



SACOG Board of Directors

April 12, 2012

Support Sacramento County Farebox Improvement Legislation

Issue: Should SACOG pursue state legislation to set an integrated farebox recovery ratio for all transit operators in Sacramento County?

Recommendation: The Government Relations & Public Affairs Committee recommends that the Board authorize the CEO to pursue this legislation.

Committee Action/Discussion: This item was reviewed by the Transportation Committee as an information item and by the Government Relations & Public Affairs Committee (GRPA) as an action item. Members of the Transportation Committee requested additional information about the Sacramento Regional Transit District's farebox recovery ratio, which has been included in the table at the end of Attachment A. The Transportation Committee also expressed an interest in being able to better monitor, evaluate and control performance measures like farebox recovery.

Staff advised the Committee that this proposed legislative change will provide SACOG, the transit operators and member jurisdictions with the ability and authority to do this type of monitoring and evaluation of farebox recovery and other appropriate, locally-developed performance measures rather than having a non-specific statewide regulation applied to local operating conditions. Staff also advised that issues related to farebox recovery and transit operator performance were carefully considered in the development of the Draft MTP/SCS and that as the Plan is implemented we should see a huge change in fare recovery and productivity. Staff further stated that farebox recovery and other productivity and effectiveness measures should be a part of the discussion of any items related to transit and that this should become a prominent policy level discussion as we move forward in the implementation of the MTP/SCS. SACOG already monitors transit operators performance through annual fiscal audits, triennial performance audits and the development and review of operators' short range transit plans. Staff informed the GRPA Committee of the discussion from the Transportation Committee.

Under state law, the Transportation Development Act (TDA), a portion of local sales tax revenue is set aside for transit unless specific requirements are not met. Although these funds are locally generated and used, the state requirements are difficult to meet, because they contain statewide standards, with little flexibility for the unique circumstances in this region. In Sacramento County, in particular, several smaller transit operators—specifically, e-tran (Elk Grove), SCT/Link (Sacramento County and Galt), and Folsom Stage Lines—have had difficulty meeting the state requirement that transit operators receive a fixed percentage of their funding from tickets and passes, referred to as a farebox recovery ratio. As a consequence, these operators risk the loss of local sales tax revenue. Staff is proposing legislation to apply a different farebox recovery formula to Sacramento County. Several other counties and individual operators throughout the state already have unique farebox recovery formulas under state law. In the SACOG region, SACOG already has the authority to set a lower farebox recovery ratio (to 15 percent) for operators in urbanized areas in Yolo, Sutter and Yuba counties, because those operators are in counties under 500,000 population. The Placer County Transportation Planning Agency and El Dorado County Transportation Commission can exercise the same authority in those counties.

Under existing law, the general statewide farebox recovery ratio requirements are 10 percent for rural communities and 20 percent for urban communities. However, a number of exceptions exist. For Sacramento Regional Transit District (SRTD), the requirement is 25.5 percent, because the TDA requires a higher farebox recovery ratio if the operator's fare recovery ratio was higher than the mandated 10 or 20 percent in FY 1978-79. In Yolo County and Sutter and Yuba counties, SACOG has, under the authority granted in the TDA, established blended farebox recovery ratios that reflect the combined urbanized/rural nature of the services. In Yolo County, the blended ratio is 13.5 percent and in Yuba and Sutter counties, the blended ratio is 14.6 percent. In other parts of the state, the TDA has been amended to grant the Metropolitan Transportation Commission (MTC) and the San Diego Metro Transit Development Board the authority to set areawide fare revenue ratios that are different than those contained in the TDA.

SACOG staff is proposing legislation nearly identical to the special formula applicable to the San Francisco Bay Area. Under that formula, the MTC has authority to establish a farebox recovery ratio for transit operators within the Bay Area Rapid Transit (BART) District. Specifically, MTC has the authority to apply the farebox recovery ratio to a group of operators when MTC determines that the services of the operators are coordinated. Under staff's proposal, the SACOG Board would have similar authority to apply the farebox recovery ratio determination to a group of operators in Sacramento County, when the Board finds that the operators' services are coordinated. Under this proposed change, the SACOG Board would have the authority to establish a Sacramento countywide fare revenue ratio that is different than the current 20 percent standard urbanized area requirement or the 25.5 percent requirement for SRTD. Under this change, the SACOG Board would also have the ability to develop performance and farebox recovery goals for individual operators to increase their farebox recovery without being subject to the penalties contained in the TDA that currently apply.

