



san Luis OBispo transit

AGENDA

SPECIAL MEETING

CITY OF SAN LUIS OBISPO MASS TRANSPORTATION COMMITTEE

990 Palm Street
Council Chambers

4:30 p.m.

Wednesday, February 18, 2009

CALL TO ORDER

Chair calls the meeting to order.

ROLL CALL OF COMMITTEE MEMBERS AND STAFF

Chair: Susan Raines

Vice-Chair: Denise Martinez

Committee Members:

Denise Martinez	(Disabled)	Margaret Crockett	(Member at Large)*
Susan Rains	(Cal Poly)	Kathy Howard	(Alternate)
Tracey Amundson	(Student)	D. Gregg Doyle	(Technical)
Stanley Yucikas	(Business)	Elizabeth Thyne	(Alternate)
Robert Wolf	(Senior)		

Staff: John Webster, Sr., Transit Manager
Tim Bochum, Deputy Director of Public Works
Dee Lawson, Transportation Assistant

ANNOUNCEMENTS:

PUBLIC COMMENTS

10 min.

At this time, members of the public may address the Committee on items not on the agenda, **not to exceed three minutes per person**. Items raised are generally referred to the staff and, if action by the committee is necessary, may be scheduled for a future meeting.

The Chair will provide the opportunity for the public to address items on the agenda.

Service Complaints: Complaints regarding bus service or routes are to be directed to the Transportation Assistant at 781-7531. Reports of complaints/commendations are available to the public upon request.

A. CONSENT ITEMS

Consent Items can be approved by a single vote by the Committee. Any member of the Committee can pull and discuss any individual consent item.

NONE

B. DISCUSSION ITEMS

NONE

C. ACTION ITEMS

C-1 Public hearing on proposed fare modifications

2 Hours

D. INFORMATION ITEMS

NONE

MEMBER’S COMMENTS

10 min

NEXT MEETING DATE/LOCATION

March 11, 2009 Council Hearing Room

ADJOURNMENT

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Item: C-1
TO: Mass Transportation Committee
FROM: John Webster, Transit Manager
SUBJECT: SLO Transit Fare and Pass Increase

STAFF RECOMMENDATION

1. Hold a public hearing to receive public comments on potential fare modifications.
2. Based upon public testimony, recommend to council potential fare changes, if any.

Background

The City's transit service is an enterprise fund. As such, the transit service is required to cover costs on an annual basis using grants from local, state, and federal sources, as well as revenues from passenger fares and subscription service. As a policy, the City's transit service does not receive assistance from the general fund. Recent trends and funding level changes have not been kind to public transit. Although ridership demand is up due to the economy and fuel prices, so to is the cost of performing the service all at a time when transit operational funding is being pulled back at the State and regional levels.

Conclusion to the SRTP process also has funding implications. The final task in the SRTP process is a staff review of all service changes, addressing comments made in the public review process of the SRTP, and analyzing service recommendations (and associated costs) within available funding. The City traditionally commits all of its annual transit funding to transit service, i.e. no funds go to streets or roads as done in some other agencies with the two main funding sources, State Transportation Development Act (TDA-LTF/STA) and Federal Transit Administration being the primary source of transit funding. In addition to covering basic service costs, the City must maintain a minimum **20% farebox recovery** ratio for all service levels provided on an annual basis or face



losing state funding. As we look at potential service changes proposed in the draft SRTP and compare that with the current and forecast funding levels, it is clear that under the best of circumstances we will be fortunate if service reductions can be avoided during FY 2009-10.

Therefore, considering a prudent fare increase at the earliest stage possible is a responsible discussion to have and the City needs to consider the issue if transit service levels are to be maintained.

Discussion

Fare Increase – why consider one now? Fare increases are never welcome. They can be controversial and sometimes lead to ridership slippage. Recommendations for increased fares must be done in a responsible manner and should be highly transparent and justifiable to the public. Under normal conditions, fare increases are usually considered when increased service levels are being provided or there are sound fiscal issues that necessitate the increased cost to patrons. These two factors play heavily in the recommendation to consider increases at this time.

