



AGENDA
WORK SESSION/ PRELIMINARY HEARING
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Thursday, July 24, 2008
8:30 AM
Santa Barbara MTD Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. **CALL TO ORDER**
2. **ROLL CALL OF THE BOARD OF DIRECTORS**
John Britton, Chair; David Davis, Vice Chair; Brian Fahnestock, Secretary; Dick Weinberg, Director; Chuck McQuary, Director; Roger Aceves, Director; Sharon Anderson, Director
3. **REPORT REGARDING POSTING OF AGENDA**
4. **FARE STRUCTURE CHANGE WORK SESSION (Attachment- action may be taken)**
The Board will be asked to review information regarding current and possible changes to fare structure.
5. **BOSTER REVIEW (Attachment- action may be taken)**
The Board will requested to authorize additional service on the Line 24.
6. **PUBLIC COMMENT**
Members of the public may address the Board on items within the jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, please complete and deliver to the MTD Board Clerk **before the meeting is convened**, a "Request to Speak" form including a description of the subject you wish to address.
7. **ADJOURNMENT**

AMERICANS WITH DISABILITIES ACT: If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.

BOARD OF DIRECTORS REPORT

MEETING DATE: JULY 24, 2008

AGENDA ITEM #: 4

TYPE: ACTION

PREPARED BY: JERRY ESTRADA

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: FARE STRUCTURE CHANGE WORK SESSION

DISCUSSION:

Financial Status:

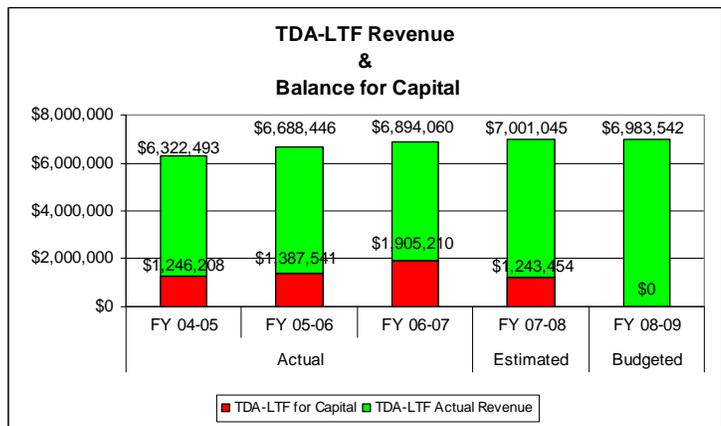
The Santa Barbara Metropolitan Transit District (MTD) adopted an operating and capital budget for Fiscal Year 08-09 that included an operating deficit of approximately \$400,000. Consistent with state law, the operating budget was balanced by using deferred credits¹. Furthermore, MTD applied all of its Transportation Development Act Local Transportation Fund (TDA-LTF) sales tax revenue (\$6,983,542) to the operating budget. Typically, MTD allocates \$1,000,000 to \$1,400,000 of its TDA-LTF to the capital budget.

To highlight the sudden and dramatic swing in MTD’s operating finances, it is estimated that in the year just ended June 30, 2008, approximately \$1,000,000 in TDA-LTF will be applied to capital acquisitions.

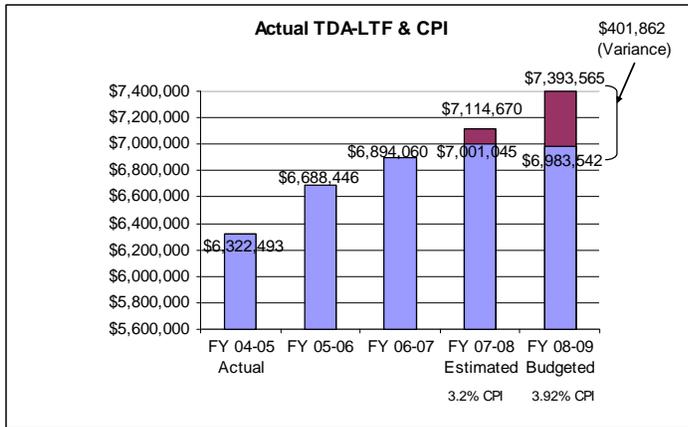
There are two primary reasons for the sudden change. The first is a sluggish local economy that has resulted in flat to negative sales tax receipts in the form of TDA-LTF. The second and most disturbing is skyrocketing diesel fuel prices.

