

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Regional Transit Authority Budget for Fiscal Year 2007
DATE: June 6, 2006

Needs: For the Council to consider the Regional Transit Authority (RTA) Budget for Fiscal Year 2007.

Facts:

1. RTA's proposed budget for fiscal year 2007 calls for a 16% increase in their operating budget or \$418,700. A significant portion of the increase is for a proposed expansion of evening Runabout service and fixed route service on Sundays.
2. The RTA operating budget increase is funded by a take of additional Transportation Development Act (TDA) funding "off the top" before any distribution to other recipient agencies.
3. RTA has proposed to increase their allocation from other jurisdictions by 25%, as well as an increase in State Transit Assistance (STA) funding of 88%.
4. At the May 3 RTA Board meeting, adoption of the budget was postponed for thirty days to address concerns raised by cities/local transit operators.
5. Representatives from a majority of the cities and the County of SLO met with Council of Government and RTA staff to discuss concerns regarding the proposed RTA budget.
6. It was the consensus of the cities present that there was no commitment by RTA to make any changes in the proposed budget nor future budgets other than communicate earlier in the process.
7. The proposed budget will be re-considered by the RTA Board at their next June 7th meeting.

Analysis &
Conclusion:

Local transit operators, including many fiscal officers, have met twice, once before and once after the meeting with RTA and COG staff. It would appear, given actions and conversations with RTA, that regional transit service interests are to be addressed without regard to the needs of local transit operations. The current funding formula whereby RTA takes "off the top" has led to contention and mistrust among many of the agencies who share TDA resources. Not only are cities forced to fund RTA at whatever level RTA desires but then must compete for some of the same passengers and fares because RTA operate routes within local jurisdictions.

The proposed RTA budget did not include any “self evaluation” - what are we doing, are we doing it right, or are we doing it cost effectively. RTA did not review nor analyze its’ fare structure. RTA did not analyze the future impact of service enhancements proposed for fiscal year 2007 against subsequent fiscal years. RTA simply decided it needed nearly a half million dollars more in TDA funding and took it. [Note: COG is also increasing their STA take by \$117,400].

What public agency could reasonably expect to increase their budget by 16% without any such analysis/evaluation? Given other cost pressures, perhaps it is not the right time to expand and/or add new transit services. Local transit providers are also experiencing cost pressures, as well as demands for expanded services. However, local transit providers don’t have an unlimited supply of dollars. They must weigh the cost and benefits of one service demand against another to develop the proper service mix in the context of limited funding resources.

The local transit operators identified various improvements that would be highly desirable before support for RTA budget could be given. These improvements are identified as follows:

1. Implement multi-year budgeting & forecasting. Budget decisions made today may have unintended consequences two or three years hence. Multi-year forecasting may identify potential negative impacts.
2. The operating budget should match operating revenues with operating expenses and capital revenues to capital expenses. By doing so, interested parties can “follow the money” to determine that each revenue source is being used for the appropriate purpose.
3. A “base line” service level for RTA transit operations should be identified/defined and governed by the current funding formula. The base line service once defined and agreed upon would remove it from funding debates and controversy.
4. Any adjustments to services should be analyzed in the context of their ultimate impact, operational and financial, upon other local transit providers. Not only should RTA embrace multi-year budgeting or forecasting but it should analyze how any service enhancement impacts both the operations and funding of local transit services.
5. For service enhancements, a new funding formula review/approval process should be agreed upon by all RTA members.

6. There is no apparent “self evaluation” of the efficiency and/or cost effectiveness of current transit operations or service enhancements. Increasing ridership should not be a goal “in of itself”. It should be cost effective. During the five year period beginning with fiscal year 2001, the operating cost per revenue mile for RTA fixed route service has risen from \$2.72 to \$3.08 and cost per passenger from \$5.33 to \$6.07. Sunday service will exacerbate this condition.

The RTA budget represents a major policy change. The current policy relative to funding unmet transit needs is that sufficient TDA resources must be available to fund the need or the need is deemed unreasonable to meet. The policy appears to have been ignored when Sunday service was recommended as there is a TDA funding deficiency. COG staff proposed the use of STA to “backfill” the TDA funding impact upon two of six non-RTA transit providers. The Technical Transportation Advisory Committee (TTAC) voted against Sunday service being an “unmet transit need that could be reasonably met”.

Related to the Sunday service issue is the fact that American Disability Act (ADA) will require Runabout to also operate on Sundays driving up the overall cost of Sunday service. Originally, COG recommended a six month trial which would be funded from STA but the RTA budget provides for eleven months, five of which must be funded from TDA resources (reducing TDA available to local transit operators).

The Morro Bay City Council has already taken a position on the RTA budget (copy attached). Due to lack of preparation time, they were unable to take action by resolution. SLO City staff will be taking this matter to their Council on June 6th for their consideration. A copy of their prior agenda report on this matter is attached. City of Atascadero does not have a meeting before the next RTA Board meeting but are attempting to formulate a position informally. Cities of Pismo Beach and Grover Beach have been silent on this matter. City of Arroyo Grande staff while sharing similar concerns has not indicated whether or not a position will be taken by their Council before the next RTA Board meeting.

