

## BOARD AGENDA

Wednesday, January 15, 2014  
CITY OF ARROYO GRANDE, CITY COUNCIL CHAMBERS  
215 E. Branch Street. Arroyo Grande, California  
3:30 p.m. to 5:00 p.m.  
(Ending time is approximate)

Chairperson: Jim Guthrie  
Director: Shelly Higginbotham

Director: Caren Ray  
Director: Bill Nicolls

Individuals wishing accessibility accommodations at this meeting under the Americans with Disabilities Act (ADA) may request such accommodations to aid hearing, visual, or mobility impairment by contacting the SCAT offices at 781-1338. Please note that 48 hours advance notice will be necessary to honor a request.

**NOTE:** Arroyo Grande City Offices are served hourly by SCAT Route 24.  
Please call 541-2228 for more information.

### CALL TO ORDER AND ROLL CALL

**PUBLIC COMMENTS:** This portion of the agenda is reserved for any members of the public to directly address the South County Area Transit Board on any items not on the agenda and within the jurisdiction of the Board. Comments are limited to three minutes per speaker. The Board will listen to all communication, but in compliance with the Brown Act, will not take any action on items that are not on the agenda.

### BOARD ADMINISTRATIVE ITEMS

ELECTION OF OFFICERS: Elect Chairperson and Vice Chairperson

#### A. INFORMATION AGENDA

A-1 Administrator's Report (Receive)

- A-2 Reserve Policy Discussion (Receive)
- A-3 Proposed Route Modifications: 22, 23 & 24 (Receive)

## **B. ACTION AGENDA**

- B-1 SCT FY14-15 Budget Assumptions (Adopt)

- C. CONSENT AGENDA: (Roll Call Vote)** the following items are considered routine and non-controversial by staff and will be approved by one motion if no member of the South County Area Transit Board or public wishes an item be removed. If discussion is desired by anyone, the item will be removed from the consent agenda and will be considered separately. Questions of clarification may be made by South County Area Transit Board members, without the removal of the item from the Consent Agenda. Staff recommendations for each item are noted following the item.

- C-1 SCT Minutes of October 23, 2013 (Approve)

## **D. DIRECTORS' COMMENTS**

## **E. EXECUTIVE COMMITTEE MEMBERS' COMMENTS**

## **ADJOURNMENT**

Next South County Transit Board meeting: **April 23, 2014**

## **SOUTH COUNTY TRANSIT**

**January 15, 2014**

### **STAFF REPORT**

**AGENDA ITEM:** A-1

**TOPIC:** Administrator's Report

**PRESENTED BY:** Geoff Straw

**STAFF RECOMMENDATION:** Information

#### **BACKGROUND/DISCUSSION:**

##### **Operations:**

Three new part time/casual Bus Operators have been hired since the October 2013 SCT Board meeting, as well as a temporary part-time Utility worker.

##### **Maintenance:**

SCT has not encountered any significant challenges meeting peak bus pull-out in the recent past since the new buses have been fully incorporated into revenue service. The four remaining 2003 buses have encountered some relatively long-term (though not especially expensive) repairs; none of those repairs have been of a nature that would require consideration of retirement/salvage.

##### **Marketing & Service Planning:**

Slight route changes are being proposed for Routes 22 and 23, and the staff report is included as Agenda Item A-3.

Staff is further developing logo concepts and will present those to the Board in conjunction with a bus stop improvement program during the April Board meeting. The bus stop improvement project has been delayed due to the delay in when the FTA 5339 capital program funds will become available (likely in March 2014). An update will be provided during the April meeting, since staff expects a call for projects to be issued by Caltrans in mid- to late-January.

##### **Finance and Administration:**

Staff has developed a "white paper" on development of a reserve fund policy, which is included in Agenda Item A-2. Four types of reserve funds are provided for presentation and discussion. Staff plans to bring a final recommended policy to the Board at its April 2014 meeting.

During the preceding quarter, staff worked closely with our TDA Performance Auditors, and expects to have drafts to review in April 2014. On January 21<sup>st</sup> and 22<sup>nd</sup> FTA reviewers will be on site conducting the FTA Triennial Review. Results from that process will be presented at the April meeting as well.

We have formally begun the internal budget-making process for FY2013-14. For this round of budgeting, SCT will be developing a two-year operating budget (first year financially constrained; second year for planning purposes), while also incorporating a rolling five-year capital plan. The budget assumptions are included in this agenda as item B-1. It is our hope that the SCT Board will formally adopt the FY2014-15 budget at its April 15, 2014 meeting.

July 2013 through November 2013 financial data is included in the tables on the ensuing pages. As shown, year-to-date operating expenses currently booked to South County Transit totaled 36.32% of the annual budget, yet we completed 41.67% of the year. Based on these strong financial results and no expected significant variations for the rest of the fiscal year, staff is not proposing any budget adjustments necessary as part of this mid-year review.

As depicted in the graphs and tables on the ensuing pages, year-over-year ridership growth in the first five months of FY13-14 has slowed slightly in comparison to previous year. In total, SCT provided 106,830 passenger-trips on regular year-round routes. During the same period last year, ridership totaled 105,817— equating to year-to-date increase of 1.0%. It should be noted that the FY12-13 and FY13-14 figures include the ridership boost experienced on the Summer Youth Ride Free program for a good apples-apples comparison. Current year-to-date productivity (a good measure of efficiency) totaled 19.05 in FY13-14 in comparison to 18.92 in FY12-13 – a very slight increase. The public subsidy per passenger-trip (a good measure of cost effectiveness) has increased from \$2.55 in FY12-13 to \$2.66 in FY13-14, although the overall farebox recovery ratio has stayed flat at 16.8%. Staff will continue to monitor these important metrics and seek to develop methods to increase ridership and farebox revenues while also maintaining or decreasing operating costs. Ridership on the seasonal Avila Beach Trolley service declined 3.3% over the same period (5,929 in comparison to 6,128 last year).

