



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)  
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AGENDA  
MEETING MINUTES\*  
FEBRUARY 8, 2018 – 10:00 AM  
METRO ADMIN OFFICES  
110 VERNON STREET  
SANTA CRUZ, CA 95060**

A Finance, Budget and Audit Standing Committee Meeting was convened on Thursday, February 8, 2018 at METRO's Admin offices at 110 Vernon Street, Santa Cruz, California. The Meeting Agenda Packet can be found online at [www.SCMTD.com](http://www.SCMTD.com) and is available for inspection at METRO's Administrative offices at 110 Vernon Street, Santa Cruz, California. \*Minutes are "summary" minutes, not verbatim minutes. Audio recordings of Board meeting open sessions are available to the public upon request.

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**COMMITTEE ROSTER**

Director John Leopold, Committee Chair	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Cynthia Mathews	City of Santa Cruz
Director Oscar Rios	City of Watsonville
Julie Sherman	METRO District Counsel

**MEETING TIME: 10:00AM**

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

**CALL TO ORDER**

Meeting was called to order at 10:05 AM by Committee Chair Leopold

**ROLL CALL:** The following Directors were **present**, representing a quorum:

<b>Director Cynthia Mathews</b>	<b>City of Santa Cruz</b>
<b>Director Leopold</b>	<b>County of Santa Cruz</b>
<b>Director Oscar Rios</b>	<b>City of Watsonville</b>

Director Donna Lind, City of Scotts Valley, was absent.

METRO EMPLOYEES AND MEMBERS OF THE PUBLIC WHO VOLUNTARILY INDICATED THEY WERE PRESENT (IN ALPHABETICAL ORDER) THROUGH A SIGN IN SHEET OR VERBAL INTRODUCTION WERE:

Ciro Aguirre, METRO  
Donna Bauer, METRO  
Wes Guild, VMU  
Pete Rasmussen, METRO

Angela Aitken, METRO  
Mario Torres, UTU  
Matt Marquez, METRO  
Julie Sherman, METRO District Counsel

**COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE**

Hearing none, the Committee Chair moved to the next agenda item.

**ADDITIONS OR DELETIONS FROM AGENDA / ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS**

Hearing none, the Committee Chair moved to the next agenda item.

**DIRECT STAFF TO PRESENT AN INITIAL PASSENGER FARE RESTRUCTURING ANALYSIS AND CONCEPTS TO THE BOARD OF DIRECTORS AT ITS FEBRUARY 23, 2018 MEETING**

Barrow Emerson, Planning and Development Manager

Barrow Emerson, Planning and Development Manager, gave an overview of the analysis on fare restructuring presented to the Board of Directors on January 26, 2018. He provided the attached "FY19 Fare Increase Scenarios" to discuss two concepts.

The first concept compares a 25 cent versus a 50 cent base fare increase. Gross revenue created would be approximately \$1M and \$2M, respectively. Associated costs on Fixed Route service could reduce those revenues by 5% for the 25 cent scenario and 10% for the 50 cent scenario. Directors Leopold and Rios recommended reviewing data from previous METRO rate increases to yield a more accurate adjustment to METRO's ridership loss. Director Rios raised the concern that in the past, METRO raised fares but then cut service. Mr. Emerson replied that while other agencies have raised fares and cut service on the same day, METRO avoided doing that.

The second concept provides strategies that can provide financial savings for various sub-segments of METRO's ridership.

- Increase base fare but decrease the multiplier on the day pass to provide a break in the cost to the rider. This would encourage ridership and provide relief to riders who need to make multiple connections.
- The next three options on the chart are intended to reduce the number of riders paying with cash by providing discounts for using passes, SMARTCARDS, and/or Cruz Cash Card. Reductions in cash payments could help METRO reduce its operating costs.
- Create a 20-trip youth pass at a lower price than the monthly pass to attract younger riders and meet their use patterns.  
Create revenue to fund increased service. The current Hwy. 17 Express 31-day pass is priced at a 50% discount (comparable commuter bus operations provide only 25-33% discounts). We suggest lowering the discount to a comparable rate and pricing it at 25 or 30 trips. That increase in revenue would be enough to provide three to six one-way trips a day in the Hwy. 17 corridor. Director Leopold inquired if there was data on where Hwy. 17 riders go after riding the Express. Mr. Emerson replied that Planning can review the surveys from Hwy. 17 riders and provide that data at the upcoming Board meeting.