It is recommended that Council direct its’ RTA Board representative to vote against the proposed fiscal year 2007 RTA budget unless Sunday service and extended Runabout service is postponed. The postponement should continue until the issues noted above are addressed (with local operator input).

Fiscal
Impact:

The cost of adding RTA Sunday service is estimated at \$137,500 annually. It is unknown as to whether this includes the cost of running Runabout on Sundays.

The cost of adding extended evening service on Runabout is \$45,000 annually.

Options:

- a. That the Council formally oppose the proposed FY 2007 RTA budget by adopting the attached Resolution No. 06-XXX; or
- b. Amend, modify, or reject the above option.

Mike Compton

From: Janeen Burlingame [JBurlingame@morro-bay.ca.us]
Sent: Tuesday, May 23, 2006 8:04 AM
To: AKraetsch@arroyogrande.org; vhumphrey@atascadero.com; rrickard@atascadero.org; gchapman@grover.org; gedes@pismobeach.org; Jody Dauth; Mike Compton; aodell@slocity.org; TBochum@slocity.org
Subject: RTA Budget & MB Council Action

Hi everyone,

Just an FYI - our City Council met last night and one of the items on the agenda was regarding the RTA Budget Issues. Our Council directed staff to send a letter to the RTA requesting the RTA Board at their June 7, 2006 meeting do the following:

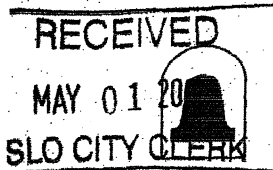
1. Approve the FY 2006/2007 budget with current levels of service (i.e. no Sunday or evening service);
2. Direct RTA staff return to the Board with the items relating to Sunday and evening service that includes a FY2007/2008 budget projection and an analysis of the impact to local jurisdictions; and
3. Direct RTA staff include the following when preparing future budgets:
 - a) Develop a multi-year budget with more analysis on the impact to local jurisdictions for better long term planning, as is done in most all cities and the County;
 - b) Work with member jurisdictions to develop performance criteria to evaluate service not only as a whole, but especially by route and run/trip basis for a more thorough analysis of where inefficiencies may occur in order to focus on changes to improve service and reduce costs;
 - c) Identify funding sources by how they are used to provide transit services (i.e. route 12 uses "x" from TDA, "x" from Cuesta, etc...) to better determine how the funding flows;
 - d) Have earlier communication of budget information to affected jurisdictions (not 2 days before the advisory board meeting) to be better able to evaluate the budget and have adequate time to address concerns or questions; and
 - e) Examining revenue enhancement alternatives for consideration by the end of the 2006, particularly an analysis of increasing fares, to combat increasing operating costs.

Janeen

Janeen Burlingame
Management Analyst
City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

(805) 772-6263 phone
(805) 772-7329 fax

jburlingame@morro-bay.ca.us



RED FILE

MEETING AGENDA

DATE 5/2/06 ITEM # Bus 4

Meeting Date	May 2, 2006
Item Number	<u>Bus 4</u>

Council agenda report

CITY OF SAN LUIS OBISPO

hard copy

Email

<input checked="" type="checkbox"/> COUNCIL	<input type="checkbox"/> CDD DIR
<input checked="" type="checkbox"/> CAO	<input type="checkbox"/> FIN DIR
<input checked="" type="checkbox"/> ACAO	<input type="checkbox"/> FIRE CHIEF
<input checked="" type="checkbox"/> ATTORNEY	<input type="checkbox"/> PW DIR
<input checked="" type="checkbox"/> CLERK/ORIG	<input type="checkbox"/> POLICE CHF
<input type="checkbox"/> DEPT HEADS	<input type="checkbox"/> REC DIR
<input checked="" type="checkbox"/> <u>TRIBUNE</u>	<input type="checkbox"/> UTIL DIR
	<input type="checkbox"/> HR DIR

FROM: Jay D. Walter, Director of Public Works
 Prepared By: Timothy Scott Bochum, Deputy Director of Public Works
 Austin O'Dell, Transit Manager

SUBJECT: 2006-07 Regional Transit Authority (RTA) Budget and the 2006-07 Unmet Transit Needs Process *T CAO Clerk*

CAO RECOMMENDATION

1. That Council, through Mayor Romero, request the RTA Board take no final action on the proposed 2006-07 RTA Budget at its scheduled May 3, 2006 meeting, and that the Board direct its staff to determine within the next 30 days if further cost reductions, new revenue sources or alternative funding strategies may be possible to reduce or remove the potential service loss to affected jurisdictions.
2. That the Council request that the RTA Board and SLOCOG Board establish funding and service recommendation policies that modify the process of funding regional versus local transit service so that basic transit service levels are met for both regional and local systems.

