

## STAFF REPORT

**SUBJECT:** MTD Valley Express Interregional Transit Funding Request

**MEETING DATE:** February 18, 2010

**AGENDA ITEM:** 6G

**STAFF CONTACT:** Scott Spaulding

### RECOMMENDATION:

- A. Approve a Measure D expenditure plan amendment allocating a maximum of \$81,000 in regional funds to operate the Valley Express service from November 2009 through June 2010. (requires 2/3 board approval—9 affirmative votes)
- B. Direct staff to work with SBMTD to develop options to improve the service efficiency and cost effectiveness of the Valley Express in FY2010/11.

### SUMMARY:

In May 2008 the SBCAG board approved \$80,000 in regional Measure D to continue operating Santa Barbara Metropolitan Transit District's (MTD) Valley Express, which provides commuter bus service between the Santa Ynez Valley and the South Coast, through June 2009. In May 2009, MTD requested that the MOU be extended through June 2010 but did not request any additional funding. Due to lower than expected ridership, the \$80,000 in funding that was anticipated to be sufficient to operate the service through a second year was exhausted in October 2009. MTD is requesting an additional \$81,000 in regional Measure D funds to continue operating the three Valley Express trips through June 2010.

The MOU with MTD to fund the Valley Express contains performance measures that are evaluated annually in the spring prior to any funding request for the following year. Although earlier than planned, the performance of the service to date this fiscal year is included in this report. Staff is recommending the \$81,000 in regional Measure D funds requested by MTD for the Valley Express be provided to continue operations through the end of this fiscal year. As part of the annual service evaluation, Valley Express performance will be compared to the performance standards agreed to in the MOU. As part of the development of Measure A inter-regional transit service funding, SBCAG will work with MTD to evaluate options to increase the efficiency and effectiveness of the Valley Express. It is anticipated the results of this joint planning effort will be brought to the board in April.

Both the North County and South Coast Subregional Planning Committees voted at their February 3<sup>rd</sup> meetings to recommend that board approve staff's recommendations.

## DISCUSSION:

MTD operates the Valley Express commuter transit service between the Santa Ynez Valley and the South Coast. There are currently three round trips per day, reduced from four during the federally funded pilot period, which ended in June 2008. Trips originate and terminate in Solvang, stop in Buellton to pick up and drop off passengers, and serve Goleta, UCSB and Santa Barbara. The service was originally funded by a federal CMAQ grant approved by the SBCAG Board in October 2004. Before the launch of the Valley Express in 2005, two Clean Air Express routes originating in Santa Maria served Buellton, providing commuter service between the Santa Ynez Valley and South Coast for approximately 20-25 customers.

In May 2008, following the end of the federally funded pilot program, the board approved \$80,000 in regional Measure D to continue operating the Valley Express through June 2009. Under an MOU with SBCAG, service was reduced from four trips to three in order to improve the efficiency of the service. In May 2009, MTD requested the MOU be extended through June 2010 but did not request any additional funding. Due to lower than expected ridership, the \$80,000 in funding that was anticipated to be sufficient to operate the service through a second year was exhausted in October 2009. MTD is requesting an additional \$81,000 in regional Measure D funds to continue operating the three Valley Express trips through June 2010. This figure represents the high end of project cost estimates, which assumes ridership will continue at the historically low levels that occurred in December. Both MTD and SBCAG staff anticipate ridership for the remainder of the fiscal year will increase modestly from December, so that the full \$81,000 will not be needed.

The Measure D funds would come from the unallocated balance of regional funds and requires approval by a two-thirds vote (9 votes) of an expenditure plan amendment. The projected regional Measure D ending balance is sufficient to cover this expenditure. A staff report providing additional information on the projected, unaudited ending balance of the regional Measure D program will be presented to the board in March.

The Valley Express is evaluated annually prior to any funding recommendation. The MOU with SBCAG to provide the service includes performance measures used in the annual evaluation. While progress was being made towards meeting these standards in 2009, economic conditions and a significant fare increase implemented in January 2009 have resulted in a trend of falling ridership and declining productivity for the service since the service was consolidated to three routes in July 2008. Even with the increase in the monthly pass fare from \$120 to \$160, the farebox ratio has fallen and the subsidy per trip has risen significantly.

	Fiscal Year				FY2010 Performance Standards	FY2010
	2006	2007	2008	2009		YTD July – December
Passengers Per Trip	13.5	15.4	18.5	20.4	30	15.0
Farebox Ratio	44%	53%	59%	74%	85%	49%
Subsidy Per Trip	\$4.49	\$3.29	\$2.53	\$1.51	\$0.50	\$4.11

While the Valley Express is eligible for Measure A Inter-Regional transit funding, it is important to ensure that all Measure A funds are spent as efficiently as possible. As part of the annual Valley Express performance evaluation that takes place in the spring, options for increasing the cost effectiveness of the service will be considered.

