

STAFF REPORT

SUBJECT: Santa Barbara Metropolitan Transit District (SBMTD) Valley Express Service

MEETING DATE: April 17, 2008

AGENDA ITEM: 10

STAFF CONTACT: Stephen VanDenburgh, Brittany Odermann

RECOMMENDATION:

Consider request by SBMTD for Regional Measure D funds to continue operation of Valley Express transit service and provide direction to staff.

SUMMARY:

In 2004 as part of the last cycle of competitive Congestion Mitigation Air Quality (CMAQ) funding, the SBCAG Board approved a proposal from the Santa Barbara Metropolitan Transit District (MTD) to initiate regional commuter bus service from the Santa Ynez Valley to the South Coast. CMAQ funding may only be used to operate a transit "pilot" service for three years. The pilot service period ended on March 31, 2008. MTD continues to operate the service by supplementing farebox revenues with other transit funding it receives, but has sent SBCAG the attached letter indicating that they will continue to do so only until the end of this fiscal year, June 30, 2008, unless a new source of funding is found to replace the expired CMAQ funding. MTD is requesting that SBCAG amend the Valley Express service into the Measure D regional program and provide an amount not to exceed \$220,000 to operate the service from July 1, 2008 to March 31, 2010, when Measure D expires.

SBCAG staff has collected information from MTD about the performance of the service, discussed with MTD staff the ability of the transit district to fund the service without Measure D regional funding, and begun evaluating the benefits and drawbacks of amending the service into the Measure D regional program at this time.

SBCAG staff recommends that the board direct staff to prepare an amendment to add the project into the Measure D regional program with an upper funding limit of \$220,000. However, SBCAG staff and MTD should continue to discuss how the service should be revised to reduce costs, increase fare revenues, and improve efficiency and overall performance. If the Board approves regional Measure D funding in concept in April, SBCAG staff and MTD would return in May with a revised service and funding plan and at that time the Board would formally amend the project into the Measure D program. A simple majority vote would be required to direct staff in April; a 2/3 majority vote would be required to approve the amendment adding the project to the Measure D expenditure plan in May.

DISCUSSION:

The Santa Barbara Metropolitan Transit District (SBMTD) operates the Valley Express (VE) regional transit service between the Santa Ynez Valley and the South Coast. There are four round trips per day, with morning runs starting in Solvang, stopping in Buellton, before arriving at the South Coast destinations of Goleta, UCSB and Santa Barbara with corresponding return trips to the valley during the afternoon peak commute period.

This service was funded by a federal CMAQ grant approved by the SBCAG Board in October 2004. Prior to the award of this funding, two Clean Air Express routes originating in Santa Maria made a stop in Buellton, providing limited public transit service between the Santa Ynez Valley and South Coast. Under federal CMAQ program rules, a transit service may only be operated with CMAQ funding for a three-year pilot period. At the time of the Board's approval of CMAQ funding, MTD indicated that at the completion of the pilot service, they believed the service would be self-sufficient and not need additional funding resources from SBCAG or other local agencies to maintain operations. Aggressive performance standards were also adopted in February 2005 as a condition of the CMAQ funding approval and required that MTD provide annual reports to the SBCAG Board. Attachments 2 and 3 to this staff report provide the adopted performance standards and service data related to the performance standards for the last three years.

The data MTD has provided show that over the three years of operation, passengers per trip, farebox ratio, and percent of seats filled has increased each year while the subsidy per passenger has been reduced. Although the service is not currently meeting the performance standards established for the third year of operations, the service appears to be on a path toward reaching the performance standards. It appears, however, that a longer service establishment period coupled with cost cutting and efficiency improvement measures such as route consolidation would be needed to reach the aggressive standards set for the service.

SBMTD is requesting approximately \$220,000 in Regional Measure D funding to subsidize continued operation of the Valley Express (Attachment 1) for two additional years. SBCAG staff has met with MTD staff to discuss the service's performance, their funding request and options for cutting costs, improving efficiency and identifying other revenue sources. MTD staff have indicated that they will continue to operate the service using the district's funding sources until the end of this fiscal year but their draft FY 2008/09 budget does not include any funding for the service as all funding available to the transit district is applied to continuing to operate its priority intra-city and intercity service within the district's boundaries on the South Coast in an environment of spiraling fuel costs and funding reductions related to the State budget crisis. Without Measure D support, MTD has indicated that the Valley Express service would be allowed to expire at the end of this fiscal year. Options for continuing the service, with a revised service and financial plan, could be developed by the May Board meeting assuming the SBCAG Board supports in concept continuing the service using Measure D regional funding.

MTD staff has indicated that the amount of regional Measure D requested is the total cost to subsidize service through March 31, 2010 at the existing level of service keeping the current four routes. At the request of SBCAG staff, MTD staff has agreed to look at ways to reduce the cost of the service and maximize system efficiency.

