



Agenda Item C.3
DISCUSSION/ACTION ITEM
Meeting Date: August 19, 2008

TO: Mayor and Councilmembers

FROM: Steve Wagner, Community Services Director

CONTACT: Marti Schultz, Principal Civil Engineer

SUBJECT: Calle Real/Old Town Shuttle Service Pilot Project

RECOMMENDATION:

- A. Authorize the City Manager to execute a 2-year transit subsidy agreement with MTD, subject to approval as to form by the City Attorney, for the Calle Real/Old Town Shuttle, Line 9, in an amount not to exceed \$135,683.
- B. Appropriate \$66,511 from unappropriated Measure D Funds for FY 2008/2009, Fund 205.

BACKGROUND:

In 1998, the Santa Barbara Metropolitan Transit District (MTD) was awarded \$9,175,000 in Congestion Mitigation and Air Quality Improvement program (CMAQ) funds for the implementation of the South Coast Transit Plan (SCTP). This plan included various new and expanded transit services and the purchase of new electric buses. One of the components of the SCTP was a new shuttle service in Goleta. On August 2, 2004, Council received a presentation from MTD with respect to the options for a shuttle service between Calle Real and Old Town (Shuttle service). In September 2005 MTD initiated the start of the Shuttle service in the City of Goleta. This service links the Hollister Old Town corridor with the Fairview and Calle Real shopping centers.

On June 5, 2006, Council was presented with an update on the Shuttle service. At that time, the Shuttle service was projected to serve 41,530 passengers per year with an operating cost of approximately \$211,800. Based on the estimated fare box revenue, the operating subsidy was estimated to be approximately \$146,300 per year.

It should also be noted that annual ridership has increased consistently over the past 3 years as shown in the following table:

Year	Ridership
2006	41,530
2007	56,019
2008	70,516
2009	73,340*

*estimated

DISCUSSION:

In April 2008, the City received a letter from MTD requesting \$264,979 in operating subsidy for the Shuttle service’s operation. This subsidy would cover approximately 1 ½ years of operation from September 1, 2008, through April 30, 2010. Following receipt of the request, City and MTD staff discussed the parameters of the Shuttle service and potential changes to the route in order to better serve the needs of the City of Goleta. During the discussion it was determined that the planned change by MTD to eliminate a portion of Line 8 service that is duplicated by the Shuttle service should result in a credit to the City of Goleta for the needed Shuttle service subsidy. This would thereby reduce the costs of the annual subsidy for the Shuttle.

MTD’s overall cost to run the Shuttle service is approximately \$500,000. These costs are covered by the fare box revenues, various State and Federal funding sources and the Congestion Management Air Quality (CMAQ) subsidy. The final subsidy calculated by MTD requested of the City of Goleta is \$66,511 for FY 2008-2009 and \$69,172 for FY 2009-2010, per a letter dated August 8, 2008, (Attachment 1). If approved, this subsidy will replace the CMAQ funding formerly received by MTD. At this time it is recommended that Council appropriate the subsidy for FY 2008-2009. The subsidy for the final fiscal year of Measure D will be included in the FY 2009-2010 recommended budget.

Staff also requested that MTD look at what the costs would be if the City were to further subsidize the Shuttle by reducing the fares to \$1.00 and \$0.50. The estimates for the fare buy down are shown in the table below:

Fare	Base Subsidy FY 2008-2009	Annual Subsidy Fare Buy Down*	Subsidy FY 2008-2009	Subsidy FY 2009-2010	Not to Exceed Amount of Agreement
\$1.25	\$ 66,511	\$ 0	\$ 66,511	\$ 69,172	\$135,683
\$1.00	\$ 66,511	\$ 20,050	\$ 86,561	\$ 69,172	\$175,783
\$0.50	\$ 66,511	\$ 79,350	\$145,894	\$ 69,172	\$294,416

Estimated Cost, actual costs will depend on actual number of riders

It should be noted that MTD will be looking at potential fare increases in January 2009, which would change these estimates. However, if the fare were to be

increased to \$1.50 and the City wanted to buy down the fare to \$1.25 it would cost the City approximately \$20,050 more per year, depending on actual ridership estimates at that time.