Currently, the regular cash fare for SLO Transit is \$1.00, and the senior/disabled cash fare is \$0.50. SLO Transit's most recent fare increase was approved in August 2003 and began being charged in January 2004. While the length of time between fare increases is not set by City policy (such as in the Parking Fund), significant influential issues such as changes in key funding and lost revenues are important considerations as we discuss fares at this time.

Fuel Costs

Diesel fuel costs have risen dramatically in recent years. Although we have been able to accommodate fuel price increases within existing budgets (using reserve and other line item savings) even with recent fuel price reductions the SLO Transit budget will be impacted by increased fuel costs in the near future. Industry experts forecast that fuel cost increases will increase again in the spring and summer of this year and we have seen a recent sharp increase in per gallon price. The following examples demonstrate the volatility of fuel costs over the last three fiscal years for SLO Transit.



Diesel Comparisons				
	GAL	AMT	COST/GAL	Cost/Variance
Jul-06	8,644.70	\$ 19,570.40	\$ 2.26	
Jul-07	9,330.00	\$ 26,443.31	\$ 2.83	25.19%
Jul-08	9,053.30	\$ 39,855.24	\$ 4.40	55.33%
FY06-FY08	27,028.00	\$ 85,868.95	\$ 3.18	40.34%
		COMPARE	\$2.26 TO \$4.40	94.46%

Table 1 – July to July Comparison

FY	COST	GALLONS	PER GAL	
2006-07	\$ 326,400.00	\$ 128,360.00	\$ 2.54	
2007-08	\$ 392,652.00	\$ 118,857.00	\$ 3.30	29.92%
2008-09 1ST QUARTER FUEL COST AVERAGED \$3.94 PER GALLON				

Table 2 – Annual Comparison

While the SLO Transit fuel budget was increased for FY 2008-09, current fares were set based upon fuel costs dating back to 2002. Since fuel consumption is a significant percentage of the cost to run the service, as fuel prices stay high or increase, having the fare at least capture a higher percent of the cost will help in meeting farebox ratio calculations.

Funding Reductions

FY 2008-09 State transit funding reductions have resulted in a funding shortfall of at least \$225,000 for the current fiscal year. We also believe that as part of the State budget compromise due out shortly additional STA funding will likely not be given to operators as expected at the start of the fiscal year. This will likely occur next year as well and may actually be worse due to the condition of the economy. Even with fare adjustments done before the end of the Fiscal Year on June 30, 2009 we will not be able to recover all funding that we have lost during the fiscal year. We anticipate having to choose between service reductions or significantly reducing our capital equipment replacement program.



One bright spot has been the infusion of transit capital funding into some transit funding programs. Unfortunately, this transit capital funding can not be used to cover operational costs and although we have been successful in buying new buses, we now are challenged in affording the operational cost to drive them.

Farebox Ratio Decline

Due to the increases in operational costs, reduction in capitalization of operating expenses, and significant increases in fuel cost, SLO Transit's farebox ratio continues to decline and is now at borderline requirement levels.

The FY 2007-08 Audit shows that we are right at the 20% farebox recovery level. If we dip below this ratio part of our state transit funding can be withheld or even taken away until we meet the required 20% farebox ratio again. Even a marginal increase in farebox revenue will help in staying above this level and avoiding service impacts.

Regional Fare Consistency

Although not imperative from a justification standpoint, regional consistency with fares and fare media has been an issue in the past for San Luis Obispo County. A recent countywide fare study has established new fare objectives to assist passengers using transit services. The RTA recently increased their base fare to \$1.25 to assist in their own budget issues and SLO Transit should consider consistency with this fare adjustment now or in the future to be consistent with the other regional provider of county transit services.