MTD also confirmed that they are scheduled to go before the Solvang and Buellton City Councils to request financial support for continuation of the service. In 2004 the cities were not willing to contribute funding for the service but have since agreed to contribute to the Lompoc-

to-Santa Ynez Valley service scheduled to start on July 1, 2008 and may consider a new, modest request from MTD to support the Valley Express service as well.

The passage of Measure A in November, which includes an interregional transit program, could provide a source of funding that would allow the service to continue beyond Measure D's expiration on March 31, 2010. If Measure A fails at the ballot, the service termination issue would arise again in March 2010. Continuation of other successful interregional services including the Coastal Express and the Clean Air Express is likewise in doubt if Measure A fails in November since these services are currently funded through the Measure D regional program.

Project Chronology

In 2002 the SBCAG board programmed \$2.5 million to SBMTD to purchase 5 diesel coach buses to initiate regional transit service from Santa Ynez Valley to the South Coast. The MTD project was one of a number of projects that competed for CMAQ funds and the project scored very high in the competitive ranking of projects, receiving a score of 76 out of 100 points. At that time no operating funds were requested. MTD received the CMAQ funds and purchased the buses.

In October 2004 the SBCAG Board approved an additional \$331,200 in CMAQ funding to allow MTD to fund three years of operating costs for the Santa Ynez Regional Transit Service project (now the Valley Express). It was expected that the CMAQ funds would cover approximately one-half of the operating costs of the transit service during the 3-year pilot program. MTD proposed to use fare box revenues and non-SBCAG funds to cover the remaining operating costs. The SBCAG Board required MTD to provide annual reports on ridership levels, farebox recovery rate, and service or fare refinements. MTD has provided those reports.

The SBCAG Board adopted a fare box recovery performance standard that is unique to the Santa Ynez service. The standard is aggressive, but not unreasonable for a limited service that is concentrated in the peak commuter hours. The projected fare box recovery ratio (percent of operating costs covered by fare revenue), was set at 34% in Year 1 (2005), 57% in Year 2 (2006), and 85% in Year 3 (2007). The SBCAG board also adopted two other performance measures: Average number of Passengers per One-Way Trip, ranging from 12 in Year 1 to 30 in Year 3; and Subsidy per Passengers, ranging from \$5.20 in year 1 to \$.50 in year 3 (Attachment 2).

The Valley Express began service in March 2005 and provides four daily round trips from Solvang and Buellton to South Coast job centers. On March 31, 2008 the CMAQ operating subsidy expired and information provided by MTD to date indicates service performance has improved each year of operation, but has not yet met the expected fare box performance criteria (Attachment 3). Consequently, the service will need additional operating subsidies to continue operations. MTD submitted a letter request to SBCAG on February 25, 2008 for regional Measure D funding to close the shortfall over the next two years.

Other Issues to Consider

In evaluating MTD's request, SBCAG staff is taking into account the following issues:

- The current Measure D regional program projected ending balance is approximately \$4 million. This balance is a projected ending balance of unallocated funds at the end of the

current Measure D in 2010 and economic conditions could result in the ending balance being lower (or higher) than projected.

- The projected ending balance is viewed by staff as a contingency to cover cost increases on the two remaining Measure D regional projects, the Highway 154 Group II Safety Improvement and the Highway 101 Milpas–Hot Springs/Cabrillo operational improvements projects. The former went out to bid on April 14 and construction is scheduled to begin this summer. The latter will be under construction this summer as well. The combined cost of the projects is over \$50 million and maintaining a contingency is important to ensure that the existing projects in the Measure D regional program can be completed.
- There is a precedent of providing Measure D regional funding to operate other interregional transit services, i.e. the Clean Air and Coastal Express.
- Highways 154 and 101 are congested with commuters during peak periods. If the service is terminated, it would likely contribute to a small increase in traffic volumes as current Valley Express riders return to driving. This would occur at a time construction projects would be starting on both highways.
- Buellton residents traveling to the South Coast by bus previously rode the Clean Air Express. When the Valley Express started, the Buellton stop was made a part of the Valley Express route. If the Valley Express is canceled, Buellton riders would expect the Clean Air Express to resume service to Buellton. Several Clean Air Express routes are currently overcapacity and adding the Buellton stop to existing Clean Air Express service is not feasible.
- Cancellation of the Valley Express may result in former riders requesting during the annual Transit Needs Assessment that the service be categorized as an unmet need. If it is found by SBCAG to be an unmet transit need, some type of service would need to be provided.

Next Steps \ Options

If the Board is supportive of the concept of providing Measure D regional funds for the Valley Express to continue the service, SBCAG staff and MTD staff would develop for consideration in May a service option that includes three routes rather than the current four and evaluates the feasibility of a fare increase to bring the service more in line with the recently increased Clean Air Express fares. The 30-day and 10-Ride pass prices for the Valley Express are currently \$120/\$35. The corresponding fares for the Clean Air Express are \$140/\$50.

