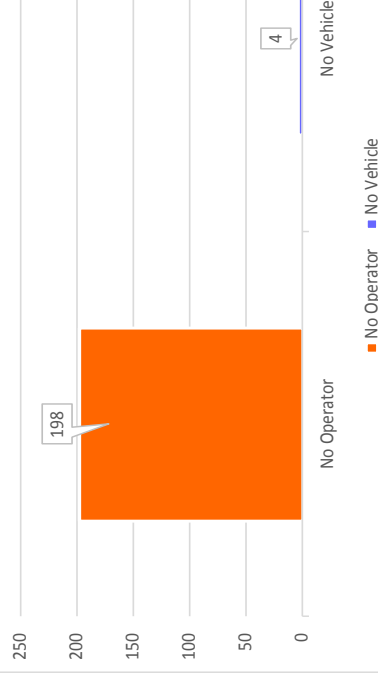
Description & Importance:

Cancelled trips are analyzed for different causes. Cancelled trips by Region show the areas the trip was canceled, while Cancelled Trips by Cause reveal the cause for the cancellations.

FY21 Cancelled Trips by Region Q2
(October 20 - December 20)



FY21 Cancelled Trips by Cause Q2
(October 20 - December 20)



Current Status:

In Q2 of FY21 all cancelled trips were in December (on December 24th and the week of December 26th through December 31st.) This concentration of cancelled trips can be attributed to the holiday season and a lack of personnel.

Dependability:

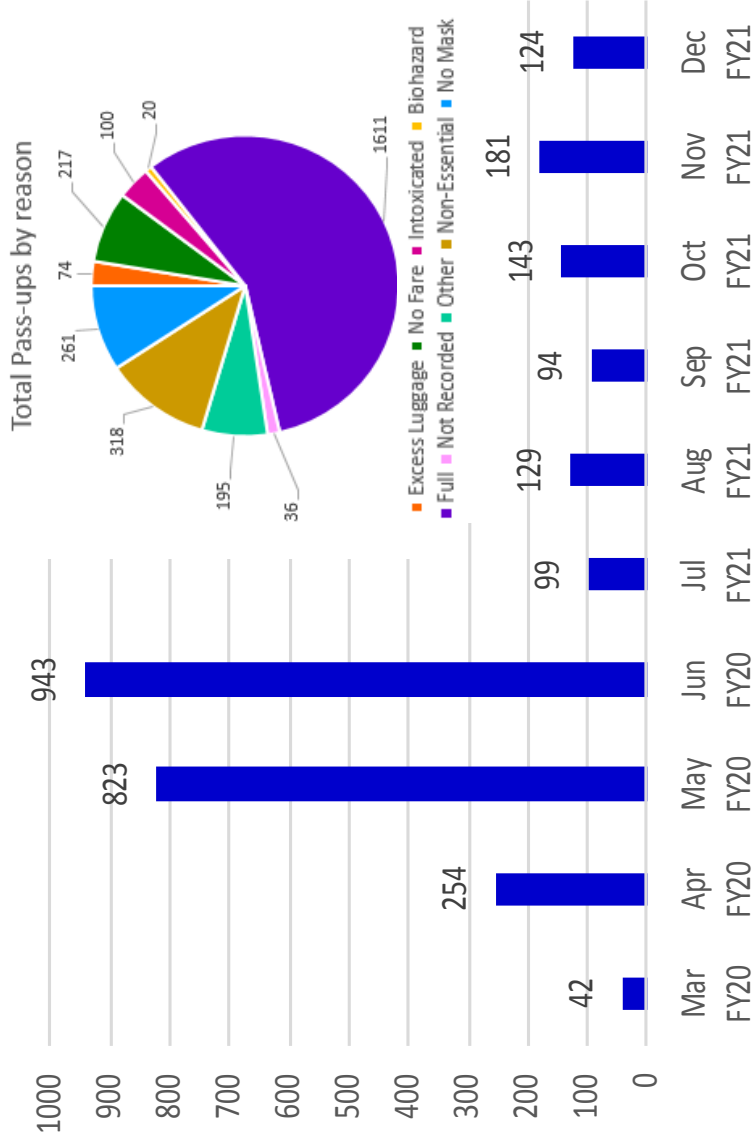
Metrics:

- Pass-Ups

Description & Importance:

Pass-Ups are when a bus route must leave behind a passenger and are caused by a variety of reasons. Pass-ups are analyzed for different causes including: No Fare, Exceeds Capacity Load (Full Bus), Excess Luggage, Intoxicated, and Other.