TDA-LTF Sales Tax Revenue:

In February of 2008, MTD received its estimate of TDA-LTF revenue for Fiscal Year 08-09 that indicated zero growth. This is the second consecutive year that the TDA-LTF sales tax revenue estimate was almost flat. TDA-LTF is MTD’s primary subsidy for public transit operations.



¹ Deferred credits consist of TDA-LTF revenue accumulated by MTD for transit purposes. These funds are used as cash flow for daily transit operations as well as to offset projected and/or unexpected financial shortfalls. Consistent with State law, deferred credits are accounted for as a liability on MTD’s Balance Sheet.



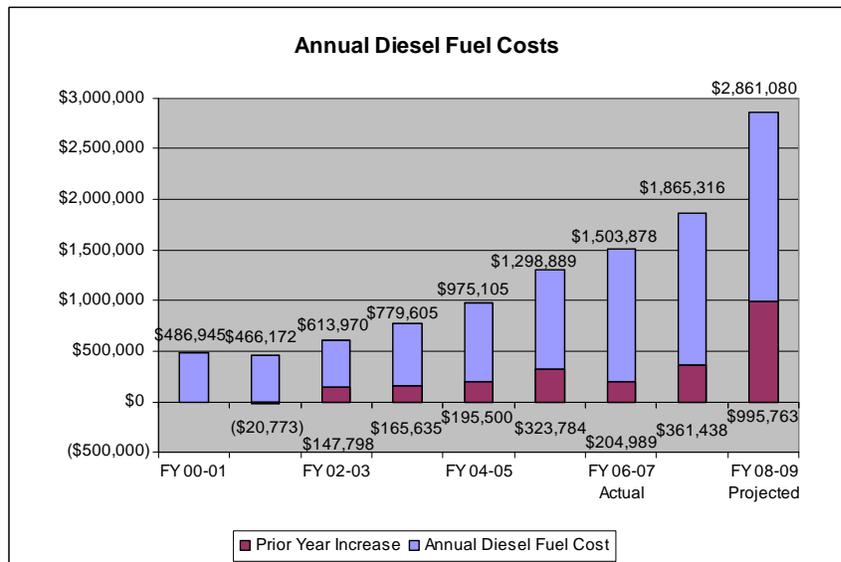
The chart to the left demonstrates the significance of diminishing growth in TDA-LTF sales tax revenue.

As the chart indicates **if** TDA-LTF sales tax revenue had kept pace with the Consumer Price Index for the Los Angeles – Riverside region for all Consumers MTD would have had an additional \$400,000 in operating revenue.

Diesel Fuel Costs:

The cost of diesel fuel has increased dramatically over the past few years. In May, the cost per gallon of diesel fuel exceeded \$4.18. Over the past few years, MTD experienced a significant increase in the cost of diesel fuel and is predicting a similar result for Fiscal Year 08-09.

The chart to the right illustrates that MTD is projecting an increase in diesel fuel costs of approximately \$1,000,000 in Fiscal Year 08-09.



Fiscal Year	Annual Cost	\$ Increase from Prior Year	% Increase from Prior Year
FY 08-09 (Proj.)	\$2,861,080	\$995,763	53.4%
FY 07-08 (Est.)	1,865,316	362,316	24.1%
FY 06-07	1,503,000	204,111	15.7%
FY 05-06	1,298,889	323,784	33.2%
FY 04-05	975,105	195,500	25.1%
FY 03-04	779,605	165,635	27.0%
FY 02-03	613,970	147,798	31.7%
FY 01-02	466,172	(20,773)	-4.3%
FY 00-01	486,945		