The option would also examine how the spare bus could be used. For example, if the Valley Express service is consolidated from four routes to three, the surplus regional commuter bus could become available to address the excess demand for Clean Air Express service. Several Clean Air routes between Lompoc and Goleta are over capacity and turn away riders because all seats are full. When this occurs in the afternoon, passengers denied boarding have to wait 30-45 minutes for the next bus. When this occurs in the morning, riders (many of whom have purchased a monthly pass) are forced to drive to work, carpool with other riders that were not able to board, or sometimes are not able to get to work. This has prompted SBCAG's Clean Air Express administrator to consider adopting a policy to address excess demand on Clean Air Express routes to allow riders to stand when all seats are full. This policy is currently in place for the Coastal Express service between Ventura and the South Coast due to frequent overloading during peak periods. Strategic use of the spare bus could help reduce the capacity issues the Clean Air express is facing and the additional operational cost is anticipated to be modest.

Finally, by the May meeting, MTD will also have discussed the possible termination of the service with the Buellton and Solvang city councils and their willingness to provide financial support to continue the service. Financial support from local agencies and SBMTD could also be included in the option brought back in May.

At the Board's direction, SBCAG and MTD staff will work together to develop an option that takes all of these factors into account, and return with an expenditure plan amendment that would implement that option.

RECOMMENDATION

Following this discussion the Board could:

- A) Direct staff to work with MTD on a revised Valley Express option and expenditure plan amendment for consideration by the board in May;
- B) Deny the request; or
- C) Consider another option.

SBCAG staff recommends that the board support the request from MTD in concept, and direct staff to work with MTD according to option A.

ATTACHMENTS

Attachment 1: February 25 letter from Sherrie Fisher, SBMTD to Jim Kemp, SBCAG Executive

Attachment 2: SBCAG Board adopted Valley Express performance standards.

Attachment 3: Tables furnished by SBMTD staff related to adopted performance standards.



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RECEIVED

FEB 26 2008

February 25, 2008

Santa Barbara County
Association of Governments

Mr. Jim Kemp
Executive Director
Santa Barbara County Association of Governments
260 N. San Antonio Road, Suite B
Santa Barbara, CA 93110

Dear Mr. Kemp:

The Santa Barbara Metropolitan Transit District (MTD) requests the Santa Barbara County Association of Governments (SBCAG) to program \$219,474 in regional Measure D funds for the Valley Express from July 1, 2008 through the end of the current Measure D in 2010. In the years following 2010, the "Interregional Transit Program" included in the Investment Plan for Measure D will provide Valley Express funding (if Measure D is successfully renewed).

MTD is pleased that it has been the policy of SBCAG to fund operating shortfalls for interregional transit services with regional Measure D funds. SBCAG has programmed these regional funds for multiple years for both the Clean Air Express and the Coastal Express. This policy demonstrates that SBCAG recognizes the importance of interregional transit services in meeting the needs of County residents and assisting efforts to alleviate congestion.

As you know, MTD was awarded a Congestion Mitigation and Air Quality Improvement program (CMAQ) grant for a three-year pilot program for the Valley Express, an interregional transit service that transports commuters between the Santa Ynez Valley and the South Coast. The CMAQ pilot period ends February 29, 2008. The residents of the Santa Ynez Valley have demonstrated that there is a need for the Valley Express service, and MTD hopes to continue to meet this need.

At the start of the Valley Express service, MTD was hopeful that the service would be self-supporting by the end of the pilot program. However, despite substantial growth in ridership over the three-year period, the service will still require a public subsidy to continue.

Currently, the Valley Express is transporting an average of 15.9 passengers per hour. This compares favorably with the Coastal Express, which, according to

data from the Ventura County Transportation Commission, transported an average of 16.5 passengers per hour in FY 2007. (In FY 2005, well after completing three years of service, the Coastal Express transported an average of 11.6 passengers per hour.) MTD expects that ridership on the Valley Express will continue to grow, as has been the case with both the Coastal Express and the Clean Air Express.

Sincerely,


Sherrie Fisher
General Manager



Valley Express Performance Standards For the Three-Year Pilot Program

The Santa Barbara Metropolitan Transit District (MTD) plans to begin service on the new Valley Express regional commuter service from Solvang and Buellton to the South Coast on March 1, 2005. The performance standards will provide the MTD Board, the SBCAG Board, and other interested parties a means to measure the success of the Valley Express in meeting the goal of providing an effective and cost-efficient service.

The MTD's existing annual performance evaluation program ensures that the MTD's limited resources are utilized effectively and cost-efficiently. Each route is examined using ridership and financial performance indicators. The indicators for each route are ranked by service type, and changes are recommended for the lowest-performing routes.

