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STAFF REPORT

SUBJECT: Clean Air Express Measure D Expenditure Plan Amendment

MEETING DATE: March 16, 2006 **AGENDA ITEM:** 8

RECOMMENDATION:

Approve an amendment to the Measure D expenditure plan allocating \$500,000 of Regional Measure D funds to be used for the Clean Air Express capital and operating budget shortfall. (Approval requires 9 affirmative votes.)

STAFF CONTACT: Kent Epperson, Scott Spaulding

SUMMARY:

From 1990–2001, the Clean Air Express (CAE) operating costs were historically funded with a combination of APCD funds and farebox revenue. Since then, the service has been expanded; operating costs have increased due to higher fuel and insurance costs, and APCD CAE operating funds have decreased. SBCAG does not have access to traditional sources of transit funding to pay for net operating costs for the CAE. This has left the CAE with funding shortfalls in 2003, 2004 and 2005. In 2003, the Board authorized the use of STA funds channeled through the City of Santa Maria to cover the FY02-03 budget shortfall. In March 2005, the SBCAG Board approved a Measure D Expenditure Plan Amendment to cover the FY04-05 and FY05-06 budget shortfall. In FY06-07, SBCAG is projecting a \$290,000 shortfall in the CAE operating budget, and an estimated \$210,000 shortfall in capital funding necessary to comply with the California Air Resources Board (CARB) Urban Bus Fleet Rule. If the Clean Air Express is to continue operating through next fiscal year, \$500,000 in funding will need to be allocated to fill the projected budget shortfall. It is recommended that the Board approve a Measure D expenditure plan amendment allocating \$500,000 in unallocated regional Measure D funds to cover the projected capital and operating budget shortfall. The ongoing challenge of ensuring adequate operating funds for the CAE will be addressed during the development of the North County Transit Plan that is currently examining the most effective way to provide, fund, and administer regional transit services.

DISCUSSION:

The Clean Air Express is a commuter bus service offering a total of 11 routes from Lompoc and Santa Maria to Goleta and Santa Barbara. Since 1990, the Clean Air Express has met a growing demand of commuters traveling from North County to the South Coast. In 2003, to

meet this demand, SBCAG acquired Federal CMAQ funds to purchase 7 new buses and expand service from North County. In 2005, the Clean Air Express carried over 142,000 passengers and removed 8 million vehicle miles traveled (VMT), and over 130,000 trips from Highway 101. With a third and final service expansion implemented in September 2005, Clean Air Express ridership continues to grow, with month over month annual growth of up to 35% and buses in some cases reaching 100% of capacity.

The Clean Air Express was managed and paid for by the APCD from 1990 to 2001. The program was largely operated as a pollution reduction and alternative fuel demonstration project for APCD. Over time, the program evolved from a clean air demonstration project to a formal public transportation program. Air Quality Districts are restricted from operating public transportation services. For this reason, management of the Clean Air Express was transferred to SBCAG in 2001. While the APCD has continued to subsidize the program, fewer APCD funds have been allocated for the CAE than in years past, due to declining emission benefits. While funding sources have decreased, annual operating costs have increased, including fuel costs and contractor costs due to expanded service. This has resulted in budget shortfalls in 2003, 2004 and 2005. Since SBCAG does not have access to traditional sources of transit funding to pay for net operating costs for the CAE, the SBCAG Board has had to allocate other funding to address budget shortfalls. In 2003, the Board authorized the use of State Transit Assistance (STA) funds channeled through the City of Santa Maria to cover the FY02-03 budget shortfall. In March 2005, the SBCAG Board approved a Measure D Expenditure Plan Amendment to allocate Regional Measure D funds to cover the FY04-05 and FY05-06 budget shortfall.

In the short-term, SBCAG has increased farebox revenue through expanded marketing and fare increases that have raised the cost of a monthly pass by 35% since 2003. In the second quarter of this year, farebox revenue increased by more than 32% compared to the previous year. Beginning this fiscal year, additional revenue will be generated from exterior bus advertising. Although these measures will reduce funding needs for the CAE, SBCAG is projecting an operating deficit of \$290,000 in FY06-07.

