



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)  
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AGENDA  
REGULAR MEETING  
FEBRUARY 8, 2018 – 10:00 AM  
METRO ADMIN OFFICES  
110 VERNON STREET  
SANTA CRUZ, CA 95060**

The Finance, Budget and Audit Standing Committee Meeting Agenda Packet can be found online at [www.SCMTD.com](http://www.SCMTD.com) and is available for inspection at Santa Cruz Metro's Administrative offices at 110 Vernon Street, Santa Cruz, California.

This document has been created with accessibility in mind. With the exception of certain 3rd party and other attachments, it passes the Adobe Acrobat XI Accessibility Full Check. If you have any questions about the accessibility of this document, please email your inquiry to [accessibility@scmttd.com](mailto:accessibility@scmttd.com)

**COMMITTEE ROSTER**

Director John Leopold	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Cynthia Mathews	City of Santa Cruz
Director Oscar Rios	City of Watsonville
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO District Counsel

**AMERICANS WITH DISABILITIES ACT**

METRO does not discriminate on the basis of disability. Any person who requires an accommodation or an auxiliary aid or service to participate in the meeting, or to access the agenda and the agenda packet, should contact the Executive Assistant, at 831-426-6080 as soon as possible in advance of the Committee meeting. Hearing impaired individuals should call 711 for assistance in contacting Santa Cruz METRO regarding special requirements to participate in the Committee meeting. For information regarding this agenda or interpretation services, please call Santa Cruz METRO at 831-426-6080.

**MEETING TIME: 10:00AM**

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
- 2 ROLL CALL**

**3 COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE**

This time is set aside for Directors and members of the general public to address any item not on the Agenda, but which is within the matter jurisdiction of the Committee. Each member of the public appearing at a Committee meeting shall be limited to three minutes in his or her presentation, unless the Chair, at his or her discretion, permits further remarks to be made. Any person addressing the Committee may submit written statements, petitions or other documents to complement his or her presentation. When addressing the Committee, the individual may, but is not required to, provide his/her name and address in an audible tone for the record.

**4 ADDITIONS OR DELETIONS FROM AGENDA / ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS**

**5 DIRECT STAFF TO PRESENT AN INITIAL PASSENGER FARE RESTRUCTURING ANALYSIS AND CONCEPTS TO THE BOARD OF DIRECTORS AT ITS FEBRUARY 23, 2018 MEETING**  
Barrow Emerson, Planning and Development Manager

**6 ADJOURNMENT**

Pursuant to Section 54954.2(a)(1) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day. The agenda packet and materials related to an item on this Agenda submitted after distribution of the agenda packet are available for public inspection in the Santa Cruz METRO Administrative Office (110 Vernon Street, Santa Cruz) during normal business hours. Such documents are also available on the Santa Cruz METRO website at [www.scmtd.com](http://www.scmtd.com) subject to staff's ability to post the document before the meeting.



**DATE:** February 8, 2018

**TO:** Finance, Budget, and Audit Standing Committee

**FROM:** Barrow Emerson, Planning & Development Manager

**SUBJECT: DIRECT STAFF TO PRESENT AN INITIAL PASSENGER FARE RESTRUCTURING ANALYSIS AND CONCEPTS TO THE BOARD OF DIRECTORS AT ITS FEBRUARY 23, 2018 MEETING**

## **I. RECOMMENDED ACTION**

**That the Finance, Budget, and Audit Standing Committee direct staff to present an initial passenger fare restructuring analysis and concepts to the Board of Directors at its February 23, 2018 meeting**

## **II. SUMMARY**

- Santa Cruz Metropolitan Transit District (METRO) staff has been conducting preliminary analysis on fare restructuring, including opportunities for improved passenger fare payment technology.
- At their January 26<sup>th</sup> meeting, the Board of Directors directed staff to initiate a passenger fare restructuring analysis process.
- Staff requests that the Finance, Budget, and Audit Standing Committee receive a presentation on initial passenger fare restructuring analysis and concepts and direct staff to present this information at the February 23<sup>rd</sup> Board of Directors meeting.

## **III. DISCUSSION/BACKGROUND**

### Background

As part of long term financial and service planning, METRO staff has been conducting preliminary analysis of passenger fare restructuring, including technological upgrades to fare payment methods.

This analysis is necessary because of potential risks to the 5-year balanced budget. Based on future budget projections, METRO will need additional revenue to maintain service levels over the next five years, as funding sources remain relatively stable while costs continue to increase.

### Scale of Revenue Opportunities

METRO's fixed-route passenger fare revenue for FY17 was \$9.4M with over half of passenger fare revenue coming from funding contracts with UCSC and Cabrillo

College for fixed routes bus service that serves the college campuses. Based on FY17 ridership, this would be a preliminary passenger fare payment analysis:

- A base passenger fare increase of \$0.25 with a 12.5% increase across all fares and contracts would result in approximately \$1M of **gross** revenue gain.
- A base passenger fare increase of \$0.50 with a 25% increase across all fares and contracts could result in approximately \$2M of **gross** revenue gain.