MTD will conduct a similar annual performance evaluation program for the three-year pilot program of the Valley Express, utilizing three indicators: a ridership measure (passengers per trip) and two financial measures (subsidy per passenger and farebox ratio). Unlike the MTD's existing annual performance evaluation program, MTD has set specific goals for each year of the three-year pilot program:

- **Year 1 (Average for Year)**
 - 12 Passengers per One-Way Trip (24,480 Annual Total Passengers)
 - \$5.20 Subsidy per Passenger (\$126,600 Annual Total Subsidy)
 - 34 % Farebox Ratio
- **Year 2 (Average for Year)**
 - 20 Passengers per One-Way Trip (40,800 Annual Total Passengers)
 - \$2.00 Subsidy per Passenger (\$83,300 Annual Total Subsidy)
 - 57 % Farebox Ratio
- **Year 3 (Average for Year)**
 - 30 Passengers per One-Way Trip (61,200 Annual Total Passengers)
 - \$0.50 Subsidy per Passenger (\$29,100 Annual Total Subsidy)
 - 85 % Farebox Ratio

In addition to the annual goals, the MTD will consider trends within each year when evaluating the performance of the service. Other Valley Express data will be considered in addition to the two measures described above. FY 2004 MTD systemwide totals for these data are attached. The MTD will also provide qualitative data from passenger surveys and employer contacts.

**FY 2005-06
Santa Ynez Valley Express**

Line Item	Line				Total
	81	82	83	84	
Operating Cost ¹	\$51,575	\$54,834	\$62,887	\$48,699	\$217,994
Subsidy	\$35,518	\$13,385	\$44,586	\$28,828	\$122,317
Fare Revenue	\$16,057	\$41,449	\$18,301	\$19,871	\$95,677
Revenue Hours	538	572	656	508	2,274
One-Way Trips	504	504	504	504	2,016
Ridership	4,909	11,402	5,037	5,880	27,228
Passengers / Trip	9.7	22.6	10.0	11.7	13.5
Subsidy / Passenger	\$7.24	\$1.17	\$8.85	\$4.90	\$4.49
Farebox Ratio	31.1%	75.6%	29.1%	40.8%	43.9%
Percent of Seats Filled	18.7%	43.5%	19.2%	22.4%	26.0%

Note 1: Based on MTD audited FY 2006 total operating cost (not including depreciation) of \$95.86 per hour.
Source: Santa Barbara Metropolitan Transit District.

**FY 2006-07
Santa Ynez Valley Express**

Line Item	Line				Total
	81	82	83	84	
Operating Cost ¹	\$50,574	\$53,752	\$61,511	\$48,050	\$213,887
Subsidy	\$30,405	\$12,608	\$34,280	\$23,788	\$101,081
Fare Revenue	\$20,169	\$41,144	\$27,231	\$24,262	\$112,806
Revenue Hours	541	575	658	514	2,288
One-Way Trips	502	502	502	502	2,008
Ridership	5,808	11,279	7,309	6,524	30,920
Passengers / Trip	11.6	22.5	14.6	13.0	15.4
Subsidy / Passenger	\$5.23	\$1.12	\$4.69	\$3.65	\$3.27
Farebox Ratio	39.9%	76.5%	44.3%	50.5%	52.7%
Percent of Seats Filled	22.2%	43.2%	28.0%	25.0%	29.6%

Note 1: Based on MTD audited FY 2007 total operating cost (not including depreciation) of \$93.48 per hour.
Source: Santa Barbara Metropolitan Transit District.

Santa Ynez Valley Express
July 2007 - February 2008 (Financial Data are Estimated)

Line Item	Line				Total
	81	82	83	84	
Operating Cost ¹	\$36,397	\$38,544	\$44,009	\$34,446	\$153,396
Subsidy	\$16,833	\$11,994	\$25,565	\$14,031	\$68,424
Fare Revenue ²	\$19,564	\$26,550	\$18,443	\$20,414	\$84,972
Revenue Hours	373	395	451	353	1,572
One-Way Trips	332	332	332	332	1,328
Ridership	5,360	7,274	5,053	5,593	23,280
Passengers / Trip	16.1	21.9	15.2	16.8	17.5
Subsidy / Passenger	\$3.14	\$1.65	\$5.06	\$2.51	\$2.94
Farebox Ratio	53.8%	68.9%	41.9%	59.3%	55.4%
Percent of Seats Filled	31.0%	42.1%	29.3%	32.4%	33.7%

Note 1: Based on MTD budgeted FY 2008 total operating cost (not including depreciation) of \$97.58 per hour.

Note 2: Estimated based on the average fare per passenger in FY 2007.

Source: Santa Barbara Metropolitan Transit District.