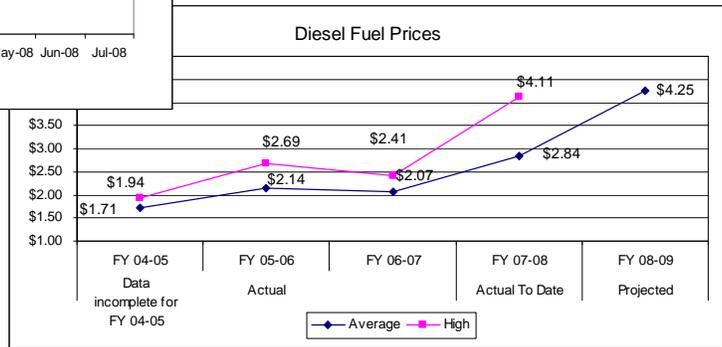
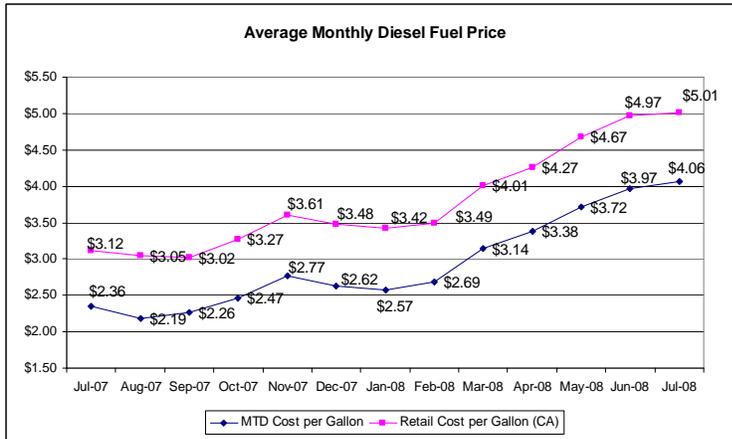
The table to the left substantiates MTD’s concern regarding the future of fuel related costs. Rising fuel prices may encourage some motorists to use public transit resulting in higher fare revenue but it also increases the cost to provide the same level of transit service.

In a sort of “Catch 22”, a significant influx of new riders during the peak period may force the District to “Boost” existing service. “Boost” is a transit term used to describe supplementing existing service with additional buses to increase seating capacity. The District welcomes increased demand for service but sustaining existing and/or increased service levels in the long-term (without an influx of new operating revenue or significant growth in existing sources) is not realistic.

Diesel Fuel Prices:

As the charts below demonstrate the price of diesel fuel has skyrocketed since February of 2008. The first chart reflects the average monthly cost per gallon of diesel fuel. In January of 2008, the average cost was \$2.57 and is currently at \$4.06 per gallon; an increase of \$1.49 per gallon or 58% within a mere six-months.

The second chart provides a glimpse of how diesel fuel prices have risen over the past few fiscal years.



Financial Forecast:

The financial forecast has been summarized to show the projected deficit over the next five years.

OPERATING & CAPITAL BUDGET					
Financial Forecast					
	ADOPTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	BUDGET	FY 09/10	FY 10/11	FY 11/12	FY 12/13
	FY 08/09				
OPERATING BUDGET					
Revenue	\$21,431,059	\$22,422,613	\$22,876,561	\$23,540,672	\$23,758,360
Expense	\$21,805,030	\$23,226,237	\$24,159,727	\$25,131,072	\$26,147,511
OPERATING DEFICIT					
Deferred Credits (TDA - LTF) Prior Year	<u>(\$373,971)</u>	<u>(\$803,624)</u>	<u>(\$1,283,166)</u>	<u>(\$1,590,400)</u>	<u>(\$2,389,151)</u>
CAPITAL BUDGET					
Revenue	\$8,479,581	\$2,504,236	\$880,607	\$831,538	\$907,219
Acquisitions	<u>\$8,504,581</u>	<u>\$3,030,086</u>	<u>\$1,362,500</u>	<u>\$1,211,625</u>	<u>\$1,207,456</u>
CAPITAL DEFICIT					
Deferred Credits (TDA - LTF) Prior Year	<u>(\$25,000)</u>	<u>(\$525,850)</u>	<u>(\$481,893)</u>	<u>(\$380,087)</u>	<u>(\$300,237)</u>
Total Deferred Credits (TDA-LTF) Prior Year:	<u>(\$398,971)</u>	<u>(\$1,329,474)</u>	<u>(\$1,765,059)</u>	<u>(\$1,970,486)</u>	<u>(\$2,689,388)</u>

