



STRUCTURAL DEFICIT WORKSHOP

V of V

**Unmet Needs & Other Revenue Sources
Problem Solving Scenarios & Public Process**

Santa Cruz METRO Board of Directors

January 23, 2015

Alex Clifford, CEO

Overview of Today's Presentation

- Follow-up information from Nov 2014 BOD meeting
 - Unmet Needs
 - Recurring Revenue Sources
 - Operating Efficiencies
 - Other Revenue Sources
 - Paratransit
 - Additional Approaches
 - Public Process

Follow-up Information from Previous Board Meeting

- What Did Our Peer Transit Agencies Do During the Financial Crisis (2008)?
- Board Consensus on Reserves
- Board Consensus on State and Federal Funding
- Board Consensus on “Carryover” Distribution Options

What Did Our Peer Transit Agencies Do During the Financial Crisis (2008)?

Agency:	CCCTA	Gold Coast	Santa Barbara MTD
Service Reduction	Y - 23%	Y - Minimal	Y - Slight
Fare Increase	Y	Y	Y
Layoffs	N	N	3-4 Year Wage Freeze
Use Reserves	Y	N	N
Reserves Repaid Yet	Y	N/A	N/A

Board Consensus on Reserves *

Workers' Comp Reserves

- Fund Workers' Comp Reserves to minimum or target levels, as established by actuarial and in-house reviews
- **Workers' Compensation Target: \$3.3M**
 - Need to add **\$1.2M** to reserve bucket to reach target

Liability Insurance Reserves

- Fund Liability Insurance Reserves to minimum or target levels, as established by actuarial and in-house reviews
- **Liability Insurance Target: \$701K**
 - Need to add **\$9K** to reserve bucket to reach target

**** Staff will strive to accomplish these targets over the next couple of years.**

* per BOD meeting 11/14/14

Board Consensus on Reserves

Cash Flow Reserves

- Fund Cash Flow Reserves to minimum or target levels,
- **Cash Flow Target: \$3M**
 - Cash Flow Reserve bucket fully funded today

**** Staff will manage flexibility of Cash Flow Reserves, according to project levels and capital needs as they fluctuate from year to year.**

Board Consensus on Reserves

Operating Reserves

- Fund Operating Reserves to Target level that equals two (2) months' operating expense as recommended by GFOA
- **Operating Reserves Target: \$7M**
 - Need to add **\$4.5M** to reserve bucket to reach target
- Additional Direction
 - Create formal policy on all Reserves (in general)

Board Consensus on State and Federal Funding

- **State Funding**

- *Develop a plan to phase out/reduce use of STA in the operating budget over 5 years**

**Assuming the current waiver is renewed past 6/30/15*

- **Federal Funding**

- *Pursue legislation to double the STIC (Sec 5307) allocation*
- *Develop a plan to phase out/reduce use of STIC in the operating budget over 5 years*

Board Consensus on "Carryover" Distribution Options

- Carryover distribution options will be reviewed on an annual basis to determine the best use of funds:
 1. Move to (Replenish) Reserve Accounts
 2. Move to Unfunded Projects / Mandates
 3. Use as Revenue in Next Fiscal Year

Unmet Needs

- Unmet Service Needs
- Facilities Deferred Maintenance

Unmet Service Needs

- **Increase Weekday UCSC Service** – UCSC is consistently at capacity, especially at peak times
 - Consider headways based schedule
 - Increase number of trips and increase runtime
- **Increase Weekend UCSC Service** – Not enough service on weekends to meet demand
 - Need more frequent headways and additional runtime
- **UCSC to Almar Shopping Center** – Almar Shopping Center is a major destination for UCSC students
 - There is a demand for direct service to this shopping area from UCSC
- **Increase Live Oak Service (Specifically Route 66)** – Route 66 is at capacity during peak times
 - Route currently has hourly headways and needs an increase in frequency
- **Reinstate the Short Route 69s** – Return to 15 minute headways between Pacific Station and Capitola Mall on the 69s
 - Currently 30 minute headways between 69A & 69W