The Transit Coordinating Committee has reviewed this proposed legislation change and supports the modification. SACOG staff has also discussed the change with the individual Sacramento County operators, who also endorse the proposed change to the TDA.

Attachment A provides background on existing provisions within the Transportation Development Act and the proposed legislation.

Approved by:

Mike McKeever
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Attachment A: Background on Sacramento County Farebox Improvement Legislation

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Background on Sacramento County Farebox Improvement Legislation

Transportation Development Act

The Transportation Development Act (TDA) provides two major sources of funding for public transportation: the Local Transportation Fund (LTF) and the State Transit Assistance fund (STA). These funds are for the development and support of public transportation needs that exist in California and are allocated to areas of each county based on population, taxable sales, transit fare, and local support revenue. TDA law establishes a formula for transit operators to measure how much of their funding comes from fares, tickets and passes. These formulas, known as the farebox recovery ratio, are often difficult for smaller and rural transit operators to meet. Part of the formula is set based on whether a community is considered urban. Generally, the farebox recovery ratio requirements are 10 percent for rural communities and 20 percent for urban communities. However, exceptions exist, including a 25.5 percent requirement for Sacramento Regional Transit District. The farebox recovery requirements can also be made through a combination of fare revenue and local support such as local sales tax or general fund support.

For Sacramento Regional Transit District, the requirement is 25.5 percent because the TDA requires a higher farebox recovery if the operator's fare recovery ratio was higher than the mandated 10 or 20 percent in FY 1978/79. In Yolo County and Sutter and Yuba counties, SACOG has, under the authority granted in the TDA, established blended farebox recovery ratios that reflect the combined urbanized/rural nature of the services. In Yolo County, the blended ratio is 13.5 percent and in Yuba and Sutter counties, the blended ratio is 14.6 percent. In other parts of the state the TDA has been amended to grant the Metropolitan Transportation Commission (MTC) and the San Diego Metro Transit Development Board the authority to set areawide fare revenue ratios that are different than those contained in the TDA.

The LTF is funded through local sales tax revenues that are collected by the state and returned to the local governments and transit operators through Regional Transportation Planning Agencies such as SACOG. The state regulations, like the farebox recovery ratio, limit the ability of local government to meet the diverse needs of the communities in Sacramento County.

Sacramento County Background

The City of Galt has gone from being considered a rural community to an urbanized one, even though there has not been a significant change in population or urban boundary expansion by the city. The result is a requirement that doubles the required farebox recovery ratio for SCT/Link, which serves Galt and Sacramento County. This is difficult for SCT/Link to meet, because it has a transit service model based on the historic share of state/local revenues and farebox revenues.

The City of Elk Grove operates bus service under the name e-tran. The e-tran service became operational in early 2005. It was operating under a waiver of the 20 percent farebox recovery requirement allowed under TDA law (Pub. Utilities Code, § 99268.8). However, the waiver has expired and the city is now required to meet the 20 percent requirement. While the city has met the 20 percent requirement in the near past (FY 2009-10), the service has gone through a period of intensive changes as a result of LTF revenue reductions in recent years. This has forced the city to place general fund dollars into the bus operations budget despite service cutbacks and fare increases that were implemented in 2010.

Folsom Stage Lines once operated a successful commuter service to Sacramento prior to the opening of light rail in 2005. As part of the light rail opening, Folsom eliminated its productive commuter bus service. The elimination of the commuter service required the remaining, less profitable, local service to meet the 20 percent farebox requirement. The current fixed route service is unable to meet the requirement

due to the land uses in Folsom. In this case, however, SACOG was able to develop a method consistent with the TDA requirements to combine the cost of light rail operations within the city limits and the fixed route and dial-a-ride services to meet the 20 percent requirement. This method meets the TDA requirements because Folsom funds the operation of the light rail service under agreement with Sacramento Regional Transit District. Thus, the city has the option to eliminate funding for the service, and guide the service hours, type, and other operating parameters. No similar option or alternative methodology exists for e-tran or SCT/Link.