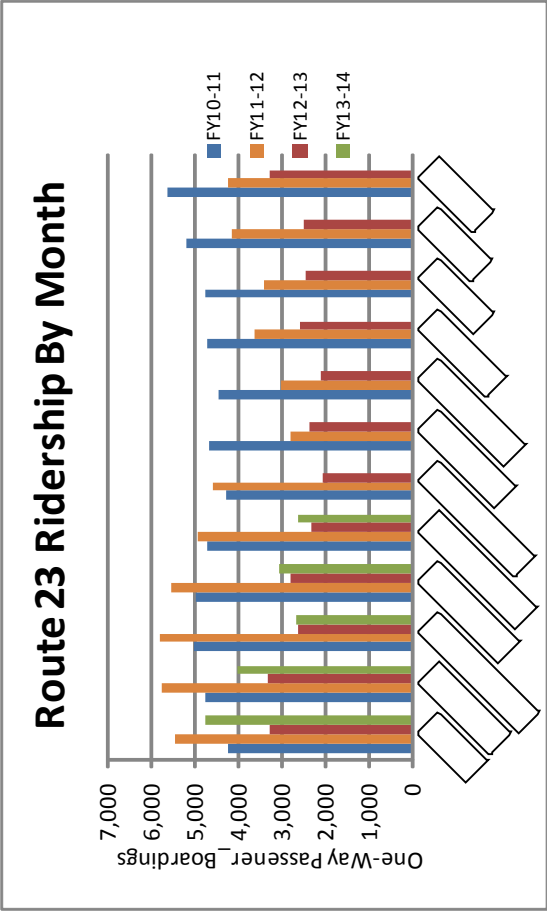
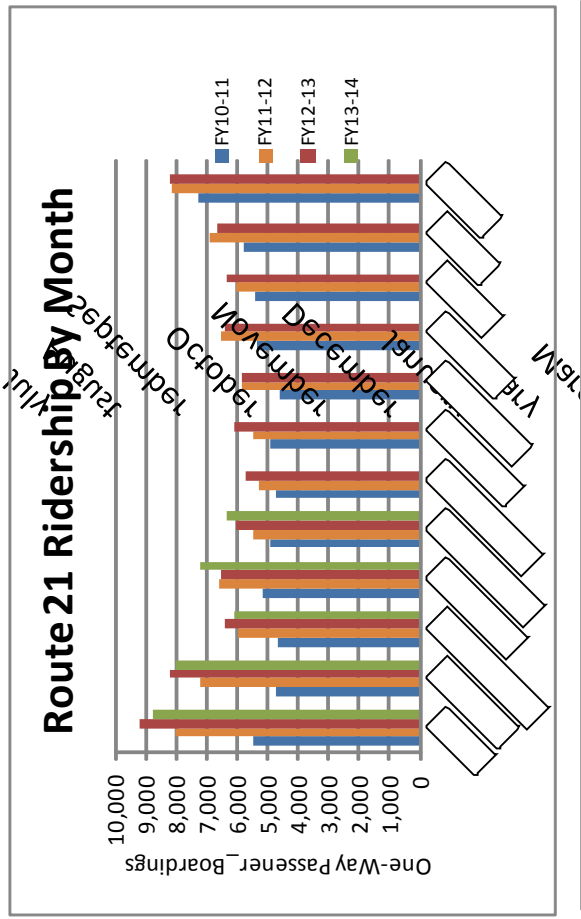
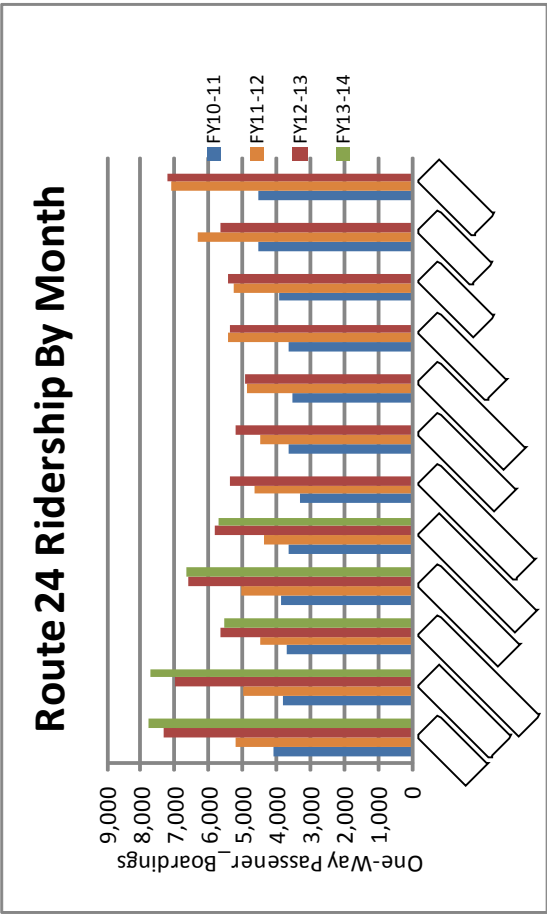
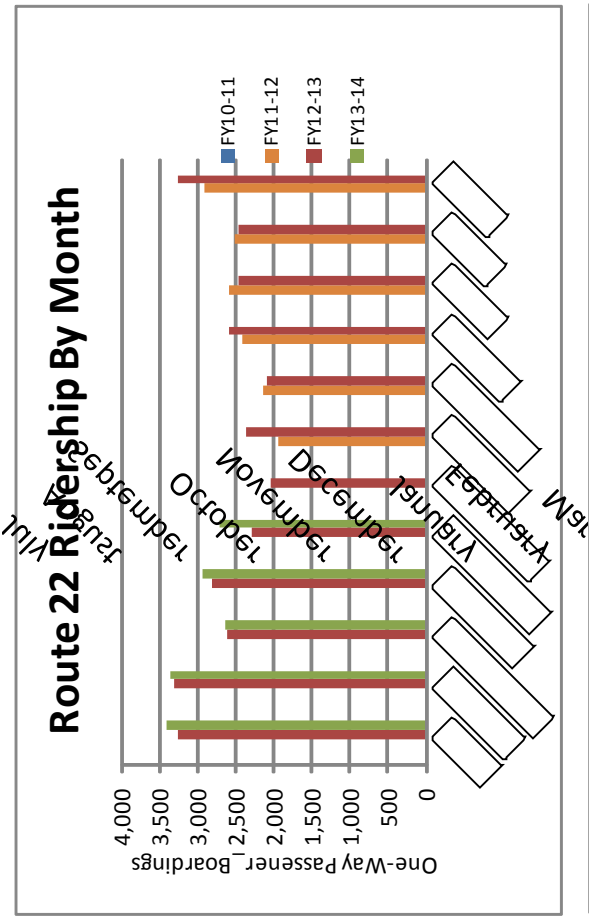
### **Summary of Driver's Forums**

Staff conducted an SCT Driver's Forum on December 19<sup>th</sup> at the SCT operating facility. Members of the management team included Coleen Kubel, Operations Manager Phil Moores, Maintenance Manager David Roessler, Marketing and Service Planning Manager Aimee Wyatt, and Administrative Assistant Anna Mafort. A variety of topics were discussed, including SCT proposed route changes, the status of bus 208, the farebox recovery ratio, and maintenance issues.

No Bus Operators requested that any unresolved issues from the Driver Forums be brought before the SCT Board.

### **STAFF RECOMMENDATION:**

Accept this as an information item.