Staff will be returning to the board in April with a more detailed service evaluation of the Valley Express and a recommendation for measures to improve the efficiency of the service if ridership does not recover from current levels. Further route consolidation, reintegration of Santa Ynez Valley commuter service back into the Clean Air Express, and repurposing the vehicles to serve commuters on the congested HWY 101 corridor between Ventura and Goleta are options that may be considered.

**COMMITTEE REVIEW:**

The North County and South Coast Subregional Committees reviewed this issue at their meetings on February 3. The North County Subregional Committee voted 5-1 (Ayes: Skytt, Siminski, Centeno, Farr, Pointer; Noes: Gray) to recommend to the SBCAG board that staff's recommendations be approved. The South Coast Subregional Committee voted unanimously to the SBCAG board that the staff recommendations be approved. (Ayes: Aceves, Carbajal, Schneider, Wolf).

**ATTACHMENTS**

February 1 letter from Sherrie Fisher, SBMTD to Supervisor Salud Carbajal, SBCAG Chair



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February 1, 2010

RECEIVED

Chair Carbajal & Members of the Board  
Executive Director  
Santa Barbara County Association of Governments  
260 N. San Antonio Road, Suite B  
Santa Barbara, CA 93110

FEB 01 2010

Santa Barbara County  
Association of Governments

**RE: Increase in FY 2009-10 Valley Express Subsidy**

Dear Chair Carbajal & Members of the Board:

The Santa Barbara Metropolitan Transit District (MTD) requests that the SBCAG Board approve an increase in the FY 2009-10 subsidy for the Valley Express peak-hour commuter service to a maximum of an additional \$81,000. The actual amount of subsidy needed will depend on actual ridership and fare revenue.

For FY 2008-09, SBCAG approved a subsidy of \$80,000 for the Valley Express service. The service reduced from four daily round trips to three beginning in FY 2008-09, and an elasticity analysis resulted in a forecast that this reduction in service would lead to a small decrease in ridership. Based on this analysis, staff estimated that the service would generate approximately \$104,000 in fare revenue in FY 2008-09, resulting in an estimated need for \$80,000 in subsidy.

Due primarily to the unforeseen substantial increase in the price of gas during the first half of FY 2008-09, the ridership and fare revenue were much greater than anticipated. By April 2009 (ten months into FY 2008-09) the service had required only \$37,500 in subsidy. Even though ridership had decreased following MTD's fare increase in January 2009, the service was on a trend to use an estimated \$45,000 in subsidy by the end of the fiscal year. This would have resulted in \$35,000 less than of the approved \$80,000 subsidy.

An MTD staff analysis resulted in a forecast that the expected ridership during FY 2009-10 would generate sufficient fare revenue so that the remaining \$35,000 subsidy would be sufficient for FY 2009-10. Based on these assumptions, MTD staff returned to your Board in May 2009 to report the successful ridership and to inform you that it was anticipated that assistance for FY 2009-10 could be covered by the aforesaid remaining subsidy. MTD asked that SBCAG roll that amount over, and the SBCAG Board approve this request.

However, this did not anticipate that the combination of the price of gas and the depressed economy would result in a decrease in Valley Express ridership. Ridership for the last two months of FY 2008-09 (May and June 2009) was less than forecast, resulting in a greater subsidy need than expected for those two months. Thus, the actual subsidy available to roll over for FY 2009-10 was approximately \$29,000 (rather than \$35,000 as forecast).

Even as the price of gas has begun to increase again in recent months, the depressed economy, resulting in layoffs and furloughs, has continued to dampen ridership. The result is that the FY 2009-10 subsidy approved by SBCAG in May 2009 was expended as of November 2009. It is important to note that this is due to a decrease in ridership and fare revenue, not to an increase in the cost of MTD operating the service.

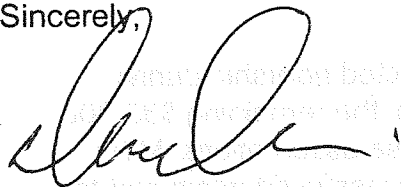
The estimated cost to MTD to operate the service from November 2009 through June 2010 (less fare revenue through December 2009) totals \$111,000. Given the volatility of the price of gas and of the economy, it is problematic to estimate ridership and fare revenue for the period from January through June 2010. Nonetheless, staff has developed a range of estimated fare revenue for the period:

- Low fare revenue estimate for January through June 2010
  - If ridership decreases somewhat even from the low level of December 2009, estimated fare revenue would total approximately \$30,000. This would result in a need for \$81,000 in additional subsidy
- High fare revenue estimate for January through June 2010
  - If ridership approximates that of October and November, 2009, estimated fare revenue would total approximately \$45,200. This would result in a need for \$65,800 in additional subsidy.

Thus, the additional subsidy requirement through June 2010 is expected to fall within the range of \$65,800 to \$81,000.

Thank you in advance for your continued support in continuing this important service to Valley residents.

Sincerely,



Dave Davis  
Chair

cc: Sherrie Fisher, MTD General Manager  
Jim Kemp, SBCAG Executive Director