Unmet Service Needs - continued

- **Capitola Mall to / from Cabrillo** – Additional service is needed between two of the top transit destinations in the county
 - Currently have 30 minute headways between Route 69W and Route 55
- **Mission Street Service** – Mission is a major arterial that needs more service
- **Route 4 / 8 Split** – Return to previous division of Route 4 and Route 8
 - Current Route 4 has confusing routing
 - Route 8 only operates once a day
 - Re-creates direct service to Harvey West and Emeline
- **Increase Hwy 17 (Especially Sundays)** – Increasing ridership justifies the need to increase frequency
 - Especially true on weekends
 - UCSC students use service to capacity to return to school on Sundays
- **Review and Enhance Connections** – Enhance connections to make passenger trips simple, easier and faster

Unmet Service Needs - continued

- **Route 55 Improvement** – Need additional run time and possible routing adjustment to better serve Capitola and Aptos
 - Currently has hourly headways
 - Could support more frequent service
- **Later 69's** – Need additional run time and possible routing adjustment to better serve Capitola and Aptos
 - Currently has hourly headways
 - Could support more frequent service
- **Later 91X's** – Need to offer later service for transit dependent workers who work odd hours
- **Fix Evening Route 35/35A** – Return half hour headways to run later in the evening
- **Earlier Weekend Intercity Service** – Earlier departures are needed on the weekend so workers can arrive at work earlier

Unmet Service Needs - continued

- **Enhance Capitola Service**
 - Service cuts have made remaining service ineffective and inefficient
 - Need to review and enhance
- **Bi-directional Service on Scotts Valley Drive**
 - Currently only has consistent service in one direction
 - Change paired with a local Boulder Creek circulator below
- **Boulder Creek Circulator**
 - Local circulator to feed a "Boulder Creek Only" Route 35
 - Allows for bi-directional service on Scotts Valley Drive with the Route 35
- **San Lorenzo Valley Express**
 - Returns this limited stop option for SLV commuters.
- **Improve Service Around Special Events**
 - METRO should be more responsive and supportive of special events held throughout the county

Unmet Service Needs - continued

- **Hwy 17's Direct Service to Boardwalk on Weekends**
 - The Boardwalk is the top tourist destination in the County
 - Direct service could help abate weekend traffic issues
- **Adjust :45 departures (4, 66, 71, 91X)**
 - Too many routes depart SCMC at :45
 - Would help to redistribute departure times while still allowing as many connections as possible
- **Waddell Creek (Weekday)**
 - Return weekday service to Waddell Creek
- **Increase Service on Bear Creek Road**
 - Lowest served variant of the Route 35
- **Service Between Capitola Mall and Dominican Hospital**
 - Restore service between the Capitola Mall and Dominican Hospital

Facilities Deferred Maintenance

- Preventive Maintenance Inspection (PMI)
 - Scheduled PMI Annual Hours - **16,056**
 - Unscheduled/Scheduled Repairs Hours - + 3,636
 - Total annual Hours Required - **19,692**

- Annual Hours at 2,080 Hours/Employee
 - Facilities Workers (7) Seven – **work hours**
 - 7 FTEs x 284 work days x 8 hours/day
 - Scheduled/Unscheduled Time Off - 13,664
 - Available Work Hours - (4,088)
 - Work Hours Deficit – **10,116**
 - 10,116/1,500 Productive Hours = **6.74** FTE Employees

Recurring Revenue Sources

- FY16 Potential Increase in Revenues
- FY17 Potential Increase in Revenues

FY16 Potential Increase in Revenue **Recurring Farebox Operating Revenues**

- Possible Increase in Ridership by 2% year-over-year - **\$50K**
 - Above the existing year-over-year Highway 17 and UCSC budgeted growth
 - A goal for the new Marketing Manager

FY16 Potential Increase in Revenue Recurring Non-Farebox Operating Revenues

- Possible STIC formula doubling from 1.5% of all UZA formula funds annually to 3% = **\$1.4M**
- Possible Cabrillo Contract Revenue = \$750K
 - Last 6 months of FY16 = **\$375K**

FY16 Potential Increase in Revenue **Recurring Non-Farebox Operating Revenues (cont.)**

- Possible Increase in Advertising Revenues - **\$50K**
(Based on hiring a new Marketing Manager)
 - *Bus Stops*
 - *Bus Exterior Ads*
 - *Interior Bus Cards*
 - *Headways*
 - *Transit Center*
 - *Fare Media*
 - *Website*

FY16 Potential Increase in Revenue **Recurring Farebox Operating Revenues**

- Highway 17 Express Fare Restructuring
 - Increase between **\$267K - \$345K** per year

