

TO: James L. App, City Manager
FROM: Jim Throop, Administrative Services Director
SUBJECT: Paso Robles Transit System Options
DATE: January 18, 2011

NEEDS: For the City Council to consider modifying Paso Robles Public Transit services in order to meet State & Federally required farebox ratios and system operating expenses.

- FACTS:**
1. The Paso Robles Transit System consists of the Paso Express fixed-route, Dial-A-Ride (DAR), Mid-Day Shuttle (MDS), and the North County Shuttle (NCS). The City also operates a Greyhound Bus franchise.
 2. The Transit System operates solely from farebox revenue and State/Federal Funding; no General Funds are used except for the Greyhound franchise.
 3. The Transit System is required to collect 20% of its operating revenue from rider fares, as a pre-requisite to continued State and Federal funding. Up to 80% of the cost per ride (except for Greyhound) is funded with State and Federal subsidies.
 4. An estimated \$65,000 in additional revenue is needed to meet the FRR as required by State regulations. This will attain the 20% FRR, but expenses surpass the FRR and State/Federal funding.
 5. The Transit System has fallen short of the 20% Farebox Recovery Ratio (FRR) for last two years. For FY2010:

<u>Service</u>	<u>Riders</u>	<u>Fare Revenue</u>	<u>Fare Box Ratio</u>
• Paso Express	132,442	\$107,570	23.80%
• D.A.R.	7,887	\$14,689	7.5%
• N.C. Shuttle	39,091	\$28,239	11.99%
• Midday Shuttle	<u>4,929</u>	<u>\$3,417</u>	<u>2.95%</u>
TOTAL	<u>184,349</u>	<u>\$153,915</u>	<u>15.25%</u>

NOTE: Greyhound operates at a \$30,000 annual loss to the General Fund.

6. Failure to meet the 20% FRR for a third straight year will result in a reduction in State funding. The Transit System has already experienced funding reductions of 27% (\$351,000) since FY2008, due to State funding reductions.
7. Due to inadequate fare revenue, funding reductions (primarily State funding), and increasing bus maintenance and replacement costs, the Transit System was forced to use \$50,000 of its accumulated depreciation (reserve) funds in FY2010. Accumulated depreciation currently totals just \$178,500.

8. The Transit fleet consists of eleven (11) buses, aged 2 to 8 years, with an average of 140,000 miles per bus. The five highest-mileage buses average over 200,000 miles. Several vehicles in the bus fleet have surpassed their 'useful life' expectancy and are experiencing very high maintenance costs. Without changes eventual loss of bus operations is inevitable.
9. There is inadequate local, State or Federal funding currently available to replace buses. Each new bus costs at minimum \$150,000.
10. At the City Council meeting on October 5, 2010, the fiscal situation of the transit system was presented, and staff was directed to further analyze options, both as presented in the council report and suggested in a letter from SLOCOG staff dated October 4, 2010 (see attachment "A")
11. City staff met for a second time with SLOCOG to discuss proposed changes to transit system. SLOCOG's second letter agreeing with the proposed changes is attached.

ANALYSIS &

CONCLUSION: The City operates five transit services, described below, along with the issues they currently face in meeting the required Farebox recovery ratio;

- **Paso Express** – A fixed-route system, making an hourly loop around the most populated and busiest sections of the City. This service is currently exceeding the required minimum 20% farebox recovery ratio.
- **D.A.R.** – A demand-response service providing curb-to-curb service anywhere within City limits. The nature of this service produces a low farebox recovery ratio (approx 6% in FY '09). A fare increase in September 2009 resulted in some improvement, to 8.1%, for the rest of FY 2009/10, but is still very low.
- **N.C. Shuttle** – An inter-city fixed-route system making a one-hour loop between Cuesta College and south Atascadero. The current Memorandum of Understanding for the North County Shuttle creates imbalances in the distribution of fares and the Cuesta subsidy, which coupled with an unequal number of stops in the two cities, keeps the farebox recovery ratio for the North County Shuttle well under 20%.
- **Midday Shuttle** – A fixed-route service connecting most low-income and senior housing locations with employment, shopping, medical and recreation locations throughout the City. This is a new service with a low farebox recovery ratio, but is currently exempted from systemwide farebox calculations because it is a pilot program. A Federal grant is paying for 50% of the operational costs of this service during the 3-year pilot period.