In September 2003, a portion of the CAE fleet became subject to the California Air Resources Board (CARB) Urban Bus Fleet Rule. This set of regulations requires SBCAG to reduce fleet bus emissions of particulate matter by January 1, 2007. To meet these emissions reductions, one of the 25 year old gross polluting spare buses will need to be replaced with a newer used bus at an estimated cost of \$150,000. In addition to a bus replacement, SBCAG will need to retrofit several buses with particulate matter (PM) traps at a total cost of approximately \$60,000.

The board requested that staff investigate the use of Carl Moyer grant funds administered by the APCD to offset the cost of the CARB required capital improvements. Carl Moyer projects require a minimum life of three years and are not eligible to help offset the capital requirements to meet emissions regulations effective January 1, 2007. SBCAG and APCD staffs are exploring the potential of using Carl Moyer funds to help offset other Fleet Rule emissions requirements.

In 2005, CARB adopted a second set of regulations that brought the previously unregulated portion of the CAE fleet under an expanded Fleet Rule. In order to meet Fleet Rule emissions requirements with the lowest amount of capital funding, it is crucial that SBCAG be able to deploy fleet vehicles in the most financially effective manner. Currently, four vehicles used for CAE service are owned by the City of Lompoc and are restricted to serving Lompoc. Due to the engine model and year of these vehicles and the routes they are currently serving, transferring title of these vehicles to SBCAG will provide more flexibility in fleet deployment and result in a reduced capital costs required to meet Fleet Rule emissions regulations. If title for these

vehicles is not transferred to SBCAG, CAE program costs will increase more than necessary. Particulate traps will have to be installed on one or more 2003 vehicles, which will void the extended engine warranty two years early. This will in turn change the terms of the current service contract with Santa Barbara Air Bus, which would trigger a need to renegotiate the contract or may require a new service operator RFP process. Clean Air Express service from Lompoc will not be affected by any title transfer. Staff is exploring with Lompoc the possibility of transferring title of the four Lompoc owned vehicles to SBCAG, since this will reduce the cost of operating the CAE.

Future CAE Funding and Administration and the North County Regional Transit Plan

In preparation of the North County Regional Transit Plan, SBCAG has gathered information regarding alternative operating options for the CAE that could potentially reduce the cost of operating the CAE. The alternatives being reviewed include transferring administration of the CAE to SMAT, MTD or COLT, or to execute an MOU between two or more agencies to cooperatively operate the service. In December 2005, SBCAG formed a CAE ad hoc committee consisting of Rick Sweet and Joe Rye (Santa Maria), Sherrie Fisher and Jerry Estrada (MTD), Larry Bean, Richard Fernbaugh and Kevin McCune (Lompoc), Matt Dobbertein (Santa Barbara County), and Kent Epperson and Scott Spaulding (SBCAG). The CAE ad hoc committee reviewed the CAE operating options with the intention of submitting the information to the North County Regional Transit Plan consultant team for further consideration within the context of the plan. The consensus amongst the CAE ad hoc committee was that transferring the service to another transit agency could make some logistical and financial sense but that no decisions should be finalized until the North County Regional Transit Plan is completed. Any such transfer would likely take place in FY07-08. It should be noted that while a transfer of CAE management could reduce operating costs, an operating subsidy and funding for capital expenses will still be required.

In the short term, it was recommended by the ad hoc committee that SBCAG continue operating the CAE through FY06-07 and that \$500,000 of Regional Measure D funds be allocated by the SBCAG Board to fund the service through FY06-07. The recommendation by ad hoc CAE committee was reviewed by both TTAC and the North County Subregional Committee. Both TTAC and the North County Subregional Committee recommended using regional Measure D funds to continue operating the Clean Air Express

At the February 16, 2006 Board meeting, staff identified several funding sources that could be used to fill the budget shortfall. Regional Measure D funds were preferred over other funding sources to minimize the impact on other transportation projects in the county. Using Regional Measure D funds is also consistent with the Measure D expenditure plan that includes funding for the VISTA Coastal Express and included funding for the CAE in FY04-05 and FY05-06. Adding the Clean Air Express to the regional program will require an amendment to the Measure D expenditure plan which requires a two-thirds majority approval of the SBCAG Board.