GOLETA STRATEGIC PLAN:

The Calle Real/Old Town Shuttle is consistent with the Goals in the Goleta Strategic Plan entitled, "Emphasize Old Town Revitalization" or "Protect Character, Quality & Diversity of Neighborhoods." Although, there is not a specific Objective that covers the pilot Shuttle project it still moves the City closer toward realizing its vision as defined within the City's Strategic Plan.

ALTERNATIVES:

Council may elect not to provide the requested subsidy. However, without the subsidy it may end the Calle Real/Old Town Shuttle project as of August 31, 2008. Council may direct City Manager to execute a subsidy agreement with MTD to cover either of the following levels of subsidy to provide for a reduction in the fare to the rider:

1. Authorize the subsidy agreement in an amount not to exceed \$175,783 and appropriate funds from Measure D in the amount of \$86,561 to continue with service of the Calle Real/Old Town Shuttle at a cost of \$1.00 per one way trip.
2. Authorize the subsidy agreement in an amount not to exceed \$294,416 and appropriate funds from Measure D in the amount of \$175,783 to continue with service of the Calle Real/Old Town Shuttle at a cost of \$0.50 per one way trip.

FISCAL IMPACTS:

MTD has requested that the City of Goleta provide for the subsidy of the Shuttle through April 30, 2010. Staff is recommending that the subsidy agreement be approved through April 30, 2010 and that funds are appropriated to cover the period from September 1, 2008 through June 30, 2009. For any of the proposed subsidies the funding would come out of the City's unappropriated budget from Measure D, Fund 205. There is approximately \$223,000 of unappropriated Measure D Funds in the FY 2008-2009 approved budget. It is recommended that Council authorize the subsidy agreement in an amount not to exceed \$135,683 and appropriate \$66,511 for FY 2008-2009 to continue the Shuttle service at its current rate of \$1.25.

Finally, as indicated in MTD's letter of August 2008, if Measure A is approved the subsidy costs for the Shuttle would be provided directly to MTD, and City would not need to subsidize existing MTD costs starting in FY 2010-2011.

Submitted By:

Reviewed by:

Approved By:

Steve Wagner
Community Services Director

Michelle Greene
Administrative Services
Director

Daniel Singer
City Manager

ATTACHMENTS:

1. MTD Letter Dated August 8, 2008
2. MTD Request to City of Goleta for Calle Real/Old Town Shuttle Operating Subsidy
3. Draft Subsidy Agreement

ATTACHMENT 1

MTD Letter Dated August 8, 2008



Metropolitan Transit District
550 Olive Street
Santa Barbara, CA 93101

p (805) 963-3364
f (805) 962-4794
www.sbmtd.gov

August 8, 2008

Mr. Dan Singer
City Manager
City of Goleta
130 Cremona Drive, Suite B
Goleta, CA 93117

Dear Mr. Singer:

This letter provides an update to my April 1 letter regarding the Santa Barbara Metropolitan Transit District's (MTD) request to the City of Goleta for operating subsidy for the Calle Real/Old Town Shuttle. At the August 2, 2004, Goleta City Council meeting, Council voted unanimously to conceptually approve MTD's request for future financial support from the City of Goleta for the service. After adjusting MTD's subsidy request to account for savings resulting from changes to the Goleta portion of MTD's Line 8, the revised subsidy request totals \$135,683.

MTD implemented the Calle Real/Old Town Shuttle in August 2005. A federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) grant awarded to MTD, and supported by the City of Goleta, provided operating funding for the route for a three-year pilot program (ending August 31, 2008). The "South Coast Transit Operations Program" included in the Investment Plan for Measure A is expected to provide funding for the service beginning in May 2010 (if Measure A passes in November 2008).

If approved, the \$135,683 in operating subsidy from the City will allow MTD to continue the service from the end of the pilot program on August 31, 2008, through the beginning of Measure A funding. The subsidy request includes \$66,511 for 10 months of FY 2009 (from September 1, 2008, through June 30, 2009), and \$69,172 for 10 months of FY 2010 (from July 1, 2009, through April 30, 2010).