- **Greyhound Bus Franchise** – A nation-wide bus service with a franchise bus stop/depot at the North County Transit Center in Paso Robles. The City offers ticket agent services through its current transit operator, as well as use of the transit facility. Because of the relatively low use of the Greyhound service, and low commissions on ticket sales and cargo shipments, the Greyhound franchise consistently runs a net loss of \$30,000 per year for the City's General Fund.

The following modifications to service are presented as options to reach the required FRR and establish sufficient income to fund regular vehicle replacement. Staff recommendations are highlighted in yellow:

Dial-A-Ride

Option 1 - Maintain DAR, but reduce service levels and eliminate Mid-Day Shuttle

- Reduction of hours of service from thirteen (13) hours per day and six (6) days per week to six (6) hours per day and five (5) days per week.
- Eliminate the Mid-Day Shuttle. Currently, this partially grant-funded service is under-utilized and continued ridership growth has been less than projected. By eliminating the Mid-Day Shuttle, immediate savings of approximately \$42,000/year will be achieved. Riders of the Mid-day Shuttle will still be able to use the Paso Express routes A & B which follow a very similar route as the MDS. Another option being explored is to redesign the MDS to service Cuesta College, and preserve the remainder of this grant funding.

Outcome – Reduction in DAR hours of service of approximately 60% will save \$65,000 year and elimination of Mid-Day Shuttle will save approximately \$42,000/year.

Option 2 - Maintain DAR, but more severely reduce service levels and eliminate Mid-Day Shuttle

- Reduction of hours of service from thirteen (13) hours per day and six (6) days per week to six (6) hours per day and three (3) days per week.
- Eliminate the Mid-Day Shuttle. Currently, this partially grant-funded service is under-utilized and continued ridership growth has been less than projected. By eliminating the Mid-Day Shuttle, immediate savings of approximately \$42,000/year will be achieved. Riders of the Mid-day Shuttle will still be able to use the Paso Express routes A & B which follow a very similar route as the MDS. Again, redesign of the NCS is another option being explored.

Outcome – Reduction in DAR hours of service of approximately 77% will save \$80,000 year and elimination of Mid-Day Shuttle will save \$42,000/year.

Option 3 – Change DAR to an Article 8 Service and reduce service levels

- Changing DAR to an Article 8 Service removes DAR from the overall FRR calculation.
- Article 8 Service only allows for approved ADA riders, which is a smaller base, and each rider pays a discounted fare.
- Reduce service to three (3) days per week and six (6) hours per day

Outcome – Changing to an Article 8 service will allow the DAR to be pulled from the overall FRR. Unfortunately, the DAR would no longer be allowed to operate under the City's direction/control, rather per FTA guidelines, the DAR operations would need to be transferred to a non-profit agency (i.e. Ride-On, NCI, etc.), but the City would still need to fund DAR through this non-profit agency. Additionally, ridership would be limited to ADA approved riders. Non-ADA riders would not be allowed to use the service.

Option 3 – Eliminate DAR

- Eliminate DAR.
- Runabout, the County-run system, is available for all riders, but preference is given to ADA-qualified clients.
- Runabout allows for riders to go anywhere within $\frac{3}{4}$ miles of a transit fixed route throughout the County, versus DAR which is only within the City boundaries (note: some areas in the city, outside the $\frac{3}{4}$ mile range from transit routes are not serviced by Runabout.)
- Ride-On service, operated by a non-profit agency provides discounted fares for seniors twice per week, but is available for all riders during normal operating hours.