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The financial forecast consists of the following assumptions:

Diesel Fuel Prices:

\$4.25 average cost per gallon for Fiscal Year 08-09. All maintenance related costs are projected to increase by 4.5% annually, which is inclusive of diesel fuel costs. It is apparent that the cost of diesel fuel is likely to exceed the 4.5% estimated increase, as such; staff will provide the Board with monthly updates for the purpose of monitoring this particular item.

Service Levels:

Unchanged

Measure D Funds:

Ongoing, see “Financial Outlook – The Impact of Measure D Revenues”

Passenger Fares:

Fares are projected to increase by 3% annually. With service levels remaining the same and seating capacity on some trips at or exceeding capacity growth potential is limited.

Federal Operating Assistance:

Federal assistance is projected to increase by 2% annually. The current transportation bill SAFTEA-LU will expire in 2009. There is the possibility that Congress will seek to increase funding to transit operators nationally but it is too early to put together any concrete estimates.

Sales Tax Revenue (TDA-LTF):

Staff has projected 1% growth for FY 09-10 increasing to 2% the following year and 3% afterwards. MTD will closely monitor sales tax returns within the county over the next few months to see if the 1% projected increase will hold.

Operating Expenses:

It is projected that operating expenses will increase between 3.5% and 4.5% annually.

Financial Outlook – The Impact of Measure D Revenues:

Measure D is set to expire in April of 2010 and the renewal (Measure A) will be on the ballot this November. If Measure A is not renewed in November, a serious loss of transportation funding will occur. If so, and lacking an established funding source, local jurisdictions may opt to terminate their local transit assistance programs with the District.

The District has budgeted approximately \$2.7 million in local assistance and fare buy-down subsidy from local jurisdictions in Fiscal Year 08-09. The District understands that the majority of these funds are derived from Measure D. If the entire amount were lost, a service reduction of approximately 20% may be required.

Since most jurisdictions begin compiling their budgets for the following year in December/January, it is possible that some, if not all, might find it necessary to terminate agreements with the MTD effective July 1, 2009 the beginning of Fiscal Year 09-10. As a result, MTD would be faced with as much as a \$2.7 million dollar shortfall in its Fiscal Year 09-10 budget.

MTD begins working on its service plan for the following year in December/January; if Measure A fails, MTD will have to make some very difficult decisions regarding public transit service within the South Coast in less than a year.

Again, the Financial Forecast assumes continued financial support from local jurisdictions, which includes Measure D sales tax revenue. The potential loss of any revenue source including Measure D will severely compound the situation.

Ridership Statistics:

In order to estimate how a change in fare pricing will influence MTD's finances it is important to understand existing payment trends. The table below includes total ridership for the past 14 years. It also differentiates between cash and pass ridership. Cash includes tokens as well as MyRide and Brooks's bus pass ridership.

While the MyRide and Brooks' programs are technically passes MTD is reimbursed the full fare for each ride. Pass ridership is limited to discount 10-ride and 30-day bus passes offered by MTD. One of the issues MTD is contemplating is how much of a discount should be allowed for 10-ride and 30-day bus passes, which is why the table has been grouped by full fare by category rides versus passes.