Responses to Board Questions

At the February SBCAG Board meeting, staff was asked to provide additional information regarding funding and expenditures by transit agencies in the county and on the unallocated balance of regional Measure D funds. There is one transit district, six transit agencies, and two dedicated demand-response services operating in the county. In addition, Santa Barbara County provides limited transit service for Cuyama and Los Alamos.

Table 1. Santa Barbara County Public Transit Agencies

Transit Service	Description	Administrator
SMAT	Local transit service for Santa Maria and Orcutt	Santa Maria
COLT	Local transit service for Lompoc and Vandenberg Village	Lompoc
Guadalupe Flyer/Shuttle	Local transit service for Guadalupe and between Guadalupe and Santa Maria	Guadalupe
MTD	Local transit service for Carpinteria, Santa Barbara, and Goleta	MTD
Santa Ynez Valley Transit	Local transit service for Buellton, Solvang, and Santa Ynez	Solvang
Clean Air Express	Regional transit service between Lompoc/Santa Maria and Santa Barbara/Goleta	SBCAG
Breeze	Regional transit service between Lompoc and Santa Maria	Santa Maria
Valley Express	Regional transit service between Buellton/Solvang and Santa Barbara/Goleta	MTD
VISTA Coastal Express	Regional transit service between Ventura and Carpinteria, Santa Barbara, and Goleta	SBCAG/VCTC

Note: Easy Lift and SMOOTH also provide specialized demand response ADA public transit services to residents of the South Coast and Santa Maria Valley

Transit agencies draw on a variety of funding sources, but traditional sources include TDA Local Transportation Funds (LTF) and State Transit Assistance (STA) funds, federal grants, Measure D funds, advertising revenue, and passenger fares. In some cases, new or expanded transit service has been funded through Congestion Mitigation and Air Quality (CMAQ) funds, but Santa Barbara County is now in compliance with federal air quality standards and as a result will not be eligible for these funds in the future. The VISTA Coastal Express service is jointly funded by SBCAG and the Ventura County Transportation Commission. Table 2 provides more detail about specific funding sources for transit agencies in Santa Barbara County.

Because the state does not consider SBCAG to be a transit agency, the Clean Air Express is not apportioned funds from either of the two largest transit funding sources: state LTF funds and federal 5307 funds. The subsidy provided by APCD for the Clean Air Express will decline over the next few years and CMAQ funds will be exhausted by June 2006.

Supervisor Carbajal requested that staff provide information on how each local agency expends its annual apportionment of TDA funds. In FY2005, \$13,537,838 in Transportation Development Act Local Transportation Funds was available for disbursement by SBCAG. Of that amount, 2% is dedicated by statute for bikeway and pedestrian projects implemented by local agencies, and an additional 2% was allocated for planning purposes for SBCAG. The

Table 2. FY2005 Santa Barbara County Transit Agency Funding Allocations

Transit Agency	Fares	Federal			State		Local		Other ¹	Total
		5307	5311	CMAQ ²	LTF ³	STA	Local Measure D	Regional Measure D		
SMAT	348,375	1,642,175	0	0	1,525,102	194,086	41,027	0	41,563	3,792,328
COLT	124,745	454,757	0	0	818,256	96,922	89,750 ⁴	0	15,716	1,600,146
MTD	6,560,969	2,888,420	0	0	6,322,493	478,469	0	0	1,354,368	17,604,719
Clean Air Express	602,173	0	0	158,626	0	0	0	72,591	115,000	948,390
VISTA-Coastal Express	205,906	125,450 ⁵	0	0	0	0	0	192,665	0	524,021
Breeze ⁶	15,188 ⁷	0	0	150,876	55,803 ⁸	0	0	0	4,000	225,867
Valley Express ⁹ (MTD)	103,475	0	0	77,637	0	0	0	0	NA	181,112