DISCUSSION

2006-07 RTA Budget

On April 19th, 2006, RTA, the regional transit provider for the county, released its proposed Budget for 2006-07. Included in the RTA's 2006-07 Budget proposal are substantial increases in certain costs, including fuel, labor and insurance. These increased costs will cause significant increases in the funding required from all participating cities to support RTA operations. In addition to these "operational" costs, the SLOCOG Board last month approved *new* evening service and Sunday service for RTA riders. As a result of the approval of these new services, staff anticipates a reduction in SLO Transit's ability to provide these same services to its riders because of the funding reduction necessary to pay for the *new* regional service.

Discussion of RTA Funding and Impacts on SLO Transit

RTA service is funded "off the top" of the county's transit funding pool. Therefore the proposed 2006-07 RTA Budget, if approved, would likely have negative effects on the local transit service provided by SLO Transit. Because the City of San Luis Obispo allocates **all** of its annual transit revenue to transit service each year, any significant increase in regional transit funding would result in less money for our local transit services (in some cities, transit revenue also goes for street work, and thus less money to these cities may not necessarily impact transit, as it would in San Luis Obispo). At present, staff is in the process of finalizing our own transit budget. Similar to RTA, we are facing significant increases in fuel, insurance and contract costs. However, until the recent

release of the proposed 2006-07 RTA Budget, we believed that we could accommodate our increased costs without service reductions. Unfortunately, in light of the proposed increases in the 2006-07 RTA Budget, that may no longer be possible.

This added level of service was not considered when the City first entered into the Joint Powers Authority (JPA) that created the RTA and the "off-the-top" funding arrangement. Staff is presently researching JPA language to determine if it provides a mechanism for reconsideration of SLOCOG's action, and we will report on our finding during the Council meeting.

At this point, the City is in the untenable position of having to react to decisions that are for the most part, beyond our control. As reported by Mayor Romero, at its March meeting the SLOCOG Board determined that implementing countywide Sunday service was an unmet transit need that was reasonable to meet even though the City strongly voiced our opinion that the full criteria of the unmet needs process were not being met. This new regional service, along with the increased costs for fuel, are the two most significant causes for the proposed increases to the 2006-07 RTA Budget.

Additional Concerns

There are two other significant staff concerns regarding RTA funding at this time. SLOCOG in approving the Sunday service proposal funded both Morro Bay and San Luis Obispo's first year costs using regional STA (State Transit Assistance) monies. That funding would disappear in 2007-08 and the City would need to fund this additional amount (estimated to be \$35,000) off the top with our TDA funding.

Secondly, RTA is in the last year of their existing transit service contract and will need to bid the service contract this upcoming fiscal year unless an additional extension of the contract can be negotiated. Under either scenario, staff believes the contract costs for services will rise similarly to the contract cost increase we have experienced and as such, increase the likelihood that even more "off the top" funding will be needed to provide regional transit service next year. All of these increases will come at the expense of our local transit system.

When taken together, the added service levels and the increases to the RTA operating budget pose a problem that will be compounded in future years when the full amounts must come out of the City's transit allocation. The City remains vulnerable to future budget increases as the regional service gets the first call on available funds, leaving what's left to the member jurisdictions. Ironically, by meeting marginal transit needs at the regional level, greater unmet needs may be created overall with fewer riders served.

What can be done about it?

Staff met with representative of SLOCOG, RTA and the City of Morro Bay to discuss the impacts of the proposed budget and various issues associated with potential service reductions. It is difficult at this time to say what the immediate, exact impact to SLO Transit might be since in addition to the proposed RTA budget, the RTA Board will also be considering a new evening transit service countywide to address complaints they have received.

Staff believes that identifying and maintaining basic transit services levels, both at the regional and local levels, is one of the most significant and fundamental decisions any local or regional board

should make. Unfortunately, the current process of funding the regional service needs first on the backs of the local providers causes the local service levels to have a less stable ability to fund their basic service levels.

Staff believes that it is important that the SLORTA Board not approve the 2006-07 RTA Budget as submitted but delay action, for at least 30 days, to allow the City (and other cities), SLOCOG and RTA staff to come up with possible options to help mitigate the cost increases in the short and long term.

I:_CAR Reports\2006\Transit\RTA Funding Issues2.DOC

RESOLUTION NO. 06-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
OPPOSING THE PROPOSED REGIONAL TRANSIT AUTHORITY
FISCAL YEAR 2007 BUDGET

WHEREAS, the Regional Transit Authority has proposed a fiscal year 2007 operating budget that is sixteen percent (16%) higher than the current operating budget; and

WHEREAS, a significant portion of the proposed operating increase is to be funded by a twenty-five percent (25%) increase in Transportation Development Act funding, “off the top” before any distribution to other recipient agencies; and

WHEREAS, the Regional Transit Authority has not looked internally for cost efficiencies nor analyzed its’ current fare structure for revenue opportunities; and

WHEREAS, the City of Paso Robles and other local transit operators are facing similar cost pressures and rely on Transportation Development Act funding as their major funding source; and

WHEREAS, discussions with the Regional Transit Authority did not mitigate concerns relative to the size of the proposed operating budget increase.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles formally opposes the fiscal year 2007 Regional Transit Authority proposed budget as currently drafted.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 6th day of June 2006 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Frank Mecham, Mayor

ATTEST:

Cathy M. David, Deputy City Clerk