

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: BETH KRANDA, DEPUTY DIRECTOR-TRANSIT
DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS
SUBJECT: CITYBUS INTER-FUND LOAN FOR FISCAL YEAR 2017/18
BUDGET YEAR

AGENDA ACTION: RESOLUTION

RECOMMENDATION

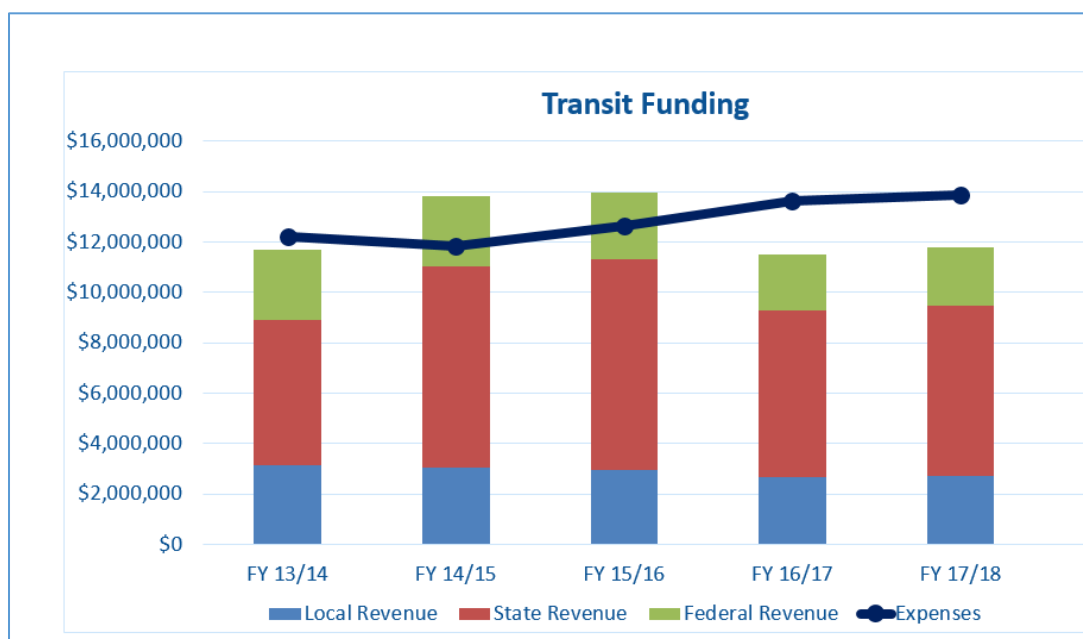
It is recommended by the Transportation and Public Works and Finance departments that the Council, by resolution, approve an interfund loan for up to \$900,000 from the General Fund to the Transit Division for the operational and capital needs of CityBus for Fiscal Year 17/18.

EXECUTIVE SUMMARY

Over the past several years CityBus has seen not only a reduction in federal and state funding levels but has also experienced an ongoing loss in ridership. In response to the ridership loss, the Transit Division initiated the Reimagining CityBus process in 2015 to design a restructured system aimed at enhancing our strongest ridership corridors and attracting both new riders and lost riders. Reimagining CityBus involved extensive analysis of CityBus system performance, demographic and land use trends, and trip patterns within Santa Rosa. After a year and a half of analysis, extensive public outreach and a significant amount of input, the new CityBus system is ready to be introduced to the public. This is the first major restructuring of Santa Rosa CityBus in nearly 25 years and is essential to the continuation of CityBus' overall health. The new routes will offer higher levels of service, more frequency and bi-directional service that will help retain current riders and attract new ridership to the system. To continue this introduction CityBus will need to ensure its financial stability over the next year to both launch and monitor the new bus system in addition to making strategic system adjustments as necessary to produce results. Due to a projected deficit in FY 17/18, an interfund loan is required to guarantee CityBus staffing and service levels throughout the introductory period of the new bus system.

BACKGROUND

The City of Santa Rosa Transit Division is an Enterprise fund which is funded almost entirely by federal, state and local grant funding. Over the past several years the fiscal picture for transit has been shifting and changing and funding instability is a constant condition. Revenues received from the various sources such as federal and state grants have been declining. In FY 14/15, the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA), a dedicated state funding source for the CityBus capital program, was discontinued. The Low Carbon Transit Operations Program (LCTOP) initiated in 2014 was, at one time, anticipated to be a replacement source of funding for PTMISEA; however, the program revenues have been far less than expected. In addition, revenue from the State Transit Assistance program, a key source of operating funds from the state, has declined over the past several years. Total revenues received by the City have declined by 6% over the past four years and operating expenses have increased at a moderate rate of 8% during the same period (see below).