1/6/2014

1:57 PM

**SOUTH COUNTY TRANSIT**  
**2013-14 Budget vs. Actual (unaudited)**

	<b>FY 13/14 Adopted</b>	<b>July 2013</b>	<b>August 2013</b>	<b>September 2013</b>	<b>October 2013</b>	<b>November 2013</b>	<b>Year to Date</b>	<b>Percent Year to Date</b>
<b>Use of Resources</b>								
<u>Administrative Expenditures</u>								
Insurance								
Liability & Physical Damage	<b>\$ 36,575</b>	\$ 2,504	\$ 3,545	\$ 2,494	\$ 2,502	\$ 2,502	\$ 13,547	37.04%
Workers Compensation	<b>27,245</b>	2,811	2,806	2,806	2,806	2,806	14,035	51.51%
Property Insurance	<b>640</b>	638	-	-	-	-	638	99.72%
Rent	<b>23,360</b>	1,955	1,955	1,955	1,955	1,955	9,775	41.85%
Utilities	<b>7,250</b>	613	544	712	746	548	3,162	43.62%
Radio Expense	<b>2,300</b>	-	-	48	103	103	254	11.04%
Legal Services	<b>500</b>	-	-	-	-	-	-	0.00%
Payroll Processing	<b>3,750</b>	259	251	251	259	244	1,265	33.72%
Administration	<b>63,500</b>	5,292	5,292	5,292	5,292	5,292	26,458	41.67%
Finance	<b>14,000</b>	2,328	6	1,167	1,167	1,167	5,833	41.67%
Office Expense/Miscellaneous	<b>6,250</b>	260	725	602	311	1,254	3,152	50.43%
Audit	<b>3,130</b>	-	-	2,780	-	-	2,780	88.81%
Marketing/Community Relations/Printing	<b>16,000</b>	-	1,230	-	519	-	1,749	10.93%
Uniforms/Laundry/Physicals/Ads	<b>5,750</b>	-	267	442	267	213	1,189	20.67%
<u>Operating Expenditures</u>								
Salaries/Benefits	<b>\$ 428,539</b>	\$ 32,475	\$ 32,506	\$ 31,831	\$ 31,022	\$ 30,040	\$ 157,875	36.84%
Maintenance	<b>128,450</b>	3,682	16,680	4,936	4,139	3,015	32,452	25.26%
Dispatch	<b>18,500</b>	1,542	1,542	1,542	1,542	1,542	7,708	41.67%
Sign Maintenance	<b>3,000</b>	-	-	-	-	-	-	0.00%
SCAT Bus Fuel	<b>210,104</b>	15,440	22,551	17,043	16,919	14,417	86,370	41.11%
Contingency	<b>15,000</b>	-	-	-	-	-	-	0.00%
<b>9 Total Operating Expenditures</b>	<b>\$ 1,013,844</b>	\$ 69,797	\$ 89,899	\$ 73,900	\$ 69,549	\$ 65,099	\$ 368,243	36.32%
<u>Capital Service</u>								
Support Vehicle	<b>\$ 50,000</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Vehicles (Three Buses)	<b>1,275,000</b>	-	-	1,247,550	-	5,305	1,252,856	98.26%
Facility Improvements	<b>7,000</b>	8,300	-	-	-	-	8,300	118.57%
Large Vehicle Repairs	<b>25,000</b>	-	-	-	-	-	-	0.00%
<b>Total Capital Service</b>	<b>\$ 1,357,000</b>	\$ 8,300	\$ -	\$ 1,247,550	\$ -	\$ 5,305	\$ 1,261,156	92.94%
<b>Increase Capital Reserves</b>	<b>\$ 81,415</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
<b>10 Total Use of Resources</b>	<b>\$ 2,452,259</b>	<b>\$ 78,097</b>	<b>\$ 89,899</b>	<b>\$ 1,321,450</b>	<b>\$ 69,549</b>	<b>\$ 70,404</b>	<b>\$ 1,629,399</b>	<b>66.44%</b>

**SOUTH COUNTY TRANSIT  
OPERATING STATEMENT BY ROUTE - WEEKDAY AND TROLLEY  
YEAR TO DATE THRU NOVEMBER 2013**

	RT 21 PISMO & SHELL BEACH	RT 22 OCEANO & GRAND AVENUE	RT 23 A.G. VILLAGE, A.G. H.S. & GRANDE AVE	RT 24 GROVER B. A.G. VILLAGE, PISMO & A.G.	RT 25 ROUTE 23 TRIPPER	TOTAL WEEKDAY SERVICE	AVILA BEACH TROLLEY
<b>REVENUES:</b>							
FARES	14,916	7,868	4,984	13,618	4,046	45,433	2,970
<b>TOTAL ROUTE REVENUES</b>	<b>14,916</b>	<b>7,868</b>	<b>4,984</b>	<b>13,618</b>	<b>4,046</b>	<b>45,433</b>	<b>2,970</b>
<b>EXPENDITURES:</b>							
ADMINISTRATION	9,073	3,484	4,702	9,052	510	26,821	2,590
MARKETING	387	149	201	386	18	1,141	216
OPERATIONS/CONTINGENCY	49,063	18,846	25,430	48,950	2,577	144,866	13,817
FUEL	17,901	9,199	10,908	19,609	1,222	58,839	7,073
INSURANCE	5,759	2,959	3,508	6,308	394	18,928	2,689
<b>TOTAL EXPENDITURES</b>	<b>82,184</b>	<b>34,637</b>	<b>44,749</b>	<b>84,305</b>	<b>4,720</b>	<b>250,594</b>	<b>26,385</b>
<b>FAREBOX RATIO</b>	<b>18.15%</b>	<b>22.72%</b>	<b>11.14%</b>	<b>16.15%</b>	<b>85.73%</b>	<b>18.13%</b>	<b>11.26%</b>
<b>RIDERSHIP</b>	<b>29,074</b>	<b>11,819</b>	<b>14,059</b>	<b>26,848</b>	<b>4,651</b>	<b>86,451</b>	<b>6,128</b>
<b>SERVICE MILES</b>	<b>18,928.63</b>	<b>9,723.00</b>	<b>11,528.70</b>	<b>20,733.03</b>	<b>1,285.20</b>	<b>62,198.56</b>	<b>9,009.00</b>
<b>SERVICE HOURS</b>	<b>1,385.76</b>	<b>532.10</b>	<b>718.00</b>	<b>1,382.55</b>	<b>72.76</b>	<b>4,091.17</b>	<b>433.42</b>
<b>RIDERS PER MILE</b>	<b>1.54</b>	<b>1.22</b>	<b>1.22</b>	<b>1.29</b>	<b>3.62</b>	<b>1.39</b>	<b>0.68</b>
<b>RIDERS PER HOUR</b>	<b>20.98</b>	<b>22.21</b>	<b>19.58</b>	<b>19.42</b>	<b>63.92</b>	<b>21.13</b>	<b>14.14</b>
<b>COST PER PASSENGER</b>	<b>2.83</b>	<b>2.93</b>	<b>3.18</b>	<b>3.14</b>	<b>1.01</b>	<b>2.90</b>	<b>4.31</b>
<b>SUBSIDY PER PASSENGER</b>	<b>2.31</b>	<b>2.26</b>	<b>2.83</b>	<b>2.63</b>	<b>0.14</b>	<b>2.37</b>	<b>3.82</b>