Pass-Ups by Month



Current Status:

- In April through June of FY20 the number of pass-ups spiked due to reduced bus capacity. Once capacity increased in FY21, the number of pass-ups declined.
- Pass-ups have declined in FY21 and stayed relatively low throughout Q2.

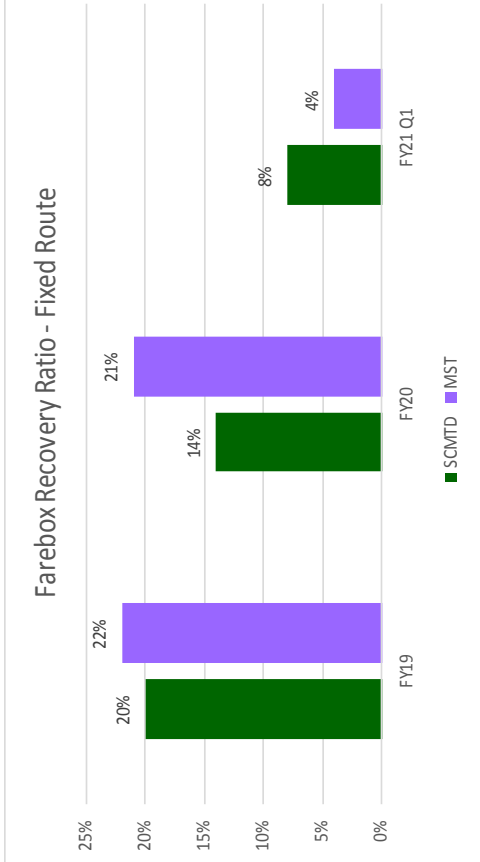
Peer Comparison:

Metrics:

- Farebox Recovery MST Comparison - FR
- Cost per RSH MST Comparison - FR

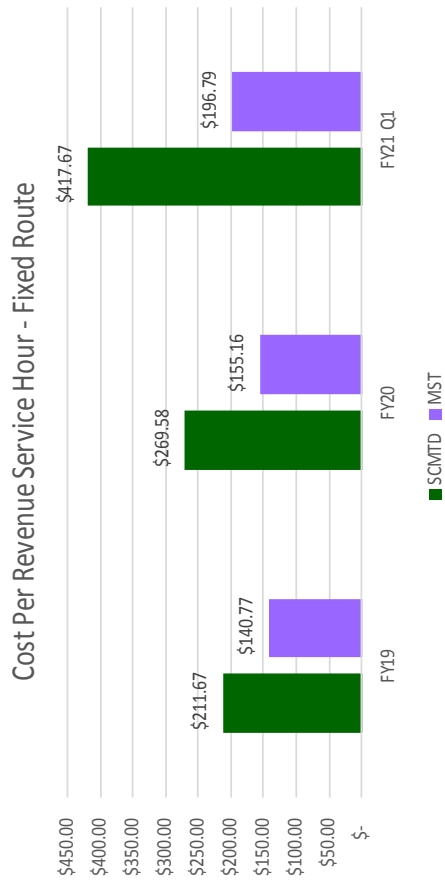
Description & Importance:

A few examples of Santa Cruz METRO's KPIs compared to Monterey-Salinas Transit (MST). This is the latest information available from MST and is updated through September 2020.