SRTP Implementation Possibilities

As mentioned earlier, the service changes recommended in the current draft Short Range Transit Plan represent an overall increase in service that reflects the community goals and needs. However, these come at an increased cost. Those costs, coupled with the desire to better market the system and the additional staff time required to administer the transit system mean additional resources will be needed to address these needs. Because all these costs are considering *operating* costs, their total is also required to meet the 20% farebox requirement. *Existing*



fares have not met the criteria already and it is not anticipated that the existing fares will significantly generate revenue to meet this requirement.

As a consequence, the City's eligibility for funding could be compromised and there is no likelihood that we will implement service changes that may result in a reduction of base service at a later time. There are only two ways to address this – restructure service levels (and associated funding) or increase farebox revenue to match transit funding. Staff believes that the recommended service levels reflect the community's requests and that implementing these services at this time is appropriate if we can afford them. Unfortunately that leaves option two – increased fares – as the viable way to address the farebox recovery ratio issue and any chance at service increase we may have in the future.

What would a Fare Increase look like?

Staff has determined that based upon existing fares and anticipated costs, an adjustment to the base fare (and related pass costs) should be a minimum of \$.25 (twenty five cents). Although this is a 25% increase in base fare, the increase in fare revenue may be higher depending on pass sales. This proposed fare is based upon coinage handling and exact change requirements and is consistent with other providers in the county.

A potential range of revenue estimates of this fare scenario can be calculated based on FY 08 data and calculated using a 0% to modest 3% increase in cash riders or pass sales to develop a range. Using this information, a \$.25 increase in base fare could raise an additional \$53k-60k (27%-31%) annually. If ridership or sales declined by 3% it would still represent an increase of approximately \$46k or 23% over FY08 revenue. This is largely due to higher percentages of cash paying riders and the discounted pass rates currently used by SLO Transit

In most categories combined ridership and pass sale slippage would have to exceed 15-20% before the fare projections would not result in any increase in total revenue. The current and proposed fare schedules and estimated revenue projections are illustrated in Tables 3 & 4.

Table 3 – Fare Increase Scenario



Type	Current	Proposed	%
Regular Cash	\$ 1.00	\$ 1.25	25%
Senior/Disabled Cash	\$ 0.50	\$ 0.60	20%
31 Day regular Pass	\$ 30.00	\$ 37.00	23%
31 Day Student Pass	\$ 20.00	\$ 25.00	25%
31 Day Senior/Disabled Pass	\$ 10.00	\$ 15.00	50%
7* Day Pass	\$ 10.00	\$ 14.00	40%
5* Day Pass	\$ 7.00	\$ 8.50	21%
3* Day Pass	\$ 5.00	\$ 6.00	20%
1* Day Pass	\$ 3.00	\$ 3.00	0%
<i>* Sold on bus/Exact change</i>			

Table 4 – Potential change in fare revenue

		REV	RIDERS/SALES	RIDERS/SALES	RIDERS/SALES	RIDERS/SALES
	RIDERS/SOLD	FY 08	0%	1%	2%	3%
Regular Cash	141,761	\$ 141,761.00	\$177,201.25	\$178,973.26	\$180,745.28	\$182,517.29
Senior/Disabled Cash	24,171	\$ 12,357.50	\$14,829.00	\$14,977.29	\$15,125.58	\$15,273.87
31 Day regular Pass	293	\$ 8,790.00	\$10,841.00	\$10,949.41	\$11,057.82	\$11,166.23
31 Day Student Pass	329	\$ 6,580.00	\$8,225.00	\$8,307.25	\$8,389.50	\$8,471.75
31 Day Senior/Disabled Pass	2,251	\$ 22,510.00	\$33,765.00	\$34,102.65	\$34,440.30	\$34,777.95
7* Day Pass	81	\$ 810.00	\$1,134.00	\$1,145.34	\$1,156.68	\$1,168.02
5* Day Pass	32	\$ 224.00	\$272.00	\$274.72	\$277.44	\$280.16
3* Day Pass	97	\$ 485.00	\$582.00	\$587.82	\$593.64	\$599.46
1* Day Pass	308	\$ 924.00	\$924.00	\$933.24	\$942.48	\$951.72
		\$ 194,441.50	\$247,773.25	\$250,250.98	\$252,728.72	\$255,206.45
		VARIANCE	\$53,331.75	\$55,809.48	\$58,287.22	\$60,764.95
		PERCENTAGE	27.4%	28.7%	30.0%	31.3%