**SOUTH COUNTY TRANSIT  
OPERATING STATEMENT BY ROUTE - WEEKEND, TROLLEY, AND TOTAL  
YEAR TO DATE THRU NOVEMBER 2013**

	RT 21 - SAT PISMO & SHELL BEACH	RT 21 - SUN PISMO & SHELL BEACH	RT 22 - SAT OCEANO & GRAND AVENUE	RT 22 - SUN OCEANO & GRAND AVENUE	RT 23 - SAT A.G. VILLAGE, A.G. H.S. & GRANDE AVE	RT 23 - SUN A.G. VILLAGE, A.G. H.S. & GRANDE AVE	RT 24 - SAT GROVER B. A.G. VILLAGE, PISMO & A.G.	RT 24 - SUN GROVER B. A.G. VILLAGE, PISMO & A.G.	TOTAL WEEKEND SERVICE	TOTAL SCT ONLY SERVICE	TOTAL SCT AND AVILA SERVICE
<b>REVENUES:</b>											
FARES	2,608	1,763	1,438	1,047	725	493	2,423	1,601	12,100	57,532	60,502
<b>TOTAL ROUTE REVENUES</b>	<b>2,608</b>	<b>1,763</b>	<b>1,438</b>	<b>1,047</b>	<b>725</b>	<b>493</b>	<b>2,423</b>	<b>1,601</b>	<b>12,100</b>	<b>57,532</b>	<b>60,502</b>
<b>EXPENDITURES:</b>											
ADMINISTRATION	1,765	1,728	664	657	895	884	1,761	1,723	10,077	36,898	39,488
MARKETING	78	59	29	23	39	30	77	58	393	1,533	1,749
OPERATIONS/CONTINGENCY	9,643	8,995	3,611	3,421	4,867	4,605	9,620	8,971	53,734	198,599	212,416
FUEL	3,242	2,963	1,762	1,655	2,089	1,962	3,542	3,243	20,457	79,297	86,370
INSURANCE	1,039	965	565	537	670	637	1,135	1,055	6,604	25,531	28,220
<b>TOTAL EXPENDITURES</b>	<b>15,767</b>	<b>14,709</b>	<b>6,631</b>	<b>6,293</b>	<b>8,560</b>	<b>8,119</b>	<b>16,135</b>	<b>15,050</b>	<b>91,265</b>	<b>341,859</b>	<b>368,244</b>
<b>FAREBOX RATIO</b>	<b>16.54%</b>	<b>11.99%</b>	<b>21.69%</b>	<b>16.63%</b>	<b>8.47%</b>	<b>6.08%</b>	<b>15.02%</b>	<b>10.64%</b>	<b>13.26%</b>	<b>16.83%</b>	<b>16.43%</b>
<b>RIDERSHIP</b>	<b>4,407</b>	<b>3,066</b>	<b>1,869</b>	<b>1,365</b>	<b>1,754</b>	<b>1,244</b>	<b>4,058</b>	<b>2,615</b>	<b>20,378</b>	<b>106,829</b>	<b>112,957</b>
<b>SERVICE MILES</b>	<b>3,398.03</b>	<b>3,179.83</b>	<b>1,848.00</b>	<b>1,771.00</b>	<b>2,191.20</b>	<b>2,099.90</b>	<b>3,712.63</b>	<b>3,478.83</b>	<b>21,679.42</b>	<b>83,877.98</b>	<b>92,886.98</b>
<b>SERVICE HOURS</b>	<b>270.21</b>	<b>255.64</b>	<b>101.20</b>	<b>97.06</b>	<b>136.40</b>	<b>130.64</b>	<b>269.55</b>	<b>254.95</b>	<b>1,515.65</b>	<b>5,606.82</b>	<b>6,040.24</b>
<b>RIDERS PER MILE</b>	<b>1.30</b>	<b>0.96</b>	<b>1.01</b>	<b>0.77</b>	<b>0.80</b>	<b>0.59</b>	<b>1.09</b>	<b>0.75</b>	<b>0.94</b>	<b>1.27</b>	<b>1.22</b>
<b>RIDERS PER HOUR</b>	<b>16.31</b>	<b>11.99</b>	<b>18.47</b>	<b>14.06</b>	<b>12.86</b>	<b>9.52</b>	<b>15.05</b>	<b>10.26</b>	<b>13.45</b>	<b>19.05</b>	<b>18.70</b>
<b>COST PER PASSENGER</b>	<b>3.58</b>	<b>4.80</b>	<b>3.55</b>	<b>4.61</b>	<b>4.88</b>	<b>6.53</b>	<b>3.98</b>	<b>5.76</b>	<b>4.48</b>	<b>3.20</b>	<b>3.26</b>
<b>SUBSIDY PER PASSENGER</b>	<b>2.99</b>	<b>4.22</b>	<b>2.78</b>	<b>3.84</b>	<b>4.47</b>	<b>6.13</b>	<b>3.38</b>	<b>5.14</b>	<b>3.88</b>	<b>2.66</b>	<b>2.72</b>



## **SOUTH COUNTY TRANSIT**

**January 15, 2014**

### **STAFF REPORT**

**AGENDA ITEM:** A-2

**TOPIC:** Reserve Policy

**ACTION:** Information; Consideration in April 2014

**PRESENTED BY:** Geoff Straw  
Administrator

**STAFF RECOMMENDATION:** Receive

#### **BACKGROUND/DISCUSSION:**

This staff report presents preliminary recommendations on a formal SCT reserve policy and its various components. Staff intends to solicit input from the Board at the January 15, 2014 meeting to obtain further direction regarding reserve fund level(s), and to bring a final policy recommendation to the Board at its April 2014 meeting.

As identified by the Government Finance Officers Association (GFOA), accountants employ the term fund balance to describe the net assets of an agency's funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of agency funds calculated on an agency's budgetary basis. In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

Accountants distinguish reserved fund balance from unreserved fund balance. Typically, only the latter is available for spending. Accountants also sometimes report a designated portion of unreserved fund balance to indicate that the governing body or management have tentative plans concerning the use of all or a portion of unreserved fund balance.

It is essential that government agencies maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures). Fund balance levels are a crucial consideration, too, in long-term financial planning. In most cases, discussions of fund balance will properly focus on a government agency's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unreserved fund balance in the general fund. The GFOA recommends that government agencies establish a formal policy on the level of unreserved fund balance that should be maintained in an agency's general fund.