	One Way	One Way Discount	Day Pass	5 Day Pass	15 Ride Pass	31 Day Pass
Current fare	\$5.00	\$2.50	\$10.00	\$42.00	-	\$113.00
Proposed fare	\$7.00	\$3.50	\$12.00	-	\$94.50	\$160.00

Note: - Assumes a 5% - 10% decrease in Hwy 17 Express ridership
 - Requires CCJPA Concurrence

FY16 Potential Recurring Increases in Revenue Summary

Possible Increase in Ridership by 2%	\$50K
Possible STIC Formula Doubling from 1.5% to 3%:	\$1.4M
Possible Cabrillo Contract Revenue (Last 6 months of FY16 = \$375K)	\$375K
Possible Increase in Advertising	\$50K
Highway 17 Route Fare Restructuring	\$267K
Total FY16 Potential Revenue Increases	\$2.1M

FY17 Potential Increase in Revenue **Recurring Farebox Operating Revenues**

- *Possible Increase in Ridership by 2% year-over-year - **\$50K***
 - Above the existing year-over-year Highway 17 and UCSC budgeted growth
 - A goal for the new Marketing Manager

FY17 Potential Increase in Revenue Recurring Non-Farebox Operating Revenues

- Possible STIC formula doubling from 1.5% of all UZA formula funds annually to 3% = **\$1.4M**
- Possible Cabrillo Contract Revenue = **\$750K**
 - Full Year of Revenue

FY17 Potential Increase in Revenue **Recurring Non-Farebox Operating Revenues (cont.)**

- Possible Increase in Advertising Revenues - **\$50K**
(Based on hiring a new Marketing Manager)
 - *Bus Stops*
 - *Bus Exterior Ads*
 - *Interior Bus Cards*
 - *Headways*
 - *Transit Center*
 - *Fare Media*
 - *Website*

FY17 Potential Increase in Revenue **Recurring Non-Farebox Operating Revenues**

- Meeting all 6 performance thresholds per UZA for STIC Funding = **\$960K**
 - STIC is calculated by Urbanized Area (UZAs)
 - METRO serves two UZAs – Santa Cruz and Watsonville
 - New NTD reporting rules allow METRO to report service data between the UZAs more accurately
 - These changes in reporting increase the Watsonville UZA STIC performance from 1 out of 6 performance thresholds to 6 out of 6 performance thresholds

FY17 Potential Recurring Increases in Revenue **Summary**

Possible Increase in Ridership by 2%	\$50K
Possible STIC Formula Doubling from 1.5% to 3%	\$1.4M
Possible Cabrillo Contract Revenue	\$750K
Possible Increase in Advertising	\$50K
Meeting all 6 Performance Categories of STIC	\$960K
Total FY17 Potential Revenue Increases	\$3.2M

Operating Efficiencies

FY16

FY17

FY18

FY16 Operating Efficiencies

- Fleet Maintenance Savings - **\$46K**
- Operations moving back to River St. - **\$224K**
 - Savings for 6 months of FY16
- Electricity savings at all facilities - **\$15K**
- Print Headways twice a year (rather than 4X a year and a separate rider's guide) - **\$6K**
- AT&T CALNET3 (phone contract) - **\$5K**

Total FY16 Operating Efficiencies - \$296K

FY17 Operating Efficiencies

- Operations moving back to River St. - **\$466K**
 - Savings for 12 months of FY17
 - Based on the following:
 - Deadhead time
 - Reduction in Overtime
 - Shuttle hours within the Dubois lot location

Total FY17 Operating Efficiencies - \$466K

FY18 Operating Efficiencies

- Operating Lease for ParaCruz Facility - **\$120K/yr**
 - Purchase ParaCruz Facility

Total FY18 Operating Efficiencies - \$120K

Other Revenue Sources

- FY16 **Non-Recurring** Non-Farebox Operating Revenues
- Possible 2016 Sales Tax Initiative

FY16 Non-Recurring Non-Farebox Operating Revenues

- Retroactive Alternative Fuel Tax Credit - \$660K
 - Temporary Federal Tax Extenders Legislation
 - Possible Receipt in early 2016
 - Retroactive from January 2015

**Staff Recommendation:

- Replenish the Capital/Operating Reserves with Alternative Fuel Tax receipts; never budget as a recurring revenue source