Note: *It is important to note for the MTC and public discussion that revenue assumptions are not always exact and that anticipated farebox may outperform or underperform assumptions made for this analysis.*

In addition to be consistent with all other operators in the county, staff is recommending that the age for senior cash/pass discounts be raised to 65+ or over. This would be phased in over a three year period and would allow for those currently age 62 to continue to receive the discount. During the last year a group of regional transit operators including City staff were part of a region wide fare study steering committee conducted by Majic Consulting Group that evaluated the current fare and policies and made recommendations for updating regional transfer policies and improving fare practices. This study has resulted in increased revenue sharing and fare agreements between SLORTA, SLO Transit, and other operators.



One of the study recommendations related to uniform discount policies as they impact seniors and it was suggested that since ALL of the other regional operators currently use 65+ years as the eligibility age for senior discounts, that SLO transit should raise our age threshold to be consistent with the other operators. Staff is proposing a phased in approach to this issue and we do not anticipate that this will result in undo hardship for our senior riders and that it will ultimately benefit the regional system as a whole.

The proposed increase in the senior/disable rate increases is larger than other categories because SLO Transit has held these fares superficially low in the past and based upon forecast revenue needs, it does not appear that we can maintain that subsidy in the future.

On a positive note, as part of the fare study recommendations we have already approved the use of the **free** VIP pass for seniors age 80+ or older issued by SLORTA to be accepted when using the SLO Transit system and therefore some riders of our system will actually have no fare increase at all.

Can we wait on the fare increase? Waiting until after the start of FY 2010 to implement the fare increase is a possible option but most probably will not assure our meeting the 20% requirement and would result in having less than a full year if cuts are needed to be made to stay within revised funding projections. The overall transit budget might fall into a deficit by the end of FY 2010 if anticipated State funding (LTF/STA) reductions become final or if one time Federal stimulus funding cannot be used for operating expenses or preventative maintenance. Having a deficit in the budget is significant because it means the transit fund will have less carryover in each year to absorb any unforeseen costs that may arise or to increase or continue service levels such as the current evening routes and for that reason staff is recommending a fare increase should be implemented as soon as possible. This meets City and State transit funding requirements and hopefully allows the ability to maintain current service levels and lay the foundation in order to possibly implement service recommendations for mid and long-term scenarios.



Performance Standards for Service. Even with fare increase implemented, it is likely that SLO Transit will not have a balanced budget for FY 2009-10. Staff is continuing to crunch budget numbers but until the Federal stimulus package impact is known, how much State takeaways will actually occur, and what funding levels we will actually receive we continue to forecast less revenue than needed for proposed services. Within the next few months staff along with the MTC will be working on this issue. Service competition for scarce transit funding is likely to occur and the regional and local levels and inside the SLO Transit operating environment. Staff will be preparing guidelines for review of service to assist the community in resolving competition needs for service demand.

Performance standards, like a 20% farebox or 30 minute headways are common ways of measuring system performance. Although the overall system must maintain a 20% farebox ratio, some specific routes and trips are not nearly that high. It is important that any service implementation not impact other service levels throughout the day because of minimum farebox recovery requirement or be a drain on the essential services that we must perform for the community. Therefore the measure of effectiveness already created in the SRTP to effectively monitor service performance needs to continue to be tracked and monitored to resolve competition for limited transit funding.

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