Some counties have the option of using LTF for local streets and roads projects, if they can show there are no unmet transit needs. In Sacramento County, if LTF funds are not required and used by transit operators to meet unmet transit needs, they revert to the Sacramento Regional Transit District, if SACOG makes a determination that there are unmet transit needs within the RT district that are reasonable to meet.

RTPA-Directed Provision

The MTC has existing authority under TDA law (Pub. Utilities Code, § 99270.5) to set a farebox recovery ratio for transit operators within the Bay Area Rapid Transit (BART) District. Staff proposes an amendment to state law for Sacramento County and SACOG that would mirror MTC's authority. Part of the rationale for the MTC authority is that they make funding decisions that affect the operating budgets of their operators, so they function more as a system rather than wholly independent operators. This language would provide SACOG with the flexibility to make determinations about farebox recovery ratios for Sacramento County. The proposed legislation would read as follows:

An act to add Section 99270.6 to the Public Utilities Code.

Section 99270.6 is added to the Public Utilities Code, to read:

99270.6. In determining whether there is compliance with Section 99268.1, 99268.2, 99268.3, 99268.4, 99268.5, or 99268.9, as the case may be, by operators serving the area of Sacramento County and the cities within the county, the Sacramento Area Council of Governments may make that determination for all or some of the operators as a group, if the Sacramento Area Council of Governments finds that the public transportation services of the operators grouped are coordinated.

Performance Goals and MTP/SCS Implementation

The proposed legislation would preserve a level of local control while allowing SACOG to establish countywide performance standards to strengthen transit efficiency.

According to the final draft MTP/SCS, the projected increase in transit trips will raise the amount of farebox revenues available to fund transit operations regionally, from about 24 percent of operating costs in 2009 to 38 percent of operating costs by 2035. The SACOG Board may choose at a future date to use the discretion that would be available in this law to set performance goals for individual transit operators that would help make progress to the MTP/SCS target of 38 percent farebox recovery.

The TDA requires that SACOG conduct a performance audit of transit operators every three years. This triennial performance audit process can be used to provide the process and vehicle to conduct and report on the achievement of the Sacramento County group of operators. Under existing law, performance metrics are measured in the Triennial TDA Performance Reports and the annual TDA Fiscal Audits. SACOG may use these metrics to monitor the performance of the transit operators in Sacramento County.

Comparative History of TDA Farebox Recovery Amounts

Many rural operators are not always able to meet the 10 percent recovery rate. When a rural community is then urbanized based on a U.S. Census definition, its farebox recovery requirement is doubled. The inequity of this situation can be seen in Galt, where circumstances have not changed despite the urbanization designation in 2000. Several transit operators in similar situations include Santa Rosa Transit, Petaluma City Bus, and Tri Delta Transit (Contra Costa County). These operators supplement the farebox revenue with local sales tax funds and/or Regional Measure 2 (bridge toll) funds.

Agency	Past or Current Local Support	Farebox Recovery Rate					
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Elk Grove (e-tran) ¹	Yes	N/A	N/A	14.70%	16.50%	20.11%	18.37% ²
Sacramento County & Galt (SCT/Link)	No	9.96%	10.53%	9.58%	8.08%	8.83%	9.17%
City of Folsom (Folsom Stage Lines – and SRTD Gold Line) ³	Yes	4.26%	5.11%	4.55%	22.7% ⁴	19.59% ⁵	20.52%
Sacramento Regional Transit District <u>without</u> Measure A supplement	Yes	17.57%	19.20%	19.76%	22.73%	22.79%	23.82%
Sacramento Regional Transit District <u>with</u> Measure A supplement	Yes	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%

¹ e-tran began service in January 2005

² Rate without local support, with local support = 28.87%

³ Folsom FY 2005-06 through FY 2007-08 is for local service only without Light Rail Factored in to ratio

⁴ Includes local support, without local support = 17.45%

⁵ Includes local support, without local support = 18.91%