Possible 2016 Sales Tax Initiative

- **Option #1**

- No – Don't pursue

- **Option #2**

- Support inclusion in RTC proposed measure for 2016
 - A ½-cent Transportation Sales Tax for 30 Years: **\$450M***
 - Potential **15%** of total projected Sales Tax Revenues for Santa Cruz METRO: **\$2.25M/year***
 - * Notes: Assumes \$15M/year for 30 years; no inflation, no finance costs deducted (as per Draft Transportation Expenditure Plan – Proposal A, from RTC)
 - * Sales Tax Could be Dedicated to ParaCruz Service for Qualified Older Adults and Persons with Disabilities

Possible 2016 Sales Tax Initiative

- Option #3

- Support inclusion in RTC proposed measure for 2016
 - **Only if** Santa Cruz METRO receives **20%** of total projected revenues: **\$3.0M/year***
 - **Or** other percentage as recommend by the Board

*Notes: Assumes \$15M/year for 30 years; no inflation, no finance costs deducted (as per Draft Transportation Expenditure Plan – Proposal A, from RTC)

* Sales Tax Could be Dedicated to ParaCruz Service for Qualified Older Adults and Persons with Disabilities

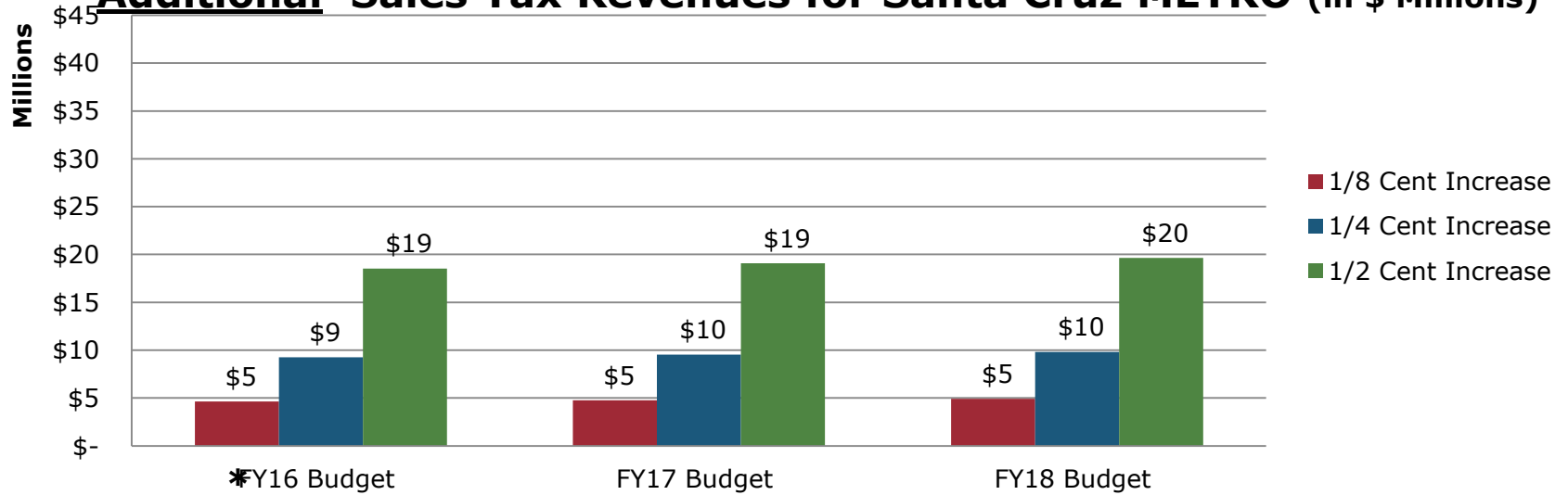
Possible 2016 Sales Tax Initiative

- **Option #4**

- Santa Cruz METRO 2016 **stand-alone** Sales Tax Measure

- **Immediately** initiate polling to determine voter receptiveness to a Santa Cruz METRO measure

Additional Sales Tax Revenues for Santa Cruz METRO (in \$ Millions)



Notes: Sales Tax Revenue in FY16; 3% inflation in FY17 and FY18

* Sales Tax Could be Dedicated to ParaCruz Service for Qualified Older Adults and Persons with Disabilities