Ridership History

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Full Fare	2,415,648	2,420,633	2,417,254	2,260,341	2,591,244	2,941,365	2,948,061	2,923,222	2,794,099	2,680,565	2,580,452	2,593,085	2,522,984	2,327,767
Discounted Passes	2,191,623	1,985,165	1,756,406	1,703,488	1,280,147	782,190	779,859	792,616	813,047	746,857	730,705	867,080	951,173	928,414
	4,607,271	4,405,798	4,173,660	3,963,829	3,871,391	3,723,555	3,727,920	3,715,838	3,607,146	3,427,422	3,311,157	3,460,165	3,474,157	3,256,181
Other (Free, SBCC, Transfers, UCSC etc.)	3,497,340	3,300,681	3,132,219	3,205,923	3,132,662	3,281,919	3,175,562	3,463,991	3,471,920	3,481,907	3,460,255	3,385,859	3,157,756	2,817,010
Total Ridership:	8,104,611	7,706,479	7,305,879	7,169,752	7,004,053	7,005,474	6,903,482	7,179,829	7,079,066	6,909,329	6,771,412	6,846,024	6,631,913	6,073,191

Ridership Payment Trend

	Fiscal Year Ending:		2006	2005	Fare Increase Implemented 2004	Base 2003	2002	2001	2000	1999	Fare Increase Implemented 1998	Base 1997	1996	1995
	2008	2007												
Full Fare	52.4%	54.9%	57.9%	57.0%	66.9%	79.0%	79.1%	78.7%	77.5%	78.2%	77.9%	74.9%	72.6%	71.5%
Discounted Passes	47.6%	45.1%	42.1%	43.0%	33.1%	21.0%	20.9%	21.3%	22.5%	21.8%	22.1%	25.1%	27.4%	28.5%
From Base Year: Since 2005:	4.6%		22.0%		12.1%									

As the table above indicates, 52.4% of the related ridership pays full fare. This is down from 79% in Fiscal Year 02-03. In Fiscal Year 03-04, MTD implemented its last fare increase, which introduced discount 30-day bus passes. In the first year, full fare rides were down 12.1%. In the following year, full fare rides decreased to 22% from the base year. In the last three years, the shift from full fare payment to discount passes has slowed to 4.6% for all three years.

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The table below is presented to assist in evaluating the potential revenue impact from a fare structure change. The table provides revenue figures for related revenue accounts.

Cash & Pass Programs - Directly Impacted by Fare Structure Changes

	FY 02-03	* FY 03-04	FY 04-05	FY 05-06	FY 06-07	Estimated FY 07-08	Proposed FY 08-09
Regular Cash Fares	\$2,873,103	\$2,980,875	\$2,938,400	\$2,912,105	\$2,903,057	\$3,053,306	\$3,014,027
Sub Total Growth from Prior Year:		\$107,772	(\$42,475)	(\$26,295)	(\$9,048)	\$150,249	(\$39,280)
10-Ride & 30-Day Pass Programs	\$621,650	\$908,028	\$1,233,924	\$1,249,499	\$1,357,435	\$1,579,270	\$1,625,245
Sub Total Growth from Prior Year:		\$286,378	\$325,896	\$15,575	\$107,936	\$221,835	\$45,975
UCSB & SBCC Student Bus Pass Programs	\$896,480	\$1,050,632	\$1,168,763	\$1,162,701	\$1,165,906		
Sub Total Growth from Prior Year:		\$154,152	\$118,131	(\$6,062)	\$3,205		
Total Growth from Prior Year:		\$548,302	\$401,552	(\$16,782)	\$102,093	\$372,084	\$6,695

The adult cash fare was increased by .25 cents in Fiscal Year 03-04 and related revenue increased by \$107,772. However, in each year thereafter, excluding FY 07-08, revenue decreased while being offset by increases in discounted pass sales. UCSB and SBCC revenue is a fixed amount linked to enrollment. The increase in FY 03-04 and FY 04-05 reflects the fact that the fixed amount increased in conjunction with the rise in the adult cash fare.