During the Fiscal Year 2013-14 budget making process, the SCT Executive Committee expressed a desire to update a formal reserve policy in order to provide financial stability and predictability for the SCT jurisdictions. In the discussion below, staff will present various types of reserves that have correlating goals.

The GFOA Best Practice recommendation is, at a minimum, that government agencies, regardless of size, maintain unrestricted fund balance (reserves) of no less than two months of regular general fund operating revenues or no less than 5% to 15% regular general fund operating expenditures – whichever is more predictable in a government agency's particular circumstances. Factors for the government to consider include:

1. The predictability of its revenues and the volatility of its expenditures,
2. The agency's perceived exposure to significant one-time outlays such as disasters, immediate capital needs, and State or Federal budget cuts,
3. The agency's liquidity, and
4. Prior commitments and assignments of funds.

It should be noted that the first two of the five specific reserve funds discussed below have been established by SCT staff in budget documents based on past practice rather than through Board policy. As such, staff is recommending that reserve funds be formally codified through policy for budget-making purposes and, more importantly, to guide decisions when either funding shortfalls or windfalls result in relatively large deviations from projections.

The five types of reserve funds that staff presents below include:

1. Cash Flow Reserve
2. Capital Projects Reserve
3. Operating Reserve
4. Self-Insurance Reserve
5. Budget Stabilization Reserve

Each reserve fund balance that is formally established should be reviewed annually during the budget development process to reflect the most recent financial information available. The allocations budgeted for these reserve funds would be included in the annual budget and the proposed use of any reserves would be accompanied, when feasible, with a plan for replenishment within a reasonable period of time.

Another important issue is the ability to move funds between the various reserve funds if necessary. Since it is likely that TDA funds would be the primary source to accumulate each fund, there would be flexibility inherent in each fund to temporarily move funds if required. For that reason, a reserve funds policy should identify methods for the Board to authorize staff to make adjustments between the various funds, as needed.

### Existing Cash Flow Reserve Fund

The current operating budget identifies cash flow requirements for FY13-14, and it is identified as “TDA Required Operating Reserve” in our budget documents. This line-item is essentially a Cash Flow Reserve and equates to one-quarter expenses less one quarter fare revenue. A Cash Flow Reserve is required because of two facts:

1. Transportation Development Act funds are disbursed quarterly, and those funds are provided by SLOCOG to SCT at the end of each quarter, and
2. FTA funds are provided on a reimbursement basis only.

In the future, staff will replace the term “TDA Required Operating Reserve” with “Cash Flow Reserve per TDA” in budget documents. Please note that the prior year Cash Flow Reserve is included in the beginning fund balance, and it is not accumulated from year to year. For FY13-14, the budgeted cash flow balance is \$208,586.

### Existing Capital Projects Reserve Fund

SCT has traditionally identified a capital projects reserve fund that represents the carryover of surplus funds to be used for future capital projects as outlined in the projected capital expenditures budget. For FY13-14, the budgeted “Equipment Replacement Reserve” balance is \$103,599. Again, this amount represents the carryover from the previous fiscal year (FY12-13), plus \$21,380 allocated in the FY 12-13 to increase capital reserves.

For future budget plans, staff is recommending that the Capital Projects Reserve be developed using a five-year annual average that is based on two components:

1. For small capital projects that are fully-funded using 100% local funds, staff will budget the entire amount.
2. For large capital projects that use external funding, staff will budget the local match amount after deducting the reasonably anticipated amount of external funds.

An alternative and potentially simpler methodology would be to merely calculate the average annual capital expenditures and multiply by the 20% local match required for most FTA-funded capital projects. Either way, using a five-year annual average helps normalize local funding requirements over the planning horizon.

Another important consideration in developing a formal Capital Projects Reserve policy is whether or not SCT should continue to assume 80% FTA cost-sharing on bus replacement and/or expansion purchases in light of uncertain future Federal funding. In the past, SCT has been successful in attaining Federal funds to partially or completely fund buses. The current federal transportation funding bill, known as Moving Ahead for Progress in the 21<sup>st</sup> Century (also known as MAP-21), has essentially eliminated discretionary Bus and Bus Facilities funds for these types of projects. MAP-21 ends on September 30, 2014, and State Proposition 1B bond funding is approaching the end of

its ten-year bond cycle. It should be noted that the cost of one completely locally-funded full-size bus is greater than the \$103,599 amount identified in the FY13-14 budget. For the time being, staff suggests that the 20% local match strategy continue; if there is a significant future change in Federal funding, the reserve policy would be amended.

#### Potential New Operating Reserve Fund

An Operating Reserve Fund equal to a percentage of the prior fiscal year actual operating expenses should also be considered. It could be used at the discretion of the Board to fund unforeseen operating costs not anticipated during the annual budget development process. An example would be a very large increase in the cost of fuel, which currently represents the second-highest line-item in the SCT operating budget.

As mentioned above, the GFOA has recommended two months' expenses to serve as an operations reserve, which rounds to approximately 15% of the annual operating budget. Since each SCT JPA member already maintains a jurisdiction-specific general fund operating reserve, the need for SCT to also have a full 15% operating reserve fund is mitigated somewhat. For that reason, staff suggests that the Board discuss the possibility of establishing a new Operating Reserve Fund equating to 10% of the budgeted fiscal year net operating cost (total operating cost less fare revenues); that new fund could be accumulated over a specified period with the caveat that no more than a maximum amount (i.e., \$10,000) is contributed annually limit the impact on each specific jurisdiction. Once the 10% Operating Reserve Fund level is attained, subsequent annual budget-making efforts would focus on adjusting the inputs as needed to maintain the 10% level. As an example, a 10% net Operating Reserve Fund would equate to approximately \$83,000.

#### Potential New Self-Insurance Reserve Fund

Currently, SCT does not self-insure any areas of liability coverage. However, we have the option of increasing our self insured retention with our carriers, which would reduce annual premium invoice. It should be noted that staff has not pursued increasing our deductible due to the lack of a Self-Insurance Reserve Fund and the challenges SCT has encountered in the past with cash flow. Should the Board wish staff to evaluate lines of insurance coverage and self insure for a portion of coverage, a Self-Insurance Reserve fund would need to be established to cover fluctuations.

#### Potential New Budget Stabilization Reserve Fund

This type of reserve is sometimes referred to as a "rainy day fund" and is very similar to an operating reserve. SCT has annually identified a "Contingency" in its operating budget, although this amount has typically been development in an ad hoc way. A true Budget Stabilization Reserve Fund is typically focused on an unexpected revenue shortfall caused by a disaster, a dire emergency (i.e., flood or earthquake), or a significant economic downturn. Given that the stabilization reserve ("rainy day fund") is an unallocated reserve, this reserve is not intended to be spent except during these dire circumstances. One option is to identify a portion (i.e., one-third of the suggested 15% Operating Reserve Fund) as the Budget Stabilization Reserve Fund that could only be used in the event of a major event.