Board Discussion on Sales Tax

Paratransit

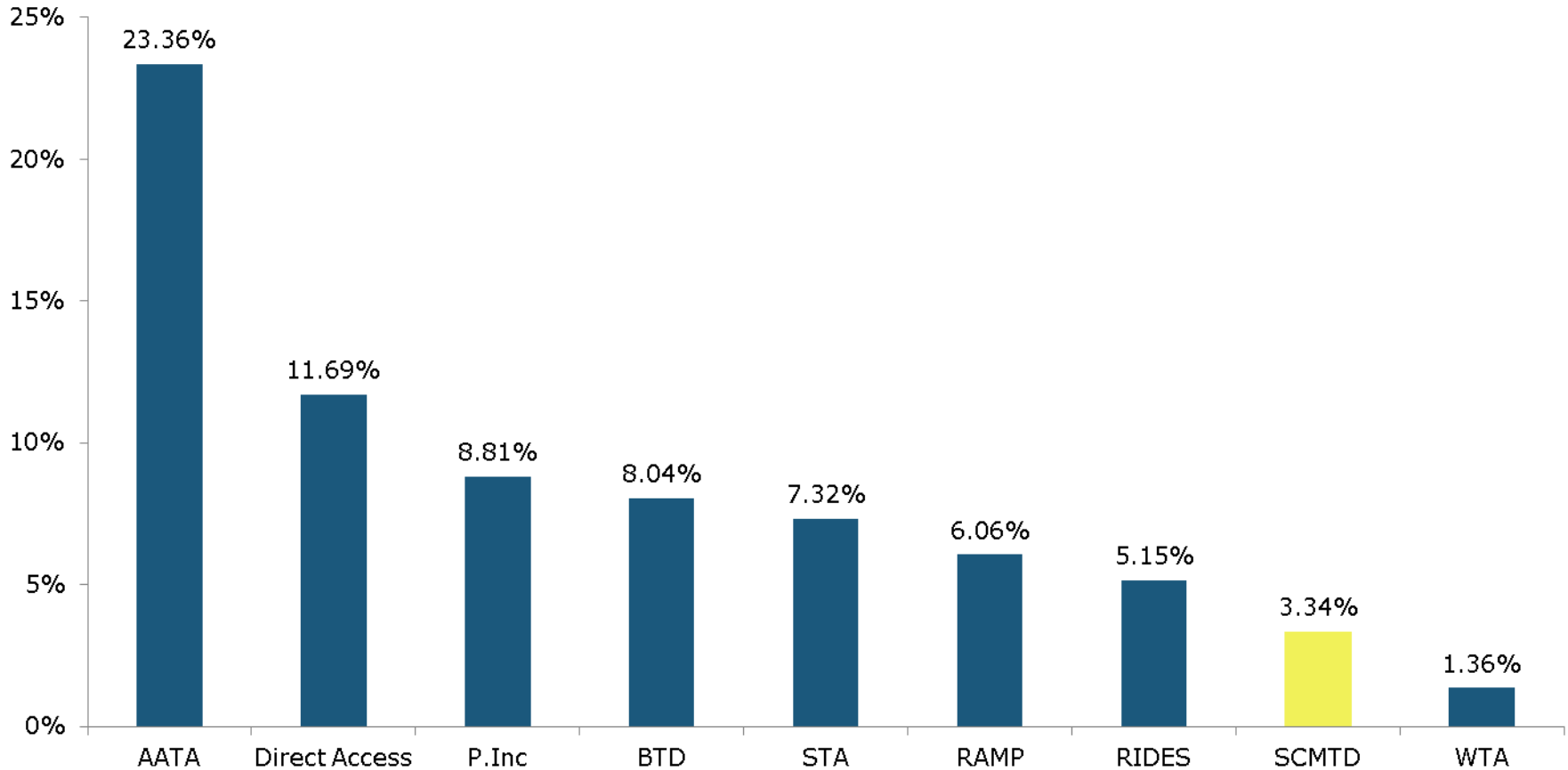
Operating Efficiencies

Premium Rides

Fare Structure Options

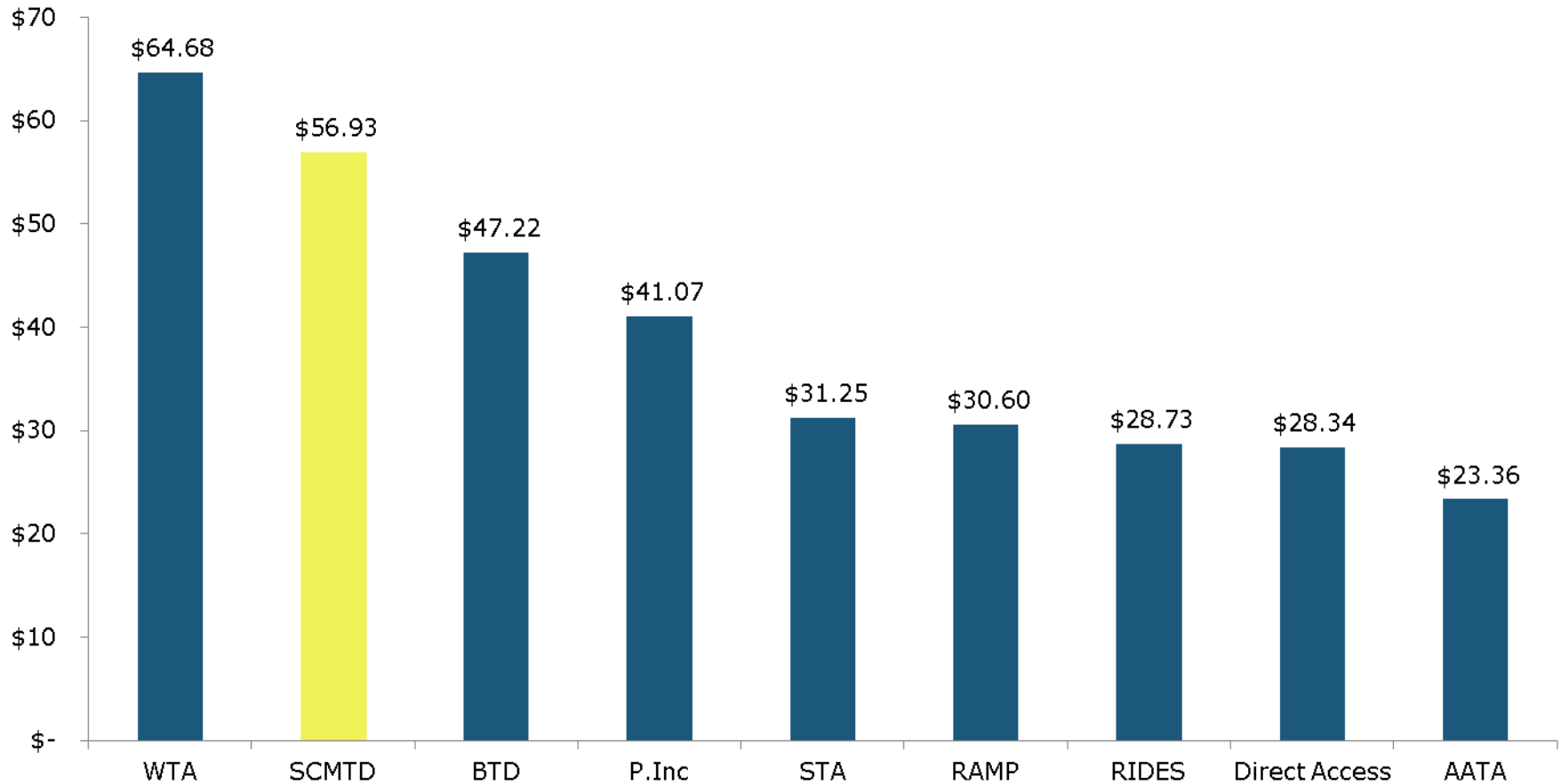
ParaCruz Performance vs. Our Peers

Farebox Recovery Ratio



ParaCruz Performance vs. Our Peers

Cost Per Trip



Paratransit Operating Efficiency Options

- ***Aligning the days and hours of paratransit service with the days and hours fixed route service operates***
 - *Affects approximately 10% of rides overall*
 - *30- 40 rides per weekday*
 - *Estimated savings of approx. **\$520K per year***
- *Average weekend number of rides is 125.*
- *Passengers may align their current rides to available times; so impact could be less than 10%.*

Paratransit Operating Efficiency Options

- ***Aligning non-school term service to fixed route service***
 - *Inactivate service during non-school term in South Felton (Rte 34) and Lompico (Rte 33)*
 - *460 rides performed on paratransit during non-school term time in 2014*
 - *Cost reduction of approximately **\$24K per year***