Current Status:

METRO's Farebox recovery ratio has declined since the pandemic, however compared to MST, METRO has retained a higher Farebox recovery ratio in the current fiscal year



Current Status:

METRO's cost per RSH for Fixed Route is consistently higher than MST's. the large spike in FY21 Q1 is most likely due to METRO's UAL payment

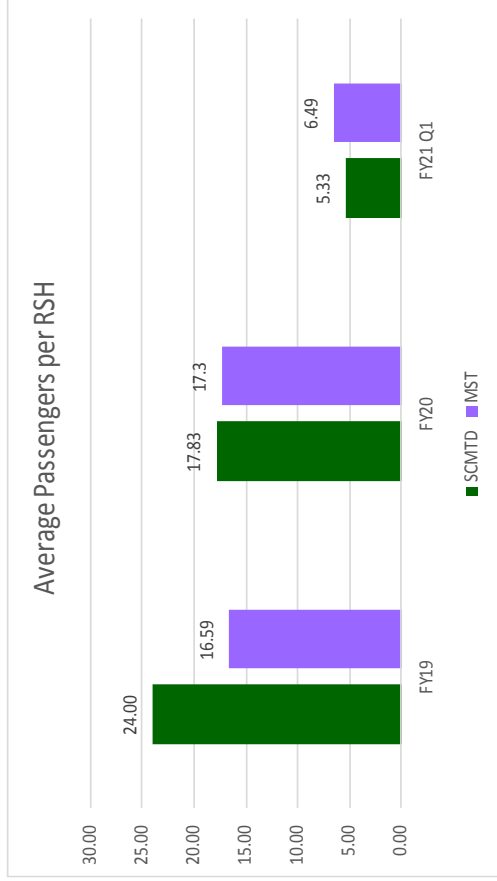
Peer Comparison:

Metrics:

- Average Passengers per RSH MST Comparison
- Miles Between Chargeable Road Calls MST Comparison - FR

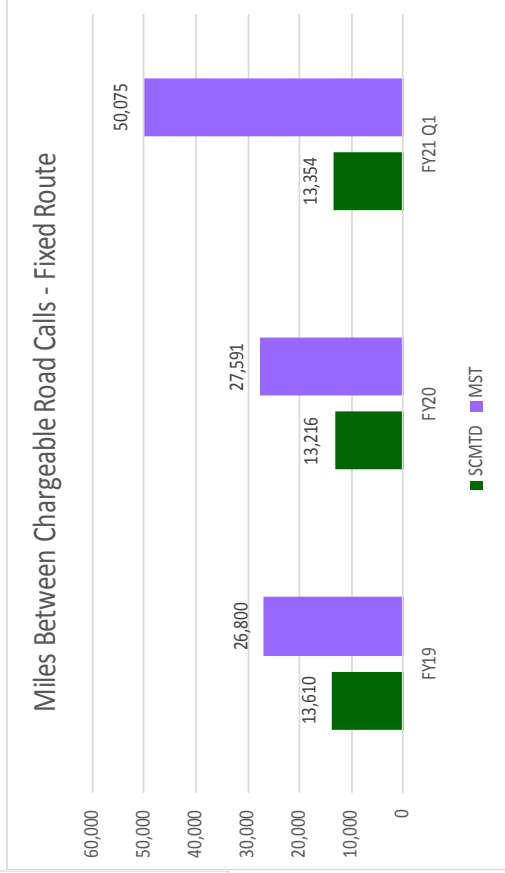
Description & Importance:

A few examples of Santa Cruz METRO's KPIs compared to Monterey-Salinas Transit (MST). This is the latest information available from MST and is updated through September 2020.



Current Status:

Prior to COVID-19, METRO had a higher volume of passengers per RSH compared to MST. Numbers have fallen dramatically in Q1 of FY21