## **SOUTH COUNTY TRANSIT**

**January 15, 2014**

### **STAFF REPORT**

**AGENDA ITEM:** A-3

**TOPIC:** Proposed Route Modifications: 22, 23 & 24

**PRESENTED BY:** Geoff Straw

**STAFF RECOMMENDATION:** Combine Routes 22 and 23 into one single route, and adjust Oceano service to be part of new Route 23 instead of Route 24.

### **BACKGROUND/DISCUSSION:**

South County Transit staff has conducted a focused effort to obtain customer and driver feedback about the route changes presented below. The recommended modifications will serve the public more efficiently, improve operations efficiencies, and reduce operating costs by over \$20,000 annually. Please see the attached DRAFT February 2<sup>nd</sup>, 2014 map/schedule with the small route changes noted.

### **Specific benefits of these changes include:**

1. Routes 22 & 23 will be combined into one new Route 23. This will eliminate a short redundant service corridor on along Grand between Oak Park Road and the Ramona Garden Park passenger facility (and back again). Time saved would be 8 minutes each hour. Additional hard cost savings from 1.2 mile per trip mileage reduction equates to approximately \$9,300 annually. <sup>[11]</sup>
2. The Oceano Airport bus stop, which is currently served by Route 24, would be serviced by Route 23 instead. This will allow Route 24 to get back to Ramona Gardens Park on time. Especially during summer months, Route 24 is often late, holding up the other two routes that are waiting for passenger transfers. Efficiency will be improved dramatically. Additional hard cost savings from mileage reduction equates to approximately \$11,600 annually. <sup>[21]</sup>
3. SCT currently has two bus stops in the Oceano Airport area. Combining these bus stops into one at the Oceano Park (the other stops are only one block away; both North and South) will allow Route 23 to provide passenger access to this area efficiently, reducing time at congested intersections. Time saved equates to approximately 2 minutes per hour.
4. With the adjustments to Route 23 discussed above, timed-transfers between the northbound RTA Route 10 bus and SCT Route 23 at the Halcyon Park & Ride will

now be accommodated. Customers have requested this ability to reliably transfer for years.

5. There are also additional benefits to the working environment for SCT Bus Operators: they now have virtually no time to get up out of their seats, complete paperwork, or take care of personal needs between routes.

**Specific disadvantages of these changes include:**

1. Oceano customers who may be accustomed to direct service via Route 24 from areas like Wal-Mart will now have to transfer to Route 23. There is almost no change to the outbound trips, besides having to transfer from Route 23 to Route 21 or Route 24 at Ramona Garden Park. This impact appears to be minimal, as most customers that ride from Oceano appear to have primary destinations at the Arroyo Grande Hospital and the Arroyo Grande Village, also served by Route 23.
2. A small number of customers from the first half of Route 23 that might wish to travel to the two bus stops along Grand Avenue (16<sup>th</sup> & 13<sup>th</sup>) will have to walk from the closest stop at Oak Park & Grand, or transfer to/from Route 21 or Route 24.
3. The map/schedule with a single route “double loop” will be somewhat confusing to new passengers. Extra notation will be added to the map to try to minimize confusion (see attached new draft map/schedule).

**Staff Recommendation**

Support staff’s recommendation to revise the routes as presented, to be implemented on Sunday February 2, 2014.

[6]

## **SOUTH COUNTY TRANSIT**

**January 15, 2014**

### **STAFF REPORT**

**AGENDA ITEM:** B-1

**TOPIC:** Fiscal Year 2014-15 SCAT Budget Assumptions

**ACTION:** Review and Approve

**PRESENTED BY:** Geoff Straw, SCT Administrator

#### **EXECUTIVE COMMITTEE RECOMMENDATION:**

#### **BACKGROUND:**

Each year in connection with the annual budget process, staff reviews SCT operations to determine what operational changes will be recommended for implementation in the following fiscal year. Based on those recommended changes, staff develops the operational data, revenue and cost projections for presentation in the proposed Operating Budget. For Fiscal Year 2014-15, there are no significant operational changes that are proposed for Board consideration.

The following are the staff recommended FY14-15 Budget Assumptions that will provide staff the necessary policy guidance to prepare the appropriate operating and capital program for presentation to the Board at its April meeting.

#### **Objectives**

- Maintain service levels and hours of service that meet the demand of our customers and communities through the effective and efficient delivery of SCT Fixed Route, Senior Shuttle and Trolley services.
- Develop a Strategic Business Plan detailing goals and objectives, as well as a means to monitor performance.
- Continue to increase reserves for the FY14-15 budget cycle, implementing a formal reserve policy.
- Continue to work with the SLOCOG Efficiencies Committee in evaluating region-wide service efficiencies, particularly those that will help SCT achieve the required 20% farebox recovery ratio.

- Develop a long range Service Improvement Program (SIP) to deploy service improvements and focus on the opportunities for additional service as well as providing efficiencies in the provision of service.

## **BUDGET ASSUMPTIONS**

### **Revenue**

- Although staff is reviewing a potential fare increase in FY14-15 to assist SCT in achieving the TDA-mandated 20% farebox recovery ratio, we anticipate that the overall impact will be negligible due to ridership losses that would occur with a fare increase. As such, staff is assuming no overall growth in fare revenues for FY14-15.
- SCT received just under \$103,000 in STA funding in FY13-14. Staff will work with SLOCOG staff to determine a conservative figure for FY14-15.
- Federal Transit Administration (FTA) Section 5307 operating funding will be budgeted at \$400,000.
- TDA revenue will be budgeted at approximately \$390,000. In comparison, the FY12-13 budget was \$677,788, prior to SCT receiving FTA Section 5307 funds.
- Staff will continue to research and evaluate new revenue resources should any potential shortfall in operating revenues arise. If we are unable to secure funding, staff will recommend that the Board consider adjusting the TDA allocation from the three cities and the county.

### **Expenses**

- Service levels, number of revenue service hours, miles and span of service for fixed route and the senior shuttle will be budgeted at current levels.
- The Avila Beach Trolley will operate from late-April 1<sup>st</sup> through mid-October Thursday through Sunday, similar to what was implemented in April 2012.
- Fuel consumption and price will be budgeted conservatively; diesel fuel will be budgeted at \$4.25 per gallon (same as the last two fiscal years).
- SCT staff will continue to work with other transit agency staff to achieve feasible economies of scale in transit services.
- CalTIP liability insurance premiums may increase by up to 10%. The exact amount is not known at this time as CalTIP actuaries are still working on 2014/2015 rates. Estimates should be received from CalTIP in time to include in



the SCT April 2014 draft budget. Staff will present the attachment (page B-1-4) regarding the cost comparison of CalTIP rates versus the open market.