Staff is projecting a 1-to-1 relationship between 10-ride passes and fares. In other words, the current 10-ride adult bus pass priced at \$10.00 would result in 10 rides. Whereas, the 30-day bus pass requires much more analysis. The amount of data generated by the 30-day bus passes is significant. As such, staff took ridership transactions from all active 30-day bus passes between the period of November 1, 2007 and April 30, 2008 and projected average daily use. The results are included in the table below:

30-Day Pass Program Analysis (November 1, 2007 - April 30, 2008)

	# of Active Passes	# of Projected Rides	(Avg) Proj. Rides (30 Days)	(Avg) Proj. Days Used	*Adj. Fare per Ride
Adult 30-Day Pass	3,549	177,200	50	18.5	0.93
Student 30-Day Pass	1,481	72,086	49	18.3	0.75
Senior 30-Day Pass	1,193	66,154	55	18.3	0.37
Valley Express 30-Day Pass	149	3,816	26	13.6	5.32
Mobility 30-Day Pass	2,325	101,585	44	14.8	0.47
	8,697	420,841			

* Cost per ride reduced by 12% to account for Transfers.

As a result of the analysis, MTD is able to estimate the current number of rides per pass less transfers. Additionally, the current return per pass is identified. While this information is useful in determining current usage and return, anticipating the financial impact of deeply discounted passes poses quite a challenge.

Current Fare Structure Elements:

Full Fare:

Adult	\$1.25
Senior	.60
Mobility	.60

10-ride Bus Pass:

Adult	\$10.00
Student	7.50
Senior	5.00
Special	5.00
Valley Express	35.00

30-day Bus Pass:

Adult	\$41.00
Student	32.00
Senior	18.00
Special	18.00
Valley Express	120.00

Free transfers for one hour same direction

Elements and concepts under consideration

1. Increases in fare rates.
2. Modification of transfer policy.
3. Day passes
4. Zone charges
5. Time of day fares
6. Express fare
7. Refund policy
8. Credit card payment (office and Transit Center sales only)

MTD is seeking community input regarding all aspects of its fare structure. The work session is intended to provide the Board with an opportunity to discuss in detail all elements and concepts under consideration. Staff will provide scenarios with revenue and ridership projections during the work session. Staff will be prepared to modify each scenario to quickly project their impact on revenue as it pertains to full-fare; 10-ride and 30-day bus passes.

BOARD OF DIRECTORS REPORT

MEETING DATE: JULY 24, 2008

AGENDA ITEM #: 5

TYPE: ACTION

PREPARED BY: DAVID DAMIANO

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: BOOSTER REVIEW

DISCUSSION:

The Santa Barbara Metropolitan Transit District (MTD) has experienced unprecedented growth in ridership in recent months. Staff anticipates the ridership increases will continue as long as fuel prices remain high. In each of the three months in the most recent quarter ending June 30th, the District has experienced double digit growth.

Other summers there have been a relatively high number of passengers who are exchange students and individuals participating in summer programs at both UCSB and SBCC. However, MTD has been able to manage the loads with minimal boosting and within budgeted revenue hours.

The difference is that this year an influx of additional passengers are choosing to utilize public transit due to the high cost of fuel. The increased passenger loads puts MTD in a position of overloads leading to refusal of some of the passengers who seek to board the bus. The attached chart demonstrated the overloads the District has experienced in recent months.

During the late evening hours MTD currently does not operate line 24x service. Thus passengers migrate over to the line 11. The attached graph clearly depicts this severe impact to the line 11.

The Planning Department recommends implementation of a line 24x booster travelling between the TC and UCSB between the hours of 3:00 pm and 11:30 pm. This booster will benefit both the line 24x (downtown to UCSB and Isla Vista) and the line 11 (State and Hollister corridor terminating at UCSB).

The recommended booster will require approximately 6.5 revenue hours and 155 miles per weekday. The service would run 24 days this summer with a review in the fall to determine if the booster continues to be required.

The line 24x booster should help alleviate the most severely impacted component of the MTD system. Other routes in the system are also beginning to experience overloads and will be monitored.

BOARD OF DIRECTORS REPORT

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Service Refusals on Routes 6, 11, 12x, & 24x April 1 - July 15, 2007 & 2008