Paratransit Operating Efficiency Options

- **Holiday Service**
- *Inactivate paratransit service on three holidays that fixed route currently does not operate-*
 - *Memorial Day- paratransit savings=\$5K*
 - *Fourth of July- paratransit savings=\$7K*
 - *Labor Day- paratransit savings=\$6K*
- *Total savings approximately - **\$18K per year***

Paratransit Fare Structure Option

- **'Full Fares'**

- *Charging a 'full fare' as described in ADA law*
- *ADA law states fares charged for complementary paratransit service can be no more than twice the fare for a 'comparable' trip made by a person without a disability on the fixed route system*
- *If a fixed route rider takes three buses to arrive at their destination, in our system which does not have 'transfers', the 'full fare' paid would be \$6.00*
- *A ride utilizing three different bus routes to arrive at a destination would translate to a single ride on paratransit, which could cost the rider \$12.00*

Paratransit Peer fare structures - Examples

Victor Valley, CA	Direct Access	Zone 1. \$2.50 Zone 2. \$4.50 Zone 3. \$6.00
Monterey, CA	MST	2.7 miles or less \$3.00 2.7miles or < 19.7 \$5.00 more than 19.7 \$7.00
Oakland, CA	AC Transit	0-12 miles \$4.00 >12 miles, up to 20 miles \$6.00 > 20 miles \$7.00

Staff proposes a mileage based fare structure.

*From 0-10 miles - \$4.00
From 10 to 20 miles - \$2.00 additional fare
Over 20 miles - \$2.00 additional fare
Total cost of ride over 20 miles = \$8.00*

❖ Using 2014 ride statistics, aprox. **\$41K** in additional fares would have been generated using this fare structure.

Additional Approaches

Public Process

Multi-Year Approach to Resolve Structural Deficit

- **FY17 Major Service Restructuring**
 - Budget \$100K in FY16 for service restructuring
 - Award Professional Services Contract in 1st Qtr FY16
 - Recommendation to the Board in 3rd Qtr FY16
 - Budget savings in FY17

Other Future Considerations

- Articulated Buses for Route 71 and UCSC
- Over The Road Coaches (OTRC)
 - Highway 17

Other Future Considerations (cont.)

- **Non-Public Transit Use of Scotts Valley Transit Center Parking Lot**
 - Projected Capital Costs: **\$17.5K**
 - Projected Operating Revenue: **\$87K/yr**
 - Projected Operating Expense: (**\$15K/yr**)
 - Admin, Maint, \$ Enforcement Costs

Projected Net Operating Revenue: \$72K/yr

Other Future Considerations (cont.)

- Possible Charge to Commuter Shuttles and Taxi Companies for Use of Transit Facilities - **\$25K – \$40K/year**
 - Permit System Similar to SFMTA
 - Enforcement Policy – Increase Security Contract Scope and Cost
 - Identify Eligible METRO Bus Stops
 - Charge by “Stop Event”

Recap of Next Steps and Public Process

Multi-Year Considerations

- Resolving Deficit will take several years
- A number of items will come back to the Board for approval
- Staff will begin to work on ideas and come back for direction and approval
- These various concepts depict what we are asking the Board to go out for Public input

Budget Actions/Savings – FY16 & FY17

- **Replenish Below Target Reserves with “Carryover” and Alternative Fuel Tax Credit**
 - **Current Below Target Balances:**
 - Workers’ Comp - \$1.2M
 - Liability Ins - \$9K
 - Operating - \$4.5M
- **STA State Funds**
 - Develop a plan to phase out/reduce use of STA in the operating budget over 5 years*
 - * Assuming the current waiver is renewed past 06/15/15
 - Put funds towards Unfunded Capital Projects
- **STIC Federal Funds**
 - Develop a plan to phase out/reduce use of STIC in the operating budget over 5 years
 - Put funds towards Unfunded Capital Projects

Budget Actions/Savings – FY16 & FY17 (cont.)

	FY16	FY17
Reduce Printing of Headways	\$6K	-
Electricity Savings	\$15K	-
Reduce AT&T CALNET3 Phone Expense	\$5K	-
Fleet Maint Savings	\$46K	-
Meeting All UZA STIC Thresholds	-	\$960K
Increase Marketing and Advertising	\$50K	\$50K
Increase in Ridership	\$50K	\$50K
Ops Move Back to River St	\$240K	\$466K
Service Restructure (Efficiencies in Service)	(\$100K)	TBD
Total Savings	\$312KM	\$1.5M

Items *not* Budgeted But Working On

	FY16	FY17
STIC Doubling	\$1.4M	\$1.4M
Sales Tax Initiative	-	\$2.25 - \$20M
Cabrillo College Contract	\$375K	\$750K
Non-public transit use of METRO centers & facilities	\$25K	\$25K
Totals	\$1.8M	\$4.4M – \$22.2M

- Unmet Service Needs
 - Review Items on Unmet Service Needs slides
 - See What can be Implemented at Minimal Costs
- Deferred Maintenance
 - Perform an ROI (Return on Investment)
 - Allocate Resources Accordingly

Items *not* Budgeted But Working On (cont.)