- Health insurance premiums are projected to increase 8% in comparison to current rates. This will have a minimal impact on the budget due to the low number of employees under the plan. At this time, the Affordable Care Act has no impact on the budget, since SCT employs fewer than 50 employees. Nonetheless, staff will continue to monitor legislation should that provision change.
- Operations facility rental costs will increase by 8.7% based on the lease agreement that was executed with SLO County on July 1, 2011.
- The SCT Administration/Maintenance contract with RTA has not increased since FY 2011-12. As part of the SCT and RTA budget making process, staff will be evaluating the pass-through charges, with a minimum CPI increase projected.
- A new wheelchair-accessible minivan was budgeted in FY13-14 using FTA Section 5339 capital funding (\$40,000, plus \$8,000 in TDA local matching funds) to replace a worn-out minibus currently used to shuttle employees and to transport missed passengers. Due to Federal and State funding delays, this project may be rolled over to FY14-15, including rolling over the TDA funds already requested to complete the project.

## **BUDGET CALENDAR**

January 15	Board review and approval of FY15 budget assumptions
April 8	Draft FY15 Budget presentation to Executive Committee
April 23	Final Board Budget presentation and Board adoption of FY15 Budget
May - June	SLOCOG notifies all JPA members of TDA allotment for member agency budget consideration
July 1	Start of new fiscal year

## **Staff Recommendation**

Approve budget assumptions and budget calendar so that a detailed work plan and budget document may be developed.

# CalTIP Member Results

					Low <	--	> High	Low	High
		Revenue	CalTIP	Cost Per				Cost Per	Cost Per
Member	SIR / Limit	Miles	Total 13/14	1000 Rev. Miles	Commercial Insurance Range			1000 Rev. Miles	1000 Rev. Miles
CCCTA	\$25,000 / \$20mil	3,075,665	\$ 261,972	\$ 85.18	\$ 315,236		\$ 364,463	\$ 102.49	\$ 118.50
PORTERVILLE	\$25,000 / \$10mil	425,000	\$ 74,756	\$ 175.90	\$ 74,441		\$ 156,171	\$ 175.16	\$ 367.46
SANTA CRUZ	\$25,000 / \$20mil	4,262,000	\$ 343,768	\$ 80.66	\$ 425,119		\$ 455,907	\$ 99.75	\$ 106.97
WHITTIER	\$25,000 / \$20mil	220,000	\$ 40,981	\$ 186.28	\$ 48,417		\$ 167,825	\$ 220.08	\$ 762.84
TOTALS		7,982,665	721,477	\$ 90.38	\$ 863,213		\$ 1,144,366	\$ 108.14	\$ 143.36
AVERAGE	\$25,000 / \$20mil	1,995,666	\$ 180,369	\$ 90.38	\$ 215,803		\$ 286,092	\$ 108.14	\$ 143.36

Keep in Mind a few things:

- ☐ Underwriting is an 'Art' as much as a Science.
- ☐ The Market's Appetite Changes from time-to-time.
  - ✓ The LOW figures reflect the Market **without** any Minimum Premiums by layer; just ISO 'Loss Costs' - - an unlikely pricing plan if the Insured were not part of a larger Group Purchase.
  - ✓ The HIGH figures reflect the Market **with** 'reasonable' Minimum per Layer; what a carrier would have to charge if underwriting this size of risk as a Standalone Placement.
- ☐ Although a Large Member would very likely have a \$250,000 SIR as their lowest offered attachment, it is unlikely that a smaller Member could secure coverage with an attachment below \$25,000 (The losses it that Layer would ADD to their Insurance Costs.

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## Evaluating the Less Measurable:

- ✓ Litigation Management/Contractual Risk Transfer
- ✓ CalTIP Education Reimbursement Fund
- ✓ Risk Control Field Service Program
- ✓ Bus Operator Selection Survey program
- ✓ SAMBA Fleetwatch – Electronic Employee Pull Notice Program
- ✓ Online risk control training videos and webinar services
- ✓ EPLI Helpline
- ✓ Retrospective Adjustments/Dividends

**SOUTH COUNTY TRANSIT  
MINUTES OF OCTOBER 23, 2013 BOARD MEETING  
RAMONA GARDEN PARK MEETING ROOM  
C-1**

Directors Present:	Jim Guthrie, Chairperson	City Council Member, Arroyo Grande
	Shelly Higginbotham	Mayor, Pismo Beach
	Bill Nicolls	City Council Member, Grover Beach
	Caren Ray	County Supervisor, District 4

Directors Absent: None

Staff Present:	Geoff Straw	Administrator
	Coleen Kubel	SCT Lead Operations Supervisor
	Phil Moores	Manager, Operation
	Tania Arnold	RTA CFO and Director of Administration

**CALL TO ORDER AND ROLL CALL:** Chairperson Jim Guthrie called the meeting to order at 1:34 p.m. Roll call was taken; a quorum was present.

**PUBLIC COMMENT:** Chairperson Guthrie asked for public comment on non-agenda items.

Chairperson Guthrie closed public comment.

**BOARD ADMINISTRATIVE ITEMS:**

**A. INFORMATION AGENDA:**

**A-1 Administrator's Report:** Mr. Geoff Straw thanked the Board for participating in the ribbon cutting ceremony that immediately preceded the Board meeting. Mr. Straw reviewed the joint procurement process for the next vehicle, with Gillig being the successful bidder, although prices have increased as discussed in agenda item B-1. Over the next month will likely hire two or three new part-time bus operators.

Mr. Straw reviewed marketing and service planning items including the potential service changes to Route 23 that have been discussed during the driver forums and Executive Committee meeting. At this point, staff is going to hold off on changes until further analysis is completed. The summer Youth Ride Free program is discussed in more detail as part of agenda item B-2. Mr. Straw noted that October is Rideshare month and SCT is participating in Transit Tuesday, offering free rides during the five Tuesdays during the month of October. Regarding bus stop maintenance, during the January 2014 meeting the bus stop assessment will be reviewed and recommendations for bus stop sign replacement will move forward after that time. Mr. Straw noted that the Board members were provided a copy of the Avila Beach Trolley Rider Survey report that will be used in reaching out to partners to continue the service.

**Mr. Straw** continued to the finance and administration items, noting the early completion of the annual fiscal and compliance audit. One item to note that is of concern continues to be the farebox recovery ratio. Staff will present a plan to address the farebox recovery ratio challenges to the SCT Executive Committee in January and will include a discussion of the problem, a range of alternatives, and a recommended action. Once endorsed by the Executive Committee it will be included in the budget assumptions presented to the full Board in January.

**Mr. Straw** discussed various operating statistics as included in the report, making special note of the productivity information that had significant increases. The ridership graphs on page A-1-5 were reviewed, noting the unusual ridership trends by month. **Mr. Straw** noted current year financial performance is in line with budget; ridership continues to see growth, also evident in productivity. Preliminary September farebox recovery numbers look to be ahead of prior years.

