

# SAN LUIS OBISPO COUNCIL OF GOVERNMENTS

## STAFF REPORT

<b>MEETING DATE:</b> February 4, 2009
<b>SUBJECT:</b> Transit Funding Update: Transit Grant Awards; State and Federal Revenue Projections; and Form Transit Efficiency Funding Committee

### SUMMARY

This staff report provides an update on some of the key funding sources for public transit and recommends the SLOCOG Board appoint a Transit Efficiency and Funding committee to examine potential efficiency and cost saving improvements. There are serious funding challenges to maintain the current level of services due to:

1. The proposed elimination of the State Transit Assistance program (\$1.2 mil/year)
2. The inability to access transit bond funding due to a statewide "freeze", and
3. A high number of transit systems that have independent operators, contracts, studies and audits (required to meet State law)

Solutions to these problems are possible, but they require a high level of cooperation and coordination. Staff suggests that a Transit Efficiency and Funding Committee examine potential strategies and report back to the Board at your April meeting. The committee would consist of 4-5 Board members, transit operational staff, and interested members of the public.

### RECOMMENDATION

**Staff:** 1) Receive funding update  
2) Form Transit Efficiency & Funding Committee (4-5 Board members & Operational staff)

**SSTAC:**

**TTAC:**

**CTAC:**

### BACKGROUND

**The Transportation Development Act (TDA)** provides two major funding sources for public transportation; Local Transportation Funds (LTF) and State Transit Assistance (STA).

- **LTF** funds are derived by ¼ cent of the states' 7.25% sales tax. The ¼ cent is returned to each county according to the amount of tax collected in that county. There has been zero revenue growth in this fund due the faltering economy. This is base funding for the Regional Transit Authority making up \$2.6 million of their \$6.5 million annual budget. RTA will consider an "equitable LTF reduction" (\$260,000) as requested by the SLOCOG Board.
- **STA** funds are derived from the statewide sales tax on gasoline and diesel fuel. When gas prices rise, STA funds theoretically increase. However diversions of STA funds have become a standard practice of the Governor and State Legislature. Nearly \$1.3 billion was diverted last year, and FY 08/09 diverts \$1.4 billion (*Source: CA Transit Association*). The STA program is proposed to be eliminated by the Governor which amounts to a loss of \$1.2 million dollars.

**The Rural Transit Fund (RTF)** is a transit capital program for rural operations. SLOCOG programs \$500,000 per year in this funding account.

**Proposition 1B** will provide about \$10-12 million in transit capital for the region over the next 10 years. \$2.4 million has already been programmed. Prop 1B "Safety and Security" will provide about \$1.5 million over the next 10 years. The exact amounts, timing and release of these funds are tied to the annual budget.

**Annual Urban and Rural Federal Grants** provide about \$1 million in the central area and \$600,000 in the north county. These funds sustain annual operations. (Details on page A-1-3)

**DISCUSSION**

⊗ **STA Cut** - As mentioned above regional and local transit systems will be experiencing significant funding shortfalls. This fiscal year, at least \$600,000 is being stripped from the State Transit Assistance Account. The table below shows the estimated revenue loss by “service population” for each transit operator. Other significant cuts will affect the following services & agencies:

- Ridesharing – up to \$150K loss
- Ride-On Senior Shuttles - \$42K loss
- Summer Lake Shuttles - \$20K loss
- Special needs events - \$15K loss
- Grover Beach Train/Bus Study - \$15K loss
- Agricultural Worker (cash flow) - \$43K loss
- Other (vanpool, state formula etc.) - \$115K loss

Estimated Revenue Loss Current Fiscal Year			
Operator	Old	New	Loss
RTA	\$88,000	\$44,000	-\$44,000
ATAS	\$44,724	\$22,362	-\$22,362
MB	\$16,219	\$8,110	-\$8,110
PR	\$45,868	\$22,934	-\$22,934
SLO Trans	\$76,645	\$38,323	-\$38,323
COUNTY	\$57,027	\$28,514	-\$28,514
SCAT	\$71,518	\$35,759	-\$35,759
			-\$200,001

Sub total = \$400K (+ \$200K from the table = \$600K cut this fiscal year)

In addition to these cuts, *an additional \$600,000* will be eliminated from the program next year essentially de-funding the entire program. This represents a \$1.2 million loss.

⊗ **LTF Cut** - The Regional Transit Authority has also been asked by the SLOCOG Board to consider cuts in LTF funds. All jurisdictions (including SLOCOG and Ride-on) took 10% funding cuts in December totaling \$1 million. A 10% cut to the RTA budget in LTF funds would eliminate \$260K, and have a mitigating affect on each jurisdiction. (Prop 42 increases to the Cities & County are \$1M & 2M, respectively) A 2.5% reduction is shown as a less significant hit to the RTA budget.