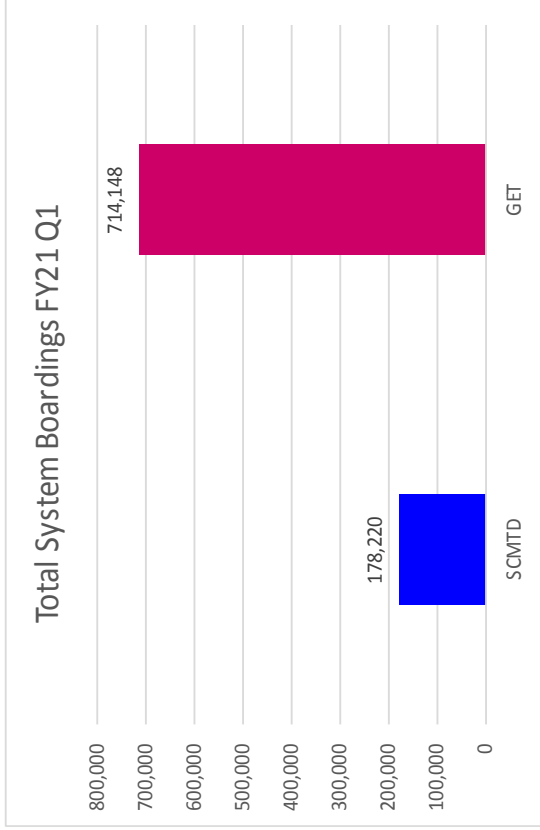


Current Status:

Over the years, METRO has consistently had a lower number of miles between chargeable road calls compared to MST

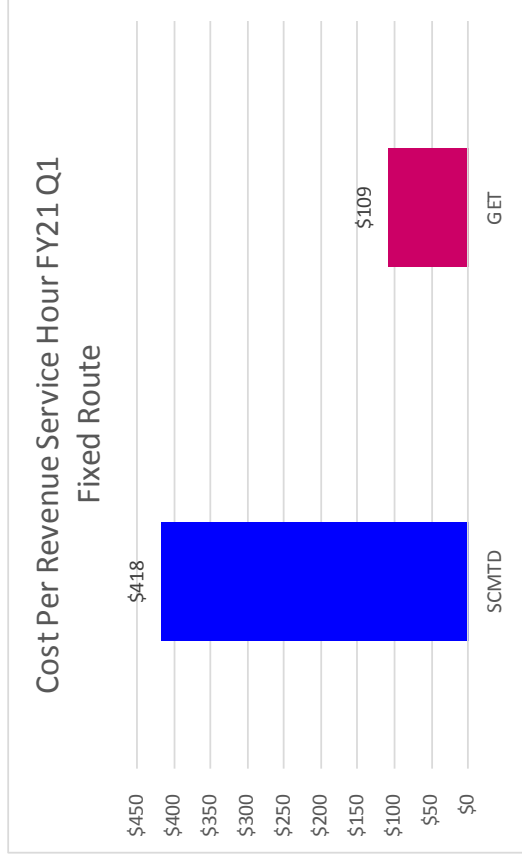
Peer Comparison:

Metrics:	<ul style="list-style-type: none"> • Total System Boardings for FY21 Q1 GET Comparison • Cost per RSH Fixed Route FY21 Q1 GET Comparison
Description & Importance:	<p>A few examples of Santa Cruz METRO's KPIs compared to Golden Empire Transit District (GET) located in Bakersfield, CA. This is the latest information available from GET updated for FY21 Q1.</p>



Current Status:

Since COVID-19 METRO has had a decline in total passenger boardings. GET has a larger number of boardings in FY21 Q1 but also services a larger area.



Current Status:

METRO's higher Cost per Revenue Service Hour is attributed to the UAL payment made in July of 2020

Questions

7.21

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DATE: February 12, 2021
TO: Finance, Budget and Audit Standing Committee
FROM: John Urgo, Planning and Development Director
SUBJECT: CONSIDERATION OF TEMPORARY FARE REDUCTION

I. RECOMMENDED ACTION

That the Finance, Budget and Audit Standing Committee review and recommend that the Board of Directors consider a proposal to temporarily reduce fares for up to a six month period

II. SUMMARY

- The COVID-19 pandemic triggered a steep decline in ridership and fare revenue beginning in March 2020 from which the Santa Cruz Metropolitan Transit District (METRO) has yet to recover.
- Agencies around the country have differed in their responses to the need to balance revenue loss with ridership and equity considerations, with some electing to increase fares and others choosing to eliminate fares altogether.
- Staff recommends a hybrid approach: a temporary fare reduction to last up to six months consisting of a 50% discount on adult and youth regular fares, and free fares for riders with an eligible discount card.
- Staff projects this proposal could increase ridership by 20%, while lowering the financial burden of transportation for customers who need it most.
- Fare box revenues are expected to decrease 56%, or \$200,000, over the six-month period with implementation of the fare reduction.