The current status of the ITS project was reviewed by **Mr. Straw**, currently delayed until approximately January 2014 due to funding delays. Also included in the Board packet is a copy of the Federal Transit Administration programming of projects (POP) which was completed a bit differently this year, looking at long term projects while keeping in mind priorities of maximizing dollars for operating, thereby minimizing the need for local TDA funding.

**Director Shelly Higginbotham** asked for clarification regarding Route 23 and the impact to farebox recovery. **Mr. Straw** noted that in January 2012, Route 23 was split into Routes 22 and 23. The combined Route 22/23 ridership information may be a bit inflated compared to the previous Route 23 ridership because some passengers are now required to transfer which has resulted in two one-way trips, and transfers are free. **Mr. Straw** also noted that it may be recommended to combine the routes again when service recommendations are reviewed by the Board in January 2014.

**Mr. Straw** noted the drivers forums have been successful with their less formal format, with no unresolved issues requested to be brought before the Board. They began on a monthly basis and will likely continue on a quarterly basis. **Director Higginbotham** noted that the cell phone policy was reviewed during two of the meetings. **Mr. Straw** noted that the policy was more stringent at first, then reviewed and revisions were made. **Mr. Phil Moores** added that the policy was amended to allow drivers to have cell phones turned on, but they must be out of reach while driving the bus.

**Mr. Straw** concluded his report.

**Chairperson Guthrie** opened Board and public comment.

**Mr. Adam Ayers** asked for clarification regarding the ITS program and the direction staff is heading with the program. **Mr. Straw** added that staff is looking at systems that would provide information on the internet, smart phones, and bus stops. It also has some added security with the camera system, as well as coordinating with the head signs. Information will also be available to the dispatch staff on a real time basis. **Mr. Ayers** reiterated his understanding of how the information would greatly improve the dispatching function, requiring much less radio communication.

**Chairperson Guthrie** closed Board and public comment.

## **B. ACTION AGENDA**

**B-1 Vehicle Procurement Amendment:** **Mr. Straw** reviewed the request to increase the previously authorized amount for the next replacement bus. To get all the equipment, including electronic farebox and ITS features, as well as accounting for overall price increases, staff needs to increase the authorized amount. **Mr. Straw** confirmed that the procurement would not require any additional local TDA funding from the jurisdictions.

**Mr. Straw** concluded his report.

**Chairperson Guthrie** opened Board and public comment.

**Chairperson Guthrie** closed Board and public comment.

**Director Higginbotham** moved to approve the increase in the maximum procurement amount up to \$475,000 for one thirty-five foot low-floor bus to be purchased from Gillig Corporation. **Director Bill Nicolls** seconded the motion and the motion carried on a roll call vote.

**B-2 Analysis of Summer Special Services:** **Mr. Straw** discussed the analysis of the summer services, including Youth Ride Free which was available throughout the County this summer. Overall the statistics were an improvement over the prior summer, including the average fare per passenger. The concern is that the SCT system is not meeting the mandated 20% farebox recovery ratio, and if the Youth Ride Free program should be revised to a shorter time period in the future. **Mr. Straw** noted that staff is not sure yet if what that time period would be, it will be included in the farebox discussion for the January 2014 Board meeting.

**Mr. Straw** also reviewed the Beach Trolley that is funded by the County and operated by SCT. It is partially funded by the Avila Beach Foundation. Due to the increase in the farebox ratio requirement now that the area is subject to twenty percent, additional funding is needed from the Avila Beach Foundations, the Conference and Visitors Bureau, and/or the Premium Outlets. Ridership is doing well. Staff will also be looking at service options, such as running the service to Ramona Garden Park and/or into the Village of Arroyo Grande. **Mr. Straw** stated that staff recommends the service be continued but other funding partnerships need to be pursued.

**Mr. Straw** concluded his report.

**Chairperson Guthrie** opened Board and public comment.

**Director Nicolls** noted the Youth Ride Free program should continue and would like staff to find a way to make it work.

**Director Caren Ray** asked if staff knows why the ridership jumped, if it is due to parents riding with their children or other factors. **Mr. Straw** advised that staff is unable to determine any specific reason why there was an increase. Staff is currently completing a customer perception survey that may aid in the analysis, providing

baseline information. SCT may also be saturated with youth riders already in comparison to RTA during the summer months.

**Chairperson Guthrie** noted that it is being reviewed, no decision is being made.

**Ms. Coleen Kubel** added that one key item related to the discussion of Youth Ride Free and the service period is that it currently is being operated when school is in session, which leads to free rides on very productive trips used by the students when school is in session.

**Chairperson Guthrie** asked why the Avila Beach Trolley is not up for much discussion. **Mr. Straw** noted that it is a County service and unless SCT states they are unwilling to operate it, funding it is a decision for the County.

**Director Higginbotham** inquired if the Avila Beach Trolley is required to have a twenty percent farebox. **Ms. Eliane Wilson** noted that if the Avila Beach Trolley was integrated with the SCT services, the farebox would factor into the twenty percent requirement. **Director Higginbotham** also wanted clarification regarding the Youth Ride Free program, such as peak days of the week and reviewing charging for chaperones for youth groups. **Mr. Straw** noted that parents were required to pay but chaperones were not to try and encourage ridership.

**Chairperson Guthrie** closed Board and public comment.

**Director Ray** moved to have staff bring a detailed analysis of the Youth Ride Free program along with any recommendations to the January 2014 meeting, and have staff work on securing additional funding opportunities for the Beach Trolley. **Chairperson Guthrie** seconded the motion and the motion carried on a roll call vote.

#### **C. CONSENT AGENDA:**

**Chairperson Guthrie** opened Board and public comment on any items listed on Consent.

**Director Higginbotham** moved to approve item C-1. **Director Nicolls** seconded the motion and the motion carried on a voice vote with Director Ray abstaining.

**D. DIRECTORS' COMMENTS:** **Director Nicolls** asked for clarification regarding the name change issue. **Mr. Straw** noted that it will be brought back in January 2014 with the logo ideas for bus stop sign replacement/maintenance. **Director Higginbotham** welcomed Director Ray, and thanked staff for a job well done on the ribbon cutting. **Chairperson Guthrie** noted that at this time the Board does not have a Vice Chairperson but the election of officers will occur during the January 2014 meeting.

Discussion ensued regarding the date for the next Board meeting due to conflict with the FTA Triennial Audit. Consensus was reached regarding January 15, 2014, with the Executive meeting on January 7, 2014.

#### **E. EXECUTIVE COMMITTEE MEMBERS' COMMENTS: None**

**F. ADJOURNMENT:** The meeting was adjourned at 2:17 p.m.

Respectfully submitted, Tania Arnold, CFO and Director of Administration