- Adding Articulated Buses
- Adding Over The Road (OTR) Buses
- ParaCruz Owned Facility
 - Save **\$120K** in lease payments/year starting in FY18
- Fixed Route Fare Restructuring

Items *not* Budgeted But Working On (cont.)

Paratransit Operating Efficiency Options

- **Enforcement of trip-by-trip restricted eligibility**
 - *Allowing clients to book rides on paratransit only when they are unable to functionally make the same trip on an accessible fixed route bus*
 - *Example: Inability to climb a hill, to see in the dark, or to tolerate hot weather*
- **Offering curb-to-curb service upon request**
 - *Currently, all ParaCruz rides include door-to-door escort*
 - *Operators estimate that up to 50% of clients do not wish to be escorted to the door of their destination*

Items *not* Budgeted But Working On (cont.)

Paratransit 'Premium Fare' Options

- **Same Day Rides**
 - *Allowing passengers to call and book a ride on the same day of service*
 - **ACCESS (OCTA) has taxi do their same day rides*
 - *\$3.60 for first five miles, then regular taxi fare applies*
- **Will-Call Returns**
 - *Rides that are created by not activated until client calls the office to let us know they are ready.*
 - **Outreach (VTA) provides will-call returns at four times the base rate. \$16.00*
 - **Rides (MST) does not offer will-call returns; returns must be scheduled in advance*
- **Subscription Rides**
 - *Convenient for passenger*
 - *Convenient for paratransit operations*

Items *not* Budgeted But Working On (cont.)

Paratransit 'Premium Fare' Options (cont.)

- **Re-Dispatching Vehicle for 'No-Show'**
 - Premium fare for re-dispatch of vehicle when passenger misses ride
 - Currently, if we take a client from their residence, we will return them to their home by re-dispatching a vehicle, up to three times
 - *Outreach (VTA) will resend a vehicle at four times the base rate. \$16.00
 - *Rides (MST) does not resend vehicles; client must find alternative transportation
- **Pick-Ups and Drop-Offs Outside Current Service Area**
 - Premium charge for pick-up and drop-off for clients in rural Santa Cruz County areas
 - This could be an alternative for clients affected by non-school terms
 - *Outreach (VTA) provides pick ups and drop-offs outside service area at four times the base rate. \$16.00

Items for Public Comment Consideration

- Conduct Five (5) Public Meetings within Santa Cruz County
- Highway 17 Fare Restructuring
 - Additional **\$267K – \$345K** per year
- Sales Tax Initiative
 - All four (4) options...or ?
 - **\$0 – \$20M** per year

Items for Public Comment Consideration (cont.)

Paratransit

- Alignment to fixed route service - **\$520K/year**
- Alignment with non-school term service - **\$24k/yr**
- Holidays - **\$18K/yr**
- Full Fare/mileage based concept - **\$41K**

Structural Deficit Final Process

- 01/23/15 – 02/26/15
 - Public Process
- 02/27/15
 - BOD report on public feedback
 - BOD direction for Public Hearing
- 02/28/15 – 04/10/15
 - Public Notice Process
- 03/27/15
 - Draft FY16 & FY17 Budget (balanced with Reserves)
- 04/10/15
 - BOD Public Hearing on BOD directed Items
- 05/22/15
 - Revised Draft FY16 & FY17 budget to the BOD
- 06/26/15
 - Final FY16 & FY17 budget to the BOD for adoption

Questions

Glossary of Terms

- **Carryover** - End of Fiscal Year Favorable Variance
- **GASB** - Governmental Accounting Standards Board
- **GFOA** - Government Finance Officers Association
- **STA** - State Transit Assistance
- **SVTC** - Scotts Valley Transit Center
- **STIC(FTA)** - Small Transit Intensive Cities Program
- **UZA** - Urbanized Area