Cordially,


Sherrie Fisher
General Manager

ATTACHMENT 2

**MTD Request to City of Goleta for Calle Real/Old Town
Shuttle Operation Subsidy**



MTD Request to City of Goleta for Calle Real / Old Town Shuttle Operating Subsidy

Background

The Santa Barbara Metropolitan Transit District (MTD) operates the Calle Real / Old Town Shuttle (Line 9) that provides a convenient connection between Old Town Goleta and the Calle Real shopping area, utilizing the Fairview Avenue overpass. Line 9 is one of the local routes that MTD implemented as part of the South Coast Transit Priorities (SCTP) project. The SCTP was partially funded with a Congestion Mitigation and Air Quality Improvement (CMAQ) grant.

For Line 9, the CMAQ grant funded a portion of the operating cost for a three-year pilot program. On August 2, 2004, the Goleta City Council voted unanimously to conceptually approve MTD's request for future financial support for Line 9, following the end of the CMAQ pilot program on August 31, 2008.

Line 9 provided an estimated 70,516 passenger trips in FY 2008 (the period from July 1, 2007, through June 30, 2008). This represents a substantial 25.9 percent increase over the 56,019 passengers transported in FY 2007. Passengers per revenue hour, a standard transit industry measure of productivity, increased from 17.0 in FY 2007 to 18.6 in FY 2008.

In FY 2008, Line 9 provided an estimated 3,792 revenue hours of service. Of that total, MTD subsidized 1,562 hours, representing 55 percent of a former MTD route that also served parts of Goleta and is no longer in service. As part of the SCTP, MTD agreed to continue to support those hours as a "credit" toward the new Line 9. The CMAQ grant subsidized the net cost (i.e., total operating cost minus fare revenue) of the remaining revenue hours, approximately 2,230 hours in FY 2008.

As part of MTD's annual planning process, separate from discussions about the Line 9 subsidy request, MTD plans to reduce service on a portion of the Line 8 in FY 2009. The Line 8 reduction will eliminate the portion of Line 8 that currently duplicates Line 9 service in Goleta along Calle Real and over the Fairview Avenue overpass. At the same time, MTD will add some trips to the Line 9 that will connect to the reconfigured Line 8. The net FY 2009 reduction in revenue hours resulting from these changes to Lines 8 and 9 is estimated to total 1,821 hours.

Goleta staff asked MTD to estimate the savings to MTD resulting from the portion of these changes that affects Goleta, and to consider a corresponding reduction in the Line 9 subsidy request. MTD staff estimates that 58.7 percent of the net revenue hour reduction is within the City of Goleta.

Operating Subsidy Request to Goleta

MTD requests that Goleta provide a Line 9 operating subsidy to MTD for the period from September 1, 2008 (the end of the CMAQ pilot program) through April 30, 2010 (the end of Measure D). The amount of subsidy to be requested was determined as described below.

FY 2009 Line 9 - Calle Real / Old Town Shuttle Subsidy Request

- 1) The FY 2009 estimated net operating cost (i.e., subsidy requirement) to MTD for 2,287 revenue hours (i.e., forecast Line 9 revenue hours minus the hours "credited" by MTD to the service) is \$217,639.
- 2) The CMAQ grant will provide a subsidy for the first 2 months of FY 2009 (from July 1 through August 31, 2008). The net subsidy requirement for the remaining 10 months totals \$181,366.
- 3) The estimated FY 2009 savings to MTD from the portion of the Line 8 and Line 9 changes that affect the City of Goleta (discussed above) is \$114,855
- 4) A corresponding reduction in the Line 9 subsidy request results in a FY 2009 operating subsidy request to Goleta for \$66,511.