The purpose of providing these estimates is to clarify the potential scale of passenger revenue increase that is reasonable and its relative impact on the METRO annual budget. It is important to understand that the dollar values identified above are **only estimates of gross revenue** and that these values are not the real level of actual net revenue that would be gained due to any lost ridership as a result of increased fares or other new operating expenses.

It also important to understand that potential growth in revenues from UCSC and Cabrillo has not been confirmed.

Lastly, the estimates above assume annual ridership will remain stable, an assumption that is contrary to declining public transit ridership trends across the country.

### Targeted Strategies

Outside the two basic scenarios above, there are opportunities to implement targeted pricing strategies that would address various needs and issues of our non-UCSC/Cabrillo passenger ridership who are generally transit dependent and have lower incomes.

There are a number of targeted pricing strategies that could provide riders/patrons with lower cost alternatives to paying single ride cash fares, including:

- Maintaining or discounting Day Pass fare for riders who need to use more than two buses per day;
- Maintaining or discounting the price for specific passes while increasing the base fare;
- Providing extra value to patrons who purchase stored value products;
- Maintaining or discounting the price for customers that use Smartcards (Cruz Cash/Cruz Cards); and,
- Introduction of a youth priced limited ride pass

Introduction of these types of fare payment methods would not only provide patrons financial incentives and additional convenience, but will also speed up the boarding process, which will reduce operating costs for METRO and improve on-time performance for patrons.

Adoption of any of these various targeted pricing strategies would reduce projected total passenger fare revenue for a fare restructure relative to less than the gross potential revenues identified above.

On the passenger revenue opportunity side, staff have identified that the pricing of some passes may be set at too high of a discount rate relative to products provided by peers.

### Passenger Fare Payment Technology

Basic passenger fare restructuring, such as raising the base passenger fare and adjusting the discount of a monthly pass, can be achieved without any change in passenger fare collection technology.

However, for METRO to provide some of the passenger fare payment methods described above, improved technological features may be required.

These include:

- Mobile ticketing, which allows purchase of tickets on mobile devices and fast and efficient boarding; and,
- Account based systems, which allow customers to reload value to their various pass types remotely online in real time, which again contributes to decreased boarding time.

New passenger fare collection technology could be implemented concurrently with the passenger fare restructuring if required, or at a later date. That determination would be made based on the necessity of the particular technological features to implement the desired fare payment and pricing strategies, cost considerations and required implementation timeframes.

METRO is currently engaging technology vendors and analyzing the various new technological features being introduced at many of our peer transit agencies. At the March Board meeting, staff will propose a specific package of improved passenger fare payment technological features for inclusion in a passenger fare restructuring proposal.

### Community Outreach

In accordance with METRO policy and FTA regulations, METRO staff is currently engaging our customers, with regard to the proposals discussed in this report, through a number of methods including:

- Face-to-face surveys at Pacific Station and Watsonville Transit Center;
- Online surveys specifically tailored to both local and Hwy 17 riders;
- Speaking engagements with various stakeholder groups, particularly representatives of the senior and disabled communities; and

- A series of geographically oriented public open houses.

One goal of this outreach is to further understand passenger travel patterns and passenger fare payment methods. In addition, METRO is trying to ascertain what passenger fare payment technology improvements would be most beneficial to our riders.

### Process

Staff has initiated the following community outreach process in order to provide adequate time for public consideration prior to a final passenger fare restructuring decision May 2018 and the adoption of the METRO annual budget June 2018:

- February thru March 2018: Staff analysis and community engagement
- March 23, 2018: Preliminary staff recommendations to the Board
- March - May 2018: Formal Public comment process
- May 18, 2018: Public Hearing and possible Board adoption of revised Fare Policy
- January 2019: Possible implementation of revised fare structure and enhanced fare payment technology.

The public outreach process set forth above will also include a number of targeted efforts, which may include all or some of the following: bilingual onboard messages for customers, newspaper notices, a news release, and community meetings. In addition, presentations will be made to the MAC and colleges served by METRO buses. Finally, staff will reach out to community-based organizations to inform them of the proposed changes. Public comments/feedback will be shared with the Board.

## **IV. FINANCIAL CONSIDERATIONS/IMPACT**

The initiation of a passenger fare restructuring analysis does not in itself have a financial impact, although outcomes of the process may result in initiatives that could have financial considerations, including increased passenger revenue and/or additional costs to provide improved fare technology tools.

## **V. ALTERNATIVES CONSIDERED**

The alternative is to not perform long-range passenger fare restructuring analysis, by which we could be missing possible opportunities related to operating efficiencies, marketing and long-term budget planning. This is not recommended.

## **VI. ATTACHMENTS**

None

Prepared By: Barrow Emerson, Planning & Development Manager

**VII. APPROVALS:**

Barrow Emerson,  
Planning & Development Manager




---

Approved as to fiscal impact:  
Angela Aitken, Finance



---

Alex Clifford, CEO/General Manager



---

- THIS PAGE INTENTIONALLY LEFT BLANK -