Outcome – Eliminating DAR will allow for savings of approximately \$100,000 per year. This savings can be used to backfill reductions in State revenues and to help reserve funds for new bus purchases.

Current DAR riders may use the RTA-operated Runabout system for similar service. However, the main difference between the Runabout and DAR is that Runabout will give preference to ADA passengers. An advantage to Runabout is that riders are able to go any where within the County, so long as the origin and destination are within $\frac{3}{4}$ miles of a transit route.

Ride-On Transportation provides another transportation opportunity for seniors through their Senior Shuttle. This service is provided by Ride-On, a private non-profit company affiliated with United Cerebral Palsy. Fares are \$3.00 per one-way trip for seniors on the Senior Shuttle. The Senior shuttle currently operates Mondays and Wednesdays for trips anywhere within northern SLO County, including within the City of Paso Robles.

Current DAR riders may also use cab service. A typical cab ride from 21st/Spring Street to the Senior Center is approximately \$11.00/one-way. Cost to operate the DAR for the same trip is \$25.00/one-way.

North County Shuttle

Option 1 – Renegotiate Memorandum of Understanding

- Terminate current memorandum of understanding with the City of Atascadero and negotiate a new MOU with the County's RTA service and the City of Atascadero to share the Cuesta College subsidy on a per rider basis.
- The Paso Robles portion of the current NCS would be modified to only operate within the City limits and its name changed to the Paso Express for continuity of service.
- More stops will be added to the new Paso Express route, thus enabling more citizens to use the local transit.
- Better use of marketing funds if the service is branded similar to the current Paso Express.
- Continued free transportation of Cuesta College students, but now on the Paso Express, the RTA Route 9 and the Atascadero bus service.

Outcome – The current MOU has many imbalances, such that the Paso Robles' portion of the service will never be able to make its FRR requirement, thus dragging down the entire system.

The NCS route is popular, thus elimination is not being suggested. Rather, through cooperation with the three entities, this popular service is being enhanced rather than contracted. The proposal will allow all three entities to provide free rides to Cuesta College students, and, monthly or quarterly, the Cuesta subsidy will be divided by number of free rides provided on each system.

Cuesta College was notified of this proposed change in service and has agreed to continue with the subsidy. The route schedule would be structured to service the class schedule at Cuesta, and timed transfers from RTA. These timed transfers will allow most students traveling to of from Atascadero to reach the Cuesta North County campus with a single transfer, and allow students in San Miguel free transit to the campus

Greyhound Service

Option 1 – Terminate Greyhound Franchise

- The City has owned the franchise since 1993 and has lost money on it each year. The most current year produced a loss of \$30,000, which came from the General Fund.

- Ridership for Greyhound averages 1,900 passengers a year. This equates to a subsidy of approximately \$16.00 per passenger for this privately-run company.
- Commissions on tickets and cargo were originally 15% in 1993. Commissions are now 3% for online tickets picked up at counter, 8% for tickets purchased at the counter and 10% for cargo.
- Greyhound has confirmed that if the City terminated the franchise, the bus line would still make stops in Paso Robles.

Outcome – Terminating the Greyhound franchise will assist the General Fund in these hard economic times. The General Fund is currently projected to have a deficit of \$6.1 million over the next five years. Elimination of the franchise will assist the General Fund by approximately \$150,000 over the next five years, or more if the commission rates are reduced again.

In addition, Greyhound will continue to stop in Paso Robles either at the transit center or a private business closer to the highway.

Fare Increases

Option 1 – Increase Fares

- Current funding for transit has been cut back dramatically and expenses have continued to rise.
- The County transit system RTA has increased its base fixed-route rates to \$1.50 in order to help offset funding losses and increased expenses. A \$0.25 increase in base fares for the fixed-route will allow the Paso Robles system to match RTA, the County system. Discounted fares would be increased \$0.15, to \$0.75.
- DAR fares would increase \$1.00 per full fare rider, and \$.50 for discounted fares.
- A fare increase will require two public meetings within a 30-day period in order for the public to voice their opinions.
- The transit system must meet a farebox recovery ratio of 20%. Thus, revenue derived from fares, must be at least equal to 20% of the revenue received each year. If this FRR is not met, funding will be decreased as it was this last fiscal year by \$31,000. By increasing the fares, the FRR will more likely be met, this avoiding any future penalties.