Jurisdiction	Current LTF Contribution			10% Reduction		2.5% Reduction	
	Pop	Shares		Gain		Gain	
Arroyo Grande	16,759	5.2%	\$134,820	\$122,208	\$12,612	\$132,392	\$2,428
Atascadero	28,779	8.9%	\$231,517	\$209,164	\$22,352	\$226,595	\$4,922
Grover Beach	13,085	4.0%	\$105,264	\$94,006	\$11,258	\$101,840	\$3,424
Morro Bay	10,436	3.2%	\$83,954	\$75,205	\$8,749	\$81,472	\$2,482
Paso Robles	29,514	9.1%	\$237,430	\$213,865	\$23,565	\$231,687	\$5,743
Pismo Beach	8,545	2.6%	\$68,741	\$61,104	\$7,637	\$66,196	\$2,545
SLO-City	49,318	18%	\$470,032	\$423,029	\$47,003	\$458,282	\$11,751
County	108,464	49%	\$1,279,533	\$1,151,579	\$127,953	\$1,247,544	\$31,988
			\$2,611,291	\$2,350,162	\$261,129	\$2,546,009	\$65,282

Due to cost over-runs on the new Joint Maintenance Facility and the agreed upon “pass-through” contract for services, the RTA budget has already been stressed. If the RTA Board moves forward with any LTF reduction, some level of service reduction will likely be required – either shortening the span of service in the day, eliminating Sunday service, or other cost reduction. RTA is now preparing that information.

⊗ **Bond Funds Frozen** - The region programmed and began receiving \$2.4 million last year, was poised to program \$1.2 million this year, and anticipates \$3.0 million next year. However, all bond funds have been indefinitely suspended due to the current state fiscal crises.

☺ **Economic Stimulus Package** – The size of the funding is unknown, but anticipated to be anywhere from \$1-\$2 million. It is unclear if transit operations will be eligible. The official bill in the House Appropriation Committee includes language regarding the allocation of funding under Sections 5307 and 5311. Capital projects will clearly be eligible, but the current Oberstar bill indicates operations are excluded. We believe it will be added to the current formulas for distribution in the Federal 5307 and 5311 programs, but it is unclear if there will be New Freedom, Job Access Reverse Commute funding – and several other categories - of possible federal stimulus funding. Transit agencies were polled last month to verify what capital projects could move forward expeditiously and those projects were included in the overall candidate project listing.

☺☺ **Detailed Federal Transit Administration (FTA) Grant Awards to the region**

The region was recently awarded funds under four (4) different Federal transit grant sources; those will support a mix of mobility management, capital and operating projects listed below:

- **Urbanized Area formula Funds (Section 5307)** for a total of \$1.515 Million to the San Luis Obispo Urbanized Area with four projects covering City of San Luis Obispo operating assistance (\$860K); capital fleet replacement (\$380K); and capitalized maintenance to extend the life of the city vehicles (\$75K) plus Electronic Farebox Equipment for the regional fleet (\$200K).
- **Job Access and Reverse Commute (Section 5316)** for a total of \$641K over two years and to three different recipients: Regional Rideshare (regional mobility management at \$135K); Regional Transit Authority operating assistance (Sta Maria Reverse Commute service at \$400K) and the City of Paso Robles operating assistance (Paso Express at \$106K).
- **Specialized Transit (Section 5310)** for a total of \$368K toward capital projects by Ride On Transportation (replacement of six vehicles in the Coordinated Transportation Services Agency fleet and new communications equipment for Mobile Data Terminals).
- **New Freedom Initiatives (Section 5317)** for a total of 360K over two years and to four different recipients: Regional Rideshare (511/211 interface implementation as part of the information infrastructure at \$187K); Runabout (replacement of two ADA vans at \$111K); City of San Luis Obispo (local transit travel training at \$20K) and Ride On Transportation (agency level mobility management for specialized transit at \$42K).

**COST REDUCTION STRATEGIES AND FORMATION OF ADHOC COMMITTEE**

Per State law, every transit system requires the following 4 items:

- Annual Fiscal Audit (est \$2K)
- Triennial Performance Audit (est. \$15K)
- 5-year Short Range Transit Plan (\$30K-\$80K)
- Prepare Annual Reports to the State Controller

There are now 6 separate systems (assuming all County and RTA services merged) each requiring these planning/administration overhead costs. Staff believes there may be some economies of scale to reduce these costs with some organizational rearrangement. For example, with substantial consolidation, the County of SLO saved approximately \$120,000 the first year it formed a Memorandum of Understanding (MOU) and had RTA operate and administer all of its transit services.

The bulk of savings is in reducing duplication where feasible – and supportable. For example, currently all systems;

- write their own RFP's for services,
- supervise contractors,
- maintain their own dispatch service,
- have their own vehicle maintenance system/agreements, including required back-up equipment
- and conduct marketing and other functions.

The best strategies to better integrate services should also include a commitment to maintain a good measure of local input and control. Most of these issues can be addressed in a well crafted MOU with some organizational changes. The City of Morro Bay is beginning to look at a variety of these alternatives since the funding environment is particularly bleak for small cities.

In December the SLOCOG Board suggested forming a Board sub-committee to examine possible efficiencies. Staff recommends ad hoc committee comprised of 4-5 Board members, transit staff, and interested members of the public be formed to examine potential strategies. This committee will probably meet 2-3 times over the next 4-5 months.

Staff report by Peter Rodgers