CityBus has also seen a steady decline in ridership beginning in FY 12/13 following service cuts and a fare increase to respond to a recession-era funding deficit, with an average yearly decrease in ridership of 9.1% in subsequent years. Decreasing ridership directly impacts state and federal funding in addition to the system's farebox revenues that support CityBus operations.

Over the past year and a half staff completed the Reimagining CityBus initiative, a comprehensive restructuring of the CityBus system designed to provide a more convenient and effective transit system to better meet riders' needs. Key goals for the

initiative included addressing declining ridership as well as the associated impacts on some grant funding and fare revenues due to the lower ridership. The Reimagining CityBus Final Plan was approved by the City Council in August 2016 after extensive analysis and public involvement.

PRIOR CITY COUNCIL REVIEW

On April 7, 2015, the City Council received a report on the Reimagining CityBus project and accepted the Public Involvement Plan for the project.

On April 16, 2015, City Council members participated in a planning workshop for Reimagining CityBus with stakeholders from various Santa Rosa agencies and organizations.

On August 8, 2015, the City Council received a report on feedback from public outreach conducted during the spring and summer of 2015, and adopted Service Design Guidelines to guide service planning for the Reimagining CityBus project.

On February 2, 2016, a study session was held with the City Council to review the Preliminary Recommendation for short-term CityBus route and schedule changes.

On May 24, 2016, a public hearing on the Reimagining CityBus Draft Plan was held.

On June 7, 2016 adoption of the Reimagining CityBus Final plan.

ANALYSIS

The Transit Division has completed the work necessary to implement the new bus system as adopted in the Reimagining CityBus Final Plan. However, due to a structural deficit, an interfund loan is requested to guarantee CityBus staffing and service levels for FY 17/18 and the introductory period of the new bus system. The interfund loan will serve as a safety net as Transit Division staff work to stabilize CityBus' financial situation, and will be the last source of revenue to be utilized if needed.

The proposed loan is to provide for operating expenditures during FY 2017-18. The actual loan amount will be determined based on needed funding to balance the operation. It will not have a specific amortization schedule. The loan will be provided as a "balloon payment" type of loan with the principal and interest due in ten years. It will carry an interest rate equal to the annual percentage rate earned on the City's investment portfolio. Terms for this loan will be reviewed annually during the budget development process and could be recommended for forgiveness at a future date if warranted.

Transit Division staff is in the process of reviewing every aspect of the operation to identify opportunities to reduce operating costs, from reducing the amount of contracted services to decreasing the size of the revenue and non-revenue fleet (as appropriate to

“right size” the fleet to current service levels) to reduce maintenance costs. Current open positions will not be filled in FY 17/18 and most other positions that become vacant through attrition may remain open based on these analyses. Transit is also combining its workspace by moving administrative staff to the Transit Operations Building with operations and maintenance, helping to improve communication and efficiency.

Going forward, to ensure financial stability, CityBus staff will continue working on long-term financial solutions and strategies supporting financial health including:

- Ongoing monitoring and assessment of all aspects of the CityBus operation and their financial impacts on an ongoing basis;
- Reviewing staffing levels and job descriptions, and replacing some functions with contracting opportunities where appropriate;
- Continual evaluation of route-level and system wide performance using service standards adopted in the City of Santa Rosa FY 2016-2025 Short Range Transit Plan and quicker response times to implement service changes benefitting the riding public;
- Fully vetting options for lower-performing routes, including introduction of more cost-effective service alternatives in lower-productivity areas (e.g., deviated fixed-route services, demand-responsive services, partnerships with transportation network companies such as Uber and Lyft, and partnerships with local non-profits to support their offerings of volunteer driver and taxi voucher programs or other social service transportation options);
- Identifying other potential options for reducing service costs while maintaining the integrity of the new bus system plan, such as introducing Saturday-level service on additional public holidays when ridership levels are low;
- Supporting transit ridership by improving regional connections and coordination such as the Transit Division’s recent integration of Greyhound service at the Downtown Transit Mall, and ensuring regional consistency in fares and fare policy;
- Research advertising on buses and associated policies and procedures;
- Ongoing participation in statewide transit advocacy programs, including legislative affairs committees researching and advocating for additional transit funds; and
- Continued involvement with statewide transit industry associations to gain a better understanding of local, state and national trends and best practices.

In addition to the actions listed above for improving the financial position of CityBus, the Transit Division will engage in continual review of work and work practices to identify additional efficiencies, cost savings, and technical improvements.

Staff will provide regular updates to the City Council on CityBus’ financial status, service performance, and monitoring activities over the next year.

FISCAL IMPACT

Approval of this action will provide an interfund loan from the General Fund unassigned fund balance of up to \$900,000. This one-time use of General Fund resources will decrease the amount of unassigned reserves; however, the General Fund will still be compliant with the 17% Council-adopted reserve policy.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

None

NOTIFICATION

Not applicable.

ATTACHMENTS

None.

CONTACT

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