FY 2010 Line 9 - Calle Real / Old Town Shuttle Subsidy Request

- 1) Assuming a 4.0 percent increase in MTD's cost per revenue hour, the FY 2010 forecast net operating cost to MTD for 2,287 revenue hours is \$226,345.
- 2) MTD requests a subsidy from Goleta for the first 10 months of FY 2010 (from July 1, 2009, through April 30, 2010), corresponding with the end of Measure D. The net subsidy requirement for the 10 months totals \$188,621.
- 3) The estimated FY 2010 savings to MTD from the portion of the Line 8 and Line 9 changes that affect the City of Goleta (discussed above) is \$119,449
- 4) A corresponding reduction in the Line 9 subsidy request results in a FY 2010 operating subsidy request to Goleta for \$69,172.

Thus, MTD's Line 9 operating subsidy request to Goleta for the period starting September 1, 2008 (the end of the CMAQ grant) and continuing through April 30, 2010 (the end of Measure D) totals \$135,683.

Potential Line 9 – Calle Real / Old Town Shuttle Fare Reduction

Goleta staff also asked MTD to prepare an estimate of the additional fare buydown subsidy that would be required from Goleta to reduce the fare on Line 9. Currently, the Line 9 regular one-way fare is the standard MTD fare of \$1.25. This current fare is used as the basis for estimating the cost of a fare buydown. It is important to note that MTD soon will be considering a fare increase, which would increase the fare buydown costs discussed below.

Developing a reliable estimate of FY 2009 Line 9 ridership is problematic, given the planned changes to Lines 8 and 9. The elimination of Line 8 service over the Fairview Avenue overpass could lead to a substantial increase in Line 9 ridership, but it is difficult to estimate what the actual increase will be. For this analysis, staff utilized a conservative estimate of 4.0 percent growth, resulting in a forecast of 73,340 passengers on Line 9 in FY 2009.

A decrease in the Line 9 fare would be expected to increase ridership further. Forecasts of ridership increases resulting from a fare reduction are based on elasticity analyses.

MTD staff looked at two fare reduction scenarios. One scenario is a \$1.00 fare (a 20 percent reduction). Under this scenario, FY 2009 ridership is forecast to increase to 80,200. This would result in an estimated additional annual fare buydown subsidy from Goleta of \$20,050. The second scenario is a \$0.50 fare (a 60 percent reduction). Under this scenario, FY 2009 ridership would be estimated to increase to 105,800. This would result in an estimated additional annual fare buydown subsidy from Goleta of \$79,350. Note that the actual fare subsidy required under either scenario would be determined by actual Line 9 ridership.

Summary

Requested FY 2009 & FY 2010 Line 9 Operating Subsidy from Goleta

FY 2009 (10 Months) = \$66,511
FY 2010 (10 Months) = \$69,172
Total Subsidy Request = \$135,683

*Potential Line 9 Fare Buydown Subsidy from Goleta**

\$1.00 Fare = \$20,050 Annually (estimated)
\$0.50 Fare = \$79,350 Annually (estimated)

**The fare buydown subsidy will increase if MTD's base fare increases.*

ATTACHMENT 3

Draft MTD Subsidy Agreement

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OLD TOWN SHUTTLE (LINE 9) TRANSIT SUBSIDY AGREEMENT

Santa Barbara Metropolitan Transit District,
City of Goleta

September 1, 2008 – April 30, 2010

THIS AGREEMENT, entered into this _____, by and between the

Santa Barbara Metropolitan Transit District
(hereinafter referred to as the "District"),

and

City of Goleta (hereinafter referred to as "Goleta"),

for the support and subsidy of Line 9 (also known as the "Old Town Shuttle").

WHEREAS, the District is established and existing under Part 9, Division 10, of the California Public Utilities Code, codified at Sections 95000-97100, and empowered to provide public transportation service in the South Coast of Santa Barbara County; and,

WHEREAS, the District received Congestion Mitigation and Air Quality (CMAQ) funds for a 3 year pilot program to establish the Line 9 Old Town Shuttle service; and,

WHEREAS, CMAQ funding for the 3 year pilot program sunsets in September 2009; and,

WHEREAS, additional funding for the ongoing operation costs are needed to continue the Line 9 service; and,

WHEREAS, Goleta, is willing to dedicate funds to subsidize the District from the funds identified hereafter for the subsidy of Line 9; and,

WHEREAS, Goleta recognizes that the District is the agency empowered by state statute to provide public transportation service in the South Coast of Santa Barbara County, including Goleta and also recognizes that the District has the equipment, vehicles, experience, and expertise necessary to provide or cause to be provided high-quality transit bus services.