III. DISCUSSION/BACKGROUND

The sustained drop in ridership due to COVID-19 has resulted in considerable fare revenue loss for transit agencies around the country. Responses to the need to balance loss of revenue without further burdening or deterring transit riders have varied from agency to agency:

- Some agencies, such as San Diego's North County Transit District (NTCD) and Metropolitan Transit System (MTS), are planning fare increases to help balance their budgets.

- Others, such as the San Francisco Municipal Transportation Agency (SFMTA) and the Southeastern Pennsylvania Transportation Authority (SEPTA), have postponed previously planned fare increases.
- A growing number of smaller and rural transit agencies have extended fare free policies that began with the pandemic, or are considering eliminating fares once again. Prior to the pandemic, Kanas City became the first metropolitan area in the United States to implement fare-free transit, starting in stages with veterans, then students, and then extending the policy to all riders. Los Angeles Metro is also studying whether to go fare free, which would make it the largest transit agency in the world to do so.

Deciding whether to increase, decrease or maintain fares requires a consideration of ridership, revenues and equity. Ridership impacts are evaluated using fare price elasticity, or the percentage change in consumption resulting from a 1 percent change in price. A frequently used rule-of-thumb in the industry is that each 3 percent fare increase reduces ridership by 1 percent. San Diego's planned fare increase of 10%, for example, could result in a ridership loss of 3% but a fare revenue increase of 6%. The revenue increase, despite ridership loss, is due to the fact that demand for transit with respect to price is relatively inelastic.

This oversimplification misses some important nuance. First, the effects of price changes vary considerably by individual circumstances, such as trip purpose, time of day, income, age and car ownership. Price changes also tend to have limited impact on ridership in the short run, as riders do not have time to adjust their behavior. This is particularly true for transit systems that serve so-called transit dependent riders, or those who simply choose transit regularly over other options. Bringing about greater changes in ridership in the short term requires a more significant change in price. There is also evidence that *free* fares have a greater impact on ridership than reducing fares (as evidenced by recent experience in Corvallis, Oregon, or the establishment of free fare zones in Portland and Seattle during the 1980's and 90's). However, a recent report by the Transit Cooperative Research Program (TCRP Synthesis 121) finds consensus among transit agencies of a preference to avoid free fares, as they exacerbate potential conflicts with people experiencing homelessness.

While fare reductions may not bring about dramatic increases in ridership over the short run, there are other perhaps more important rationales for considering fare reduction policies, particularly as the COVID-19 pandemic rages on. Foremost of these is equity. Los Angeles Metro, for example, has described its fare free proposal primarily in terms of equity. Transit riders are disproportionately low-income and people of color, and these populations are also more likely to be impacted by the pandemic in terms of their health, employment and economic security. Lowering the economic burden of transportation expands access to employment and healthcare opportunities, and puts money back into people's pockets than can be spent elsewhere in the economy.

Title VI of the Civil Rights Act of 1964 requires public transit agencies to evaluate equity when considering fare changes to avoid or mitigate disparate impacts to low-income or minority populations. The Federal Transit Administration (FTA) exempts fare changes enacted because of an emergency (such as COVID-19) or that last for less than six months from this requirement. The FTA also does not require a transit agency to document the process in these exempt cases, get Board of Directors' (Board) approval prior to implementing the changes, or share documentation on the changes with FTA. Still, the FTA expects transit agencies to take reasonable measures to implement temporary service or fare changes equitably to prevent unintentional discrimination and recommends that agencies document the rationale in the event someone files a complaint.

Temporary Fare Reduction Proposal

In order to balance the equity, ridership and revenue considerations discussed above, staff proposes a temporary 6-month fare reduction to begin March 4 with the scheduled spring service adjustments.

Staff recommends setting the temporary fares as follows:

- Adult and Youth: 50% discount across all fare categories
- Discount Fare: Free with valid Discount Photo ID.