	Current	Proposed
Paso Express regular FR Fare	\$1.25	\$1.50
Paso Express discounted FR fare	\$.60	\$.75
DAR Regular fare	\$3.00	\$4.00
DAR discounted fare	\$1.50	\$2.00

Outcome – An increase in fares will help offset funding cuts from the State and Feds, as well as assist in offsetting rising fuel and maintenance costs. The increase is projected to generate approximately \$21,000 in additional revenue.

Policy

Reference:

Fiscal Policy – (a) provide for the delivery of quality services and products cost effectively, (b) provide for an acceptable level of services and products as the community grows, (c) ensure that the City is living within its means, and (d) provide reserves for unbudgeted needs that might arise from time to time.

Strategic Plan – Local Focus, Livable Communities. *“Minimize the impact of cars and promote walking, bicycling and transit access to employment, education, recreation, entertainment, shopping and services”*

State Requirements – *Transportation Development Act (TDA) sections 68.2 to 99270.1.*

Fiscal

Impact:

Elimination or reduction of DAR service, elimination of the MDS, changes to NCS service and MOU, elimination of the Greyhound franchise, and a fare increase would improve transit’s bottom line by approximately \$145,000 per year. More incremental steps, such as reducing rather than elimination of DAR, would have a lesser, though still positive, effect on the transit systems financial performance.

Suggested options are:

1. Reduce DAR operations to 5 days/week, 6 hours/day, and review performance again at a later date.
2. Eliminate Mid-day Shuttle.
3. Eliminate current MOU on the NCS and create new MOU with RTA/Atascadero.
4. Terminate Greyhound franchise, but offer use of transit station to Greyhound for a nominal monthly fee to assist with maintenance of the transit station and bathrooms.
5. Increase fares on both DAR and the fixed-route to \$4.00 and \$1.50, respectively, with discounts for eligible riders as required by law.

Assuming this option is chosen the FRR is projected to be 20.5%, which is slightly above the required 20% farebox recovery ratio. It would also provide the \$145,000 per year needed to offset increasing maintenance and operational costs as well

increasing depreciation reserves (needed to purchase a new bus every one and half years).

Options:

a. That the Council provide recommendations on the course(s) of action to improve the financial performance of the City's transit system. A public comment process to solicit public input on the proposed changes (as required by the FTA), and public hearing with the Council will be held prior to the actual implementation of any of the recommended changes.

b. Amend, modify, or reject the above options

Transit Service Options

<u>Service</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
Dial-A-Ride	Reduce service to 5 days per week/6 hours per day, eliminate the Mid-day shuttle	Reduce service to 3 days per week/6 hours per day, eliminate the Mid-day shuttle	Change DAR to an Article 8 service and give operation to outside non-profit agency, but continue to fund the service
North County Shuttle	Terminate current MOU and create new MOU with RTA and Atascadero	Terminate current MOU and create new MOU with RTA and Atascadero	Terminate current MOU and create new MOU with RTA and Atascadero
Greyhound	Terminate Greyhound franchise, but allow bus line to continue using transit station	Terminate Greyhound franchise, but allow bus line to continue using transit station	Terminate Greyhound franchise, but allow bus line to continue using transit station
Fare Increase	Implement fare increase of \$0.25 on fixed-route and \$1.00 on DAR	Implement fare increase of \$0.25 on fixed-route and \$1.00 on DAR	Implement fare increase of \$0.25 on fixed-route and \$1.00 on DAR
Estimated FRR By Option	20.5%	19.2%	16.7%

Note: Greyhound is a franchise and not part of the FRR calculations