NOW, THEREFORE it is mutually agreed between the Parties that:

1. Line 9 (Old Town Shuttle)

The District shall continue to provide the existing Line 9 service throughout the term of this agreement

Goleta:

- i. Goleta shall provide to the District a total subsidy of \$135,683 for operations for the period of September 1, 2008 to April 30, 2010. ,

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- ii. Goleta shall pay operating subsidy payments quarterly to the District in response to invoices. The payments shall be made within 30 days of receipt of the District's invoice.

General Provisions

1. Goleta shall make the subsidy described herein available to the District according to the provisions of this Agreement. The District is not required to perform any service for which a subsidy is specified under the terms, conditions, and limitations provided herein.
2. The District shall retain the authority and be solely responsible for developing routes, hours of operation, days of operation, and headways appropriate to maintain such service. The District shall retain full discretion for the planning, management, administration, maintenance, and operation of such service: including hours, location, headways, equipment, personnel, advertising, and service. Prior to any significant change of route and/or schedule, District shall work cooperatively with Goleta staff. The District may provide such service with District personnel and resources, through third party contracts for all or part of such service, or by other agreements, at the sole discretion of the District. The District shall each year conduct any and all necessary public hearings to develop the routes, days, hours and methods of operation, and headways appropriate for such service.
3. Funding Not Guaranteed. The obligation of Goleta to provide funds hereunder shall be subject to the condition precedent that funds for said services are approved in applicable budgets and appropriated to Goleta for such services, and subject, further, to the receipt of such funds for use as provided herein. The obligation of Goleta to provide funds hereunder shall be subject to the availability of such Measure D sales tax allocation for these purposes. Goleta shall not be required to provide funds from any other source for the contributions provided for herein other than the sources identified above. The District shall include in the Schedule Guide and in other printed material as appropriate, the following language "Operating assistance for enhanced peak-period headways on Line 9 provided by the City of Goleta."
4. Neither the District nor any officer or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by Goleta under or in connection with any work, authority or jurisdiction delegated to Goleta herein. It is also agreed that, pursuant to California Government Code Section 895.4, that Goleta, Santa Barbara and the County both individually and collectively shall fully indemnify and hold the District harmless from any liability imposed for injury (as defined by Government Code Section 810.8) occurring by reason of anything done or omitted to be done by Goleta under or in connection with any work, authority or jurisdiction delegated to Goleta hereunder. Goleta, nor any officer or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by the District under or in connection with any work, authority or jurisdiction delegated to the District herein. It is also agreed that, pursuant to California Government Code Section 895.4, the District shall fully indemnify and hold Goleta harmless from any liability imposed

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for injury (as defined by Government Code Section 810.8) occurring by reason of anything done or omitted to be done by the District under or in connection with any work, authority or jurisdiction delegated to the District hereunder.