Setting temporary fares in this way supports the following goals:

- Ridership: Based on an average fare price elasticity of -0.33, a 50% reduction in adult and youth fares could result in a 17% increase in ridership, while free fares for discount eligible riders could increase ridership 33%, for an overall projected increase of 20%. With ridership down 85%, this is a gain of three percentage points compared to pre-COVID levels. While this may seem small, staff believes it is important to support the return of ridership to METRO.
- Equity: METRO customers are disproportionately low-income, with more than 60% of riders reporting a household income below \$24,000, according to the 2019 Onboard Survey. As the COVID-19 pandemic continues to take its toll on the economy and public health, reducing fares can help lower the financial burden of transportation for Santa Cruz County residents who need it most.
- Regional recovery: Lowering the financial burden of transportation can also help support regional economic recovery efforts from the COVID-19 pandemic, expanding access to economic opportunity and putting money back in riders' pockets that can be spent on other goods and services. Gains in transit ridership also have other regional benefits, leading to reduced congestion, greenhouse gas emissions and local air pollution.

Disadvantages of this proposal include:

- The cost to implement the new fare structure, which includes reprogramming fare boxes, ticket vending machines and customer service terminals.

- The need to print new fare tables for distribution at transit centers, in printed material and onboard buses.
- Potential ridership loss at the end of the temporary fare reduction period.
- Fare revenue loss (although staff notes that fare box revenue is already down 68%, so the impact is relatively minor).
- Potential free rider problem. However, customers boarding free will be required to show proof of discount eligibility.

Implementation

The FTA does not require Board approval or a Title VI fare equity analysis to implement the changes described above. Staff will evaluate the effects of the fare change on ridership, revenues and equity at the end of the six-month pilot period and make a determination whether to request that the Board extend the policy and triggering a Title VI fare equity analysis.

IV. STRATEGIC PLAN PRIORITIES ALIGNMENT

This item aligns with the Financial Stability, Stewardship & Accountability and Service Quality and Delivery strategic priorities.

V. FINANCIAL CONSIDERATIONS/IMPACT

The Fiscal Year 2020-2021 budget projects \$711,300 in passenger fare box revenues. This takes into account a projected 62% decline compared to pre-COVID levels. Staff estimates the temporary fare reduction would result in a 56% decrease in fare box revenue during the six-month term. This is composed of a 100% loss in discount fare revenue and a 42% loss in regular fare and pass revenue (calculated by multiplying the 17% ridership increase by the 50% decrease in fare), for a total estimated loss of \$200,000.

There is an additional cost of \$1,800 associated with reprogramming the fare boxes, ticket vending machines and customer service terminals. There is also significant staff time involved in the reprogramming process. METRO would incur this cost again at the end of the pilot period.

VI. ALTERNATIVES CONSIDERED

The Board could consider raising fares to help make up for lost fare revenue. Staff does not recommend this option as it would further depress ridership and could result in a disproportionate impact to low-income riders.

The Board could also consider eliminating fares entirely. Staff does not recommend this option as it would result in fare revenue loss of \$355,000 over the pilot period. Recent experience also suggests that free fares could exacerbate potential problems with people experiencing homelessness. Staff

believes the free fare for discount eligible riders provides a meaningful benefit for METRO's most vulnerable riders while providing a mechanism for enforcement.

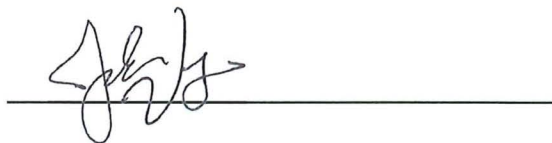
VII. ATTACHMENTS

None.

Prepared by: John Urgo, Planning and Development Director

VIII. APPROVALS


John Urgo, Planning & Development
Director



Approved as to fiscal impact:
Kristina Mihaylova,
Finance Deputy Director



Alex Clifford, CEO/General Manager



VERBAL PRESENTATION

COVID-19 UPDATE

Alex Clifford, CEO/General Manager

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