Notes

1. Other major funding sources include advertising, property tax income, and interest payments; Clean Air Express amount includes APCD subsidy; MTD amount includes local assistance from the City of Santa Barbara.
2. CMAQ funding is limited to three years and will be exhausted for the Clean Air Express in FY2006 and the Breeze and the Valley Express in FY2008.
3. SMAT and COLT receive a portion of North Santa Barbara County's LTF fund allocation.
4. COLT local Measure D funds include \$69,976 in North Santa Barbara County's local Measure D allocation.
5. The VISTA Coastal Express is jointly funded by SBCAG and VCTC—amounts shown represent SBCAG's share of costs; VCTC allocates FTA 5307 funds based on mileage.
6. The Breeze started in May 2005; the information is for the May 2005-January 2006 period.
7. Figure lower than actual due to the method of cash fare reconciliation by the service contractor; upward adjustment expected in April
8. Amount split equally between Lompoc, Santa Maria, and the County of Santa Barbara
9. The Valley Express started in March 2005; the information is for the March 2005-January 2006 period.

resulting balance of \$13,001,739 was available for local agencies and designated transit operators to claim. Although by statute TDA funds are to be used for transit purposes as a first priority, local agencies are permitted to claim these funds for non-transit purposes (i.e., streets and roads) if the SBCAG board finds that there are no unmet transit needs within the jurisdiction that can be reasonably met. The table below shows how transit funds were disbursed in FY 2004-05 for each claimant. All TDA funds apportioned to the south county were allocated to SBMTD or Easy Lift for transit services. Some north county cities expended their entire TDA apportionments for transit services, while the funds apportioned to northern Santa Barbara County and the cities of Lompoc and Santa Maria were expended for both transit and roads purposes.

**Table 3. FY 2005 Transit Development Act (TDA) Disbursements
(Local Transportation Funds only)**

Jurisdiction	Transit	Road Repair & Maintenance	Total	Percent Spent on Transit
Carpinteria	MTD receives all available South County TDA funds directly from SBCAG, 5% of which are allocated to paratransit (Easy Lift).			100%
Santa Barbara				100%
Goleta				100%
Unincorporated South SB County				100%
SBMTD	6,151,674	NA	6,151,674	100%
Easy Lift	323,772	NA	323,772	100%
Buellton	133,413	0	133,413	100%
Solvang	172,707	0	172,707	100%
Guadalupe	188,910	0	188,910	100%
Lompoc	553,673	772,534	1,326,207	42%
Santa Maria	1,075,579	1,396,046	2,471,625	44%
Unincorporated North SB County	841,603	1,198,431	2,040,034	41%
SMOOTH	193,397	NA	193,397	100%
Total	9,634,728	3,367,011	13,001,739	74%

Mayor Wallis requested information on the unallocated balance of regional Measure D funds to determine how the proposed allocation of \$500,000 for the CAE would impact this balance. Table 4 below shows projected revenues and expenditures for the regional program through the expiration of Measure D in 2010. Since there is a projected positive ending fund balance of \$1,840,000, approval of the allocation for the CAE will not impact the completion of the remaining project commitments in the regional program.

**Table 4. Regional Measure D Fund Balance FY2006 to FY2010
(in millions)**

Measure D Estimated Revenue¹	\$52.03
Net Revenue for Project Expenditures²	\$32.19
Project Expenditures (Cost to Complete)	
Rt. 101 Widening (Milpas to Ventura County Line)	\$3.40
Rt. 101 Milpas to Hot Springs	\$12.03
Rt. 101 Ortega Hill	\$5.30
Rt. 154 Operational Improvements—Group II	\$7.33
Coastal Express	\$.88
Clean Air Express	\$1.41
Subtotal Project Expenditures	\$30.35
Projected Measure D Regional Program Balance	\$1.84
Notes:	
1. Projected revenues include beginning balance as of 1/1/06, forecast revenues to end of program, and interest earnings	
2. Net revenue deducts costs for existing debt service	

COMMITTEE REVIEW: The ad hoc North County Transit Funding Committee, TTAC, and the North County Subregional Committee have all reviewed the options for funding the Clean Air Express FY2007 budget shortfall. All three committees recommend using \$500,000 in regional Measure D funds to meet the operating and capital shortfall in order to continue operating the service. The ad hoc committee and TTAC both stressed the importance of including in the North County Regional Transportation Plan specific recommendations for the most effective way to manage and fund the Clean Air Express beginning in FY2008.