5. The District, to qualify for any subsidy herein, shall purchase and maintain the following insurance per occurrence at its sole cost and expense:
 - a) Combined single limits of not less than one million (\$1,000,000) dollars of Comprehensive General Liability Insurance, including Bodily Injury and Property Damage and five million (\$5,000,000) dollars of Comprehensive Automobile Liability Insurance, including Bodily Injury and Property Damage. This insurance shall include:
 - i. “**Additional insured coverage for Goleta**”, its officers, agents and employees, as additional insured’s, with respect to the District’s liabilities hereunder;
 - ii. A provision that coverage will not be canceled or subject to reduction until at least thirty (30) days’ prior written notice has been given to Goleta;
 - iii. A provision that the District’s insurance shall apply as primary, and not excess of, or contributing with, Goleta.
 - iv. Contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the District in the indemnity and hold harmless provisions herein;
 - v. A cross liability clause, or equivalent wording, stating that coverage will apply to each named or additional insured as if separate policies had been issued to each;
 - vi. A broad form property damage endorsement; and,
 - vii. A provision that the policies be provided on an "occurrence" basis.
 - b) Statutory Workers' Compensation and Employer's Liability Insurance that shall cover all District's employees while performing any work incidental to the performance of duties hereunder.
 - c) Current Certificates of Insurance on forms supplied by Goleta evidencing the above coverage, shall be completed by the District's insurer or its agent and submitted to the respective agency prior to execution of this document by said agency. The District shall exercise due diligence to require any and all third party contractors to provide General and Automobile Liability, and Workers' Compensation and Employer's Liability Insurance with equal limits of coverage and upon terms and provisions required above.
 - d) Goleta understands that the District is self insured with regard to Worker's Compensation Insurance with a Self Insured Retention (SIR) of \$500,000. Further, the District has a self-insured retention of \$250,000 which it must pay before its comprehensive general liability policy comes into effect. Goleta accepts the District's self-insured retentions so long as the limits on comprehensive general

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liability insurance are not less than one million (\$1,000,000) dollars and the limits on automobile liability insurance, including bodily injury and property damage, are not less than five million (\$5,000,000) dollars.

6. The District shall provide an Annual Report to Goleta by September 15th of each year, stating total fares collected, ridership, and actual revenue hours for Lines 9. This report shall also include historical annual ridership and annual fare box revenue for the previous year. The district shall provide Monthly Reports to Goleta that detail the operation of the services provided. Such reports shall be in the current format provided to the District Board of Directors, and include at least the following:

- a.) Actual systemwide revenue hours;
- b.) Systemwide ridership per revenue hour;
- c.) Total ridership by route;
- d.) Historical comparison of ridership to the previous year;
- e.) Summary of comments received from customers regarding District service, including complaints and commendations.

Said monthly report shall be submitted to Goleta by the 15th of each month for the preceding month.

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7. Termination. Santa Barbara, Goleta, and the County reserve the right to terminate the service described in Sections 1, 2 or 3 of this agreement for any reason; however, the party terminating the agreement shall provide each party to this agreement at least 90 days written notice of any such decision. District reserves the right to suspend and/or terminate the service described in section 1 of this agreement at any time for any reason; however, District shall provide at least 60 days written notice to Santa Barbara, Goleta, and the County of any such decision.

8. All notices, approvals, acceptances, demands and other communications required or permitted hereunder, to be effective shall be in writing and shall be delivered either in person or by mailing the same by United States mail (postage prepaid, registered or certified, return receipt requested) or by Federal Express or other similar overnight delivery service to the party to whom the notice is directed at the address of such party as follows:

The District General Manager
Santa Barbara Metropolitan Transit District
550 Olive Street
Santa Barbara, California 93101

The City of Goleta
City Manager
130 Cremona Dr., Suite B
Goleta, CA 93117

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Any written communication given by mail shall be deemed delivered two (2) business days after such mailing date and any written communication given by overnight delivery service shall be deemed delivered one (1) business day after the dispatch date. Any party may change its address by giving the other party's written notice of its new address as herein provided.

9. Nothing herein is intended to confer any rights or remedies, express or implied, under or by reason of this document on any persons other than the parties hereto and their respective successors and assigns, nor is anything in this document intended to relieve or discharge the obligations or liability of any third persons to any party hereto, nor shall any provision give any third persons any right or subrogation or action over or against any party.

10. The term of this agreement shall be September 1, 2008 through April 30, 2010.

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IN WITNESS WHEREOF, the parties hereto have executed this "State & Hollister (Lines 6 & 11) Transit Service Enhancements" as of the day and year first above written.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

By _____
Sherrie Fisher
General Manager

CITY OF GOLETA

By _____
Daniel Singer
City Manager

ATTEST:

By _____
Deborah Constantino, City Clerk

APPROVED AS TO FORM

By _____
Burke, Williams & Sorensen
City Attorney