Mr. Emerson emphasized that additional funding is needed to maintain the current level of bus service provided today. However, there is an opportunity to improve customer convenience, amenity and experience through modernizing fare payment products and methods. An advantage to moving away

from paying cash will improve the overall experience for all riders—decreasing boarding times; meeting timelines; and implementing more service. Director Leopold suggested the new brochure distributed at the January Board meeting should include “METRO added service” to emphasize that was a positive action.

On the technology side, METRO is looking at a one-way Hwy. 17 fare set up, change card, mobile ticketing, and an account based system. We’re also pursuing Automatic Vehicle Locator (AVL) which will give real time arrival information and allow more efficient service planning and operations.

Mr. Emerson laid out a rough timeline of events in order to achieve the fare restructuring and introduction of the technology. Discussion ensued on whether the technology should be introduced at the same time the fares are increased as a package deal or at a subsequent time. Mr. Emerson reminded everyone that the ideas being proposed could be implemented without any technology advances but would be reviewed again once we receive feedback in the Fall on the pricing of the technology and how long it will take to implement.

Concern was expressed on the effect this process will have on the budget. Angela Aitken, Finance Manager, responded that if the fare restructure is approved in May, the changes to the fare structure would not start until at least January 2019. Therefore there could be limited assumptions about increased fare revenue in FY19.

Director Rios liked the incentives being discussed. He inquired about messaging to the public—when and how will that take place so the public knows in advance a change is coming and how it will benefit them. Ms. Aitken said we can start advertising and communicating to customers that improvements will be coming once we have selected technology improvements. Ciro Aguirre, Chief Operating Officer, responded that AVL will make a positive impact on our community by allowing riders a better tool in scheduling their trips.

Mr. Emerson added we are currently doing surveys on what people need given their use patterns and desires as well as technological capacity. An informal public outreach will begin after the February Board of Directors meeting through open houses, speaking engagements with stakeholder groups, and disseminating information on the buses.. In March staff will deliver to the Board fare restructuring recommendations. Staff will then start the formal public comment period including four public meetings prior to returning to the Board on May 18<sup>th</sup> with a final recommendation of fare restructuring.

The Directors recommended that in addition to getting information from patrons, the public needs to understand the system faces a growing deficit and needs to increase its resources so there is long term sustainability. Mr. Emerson suggested the information presented to the Board of Directors in January on this topic will be the basis of the presentations as well as the introduction for online and written materials.

There were no public comments.

By mutual consent of members present a recommendation was made to direct staff to present an initial passenger fare restructuring analysis and concepts to the Board of Directors at its February 23, 2018 meeting.

Committee Chair Leopold adjourned the meeting at 10:55 AM.

Respectfully submitted,

Donna Bauer  
Administrative Assistant

# Attachment

FY19 Fare Increase Scenarios					
#	Scenarios	Usage Figures	Gross Revenue Increase	Net Revenue Increase w/ Ridership Loss <small>* Assumed 5% for 25C scenarios and 10% for 50C scenarios</small>	Loss Compared to Base Scenarios
	12.5% increase on base fare and all passes (.25C base fare increase)	44% of boardings pay cash base fare	\$993,421	\$885,319	NA
	25% increase on base fare and all passes (.50C base fare increase)		\$2,013,915	\$1,773,010	NA
	12.5% base fare increase w/ 2.5x day pass value				\$60,516
	25% base fare increase w/ 2.5x Day Pass value	9% of boardings use a day pass			\$67,522
	12.5% base fare increase w/ 2x Day Pass value				\$121,032
	25% base fare increase w/ 2x Day Pass value				\$135,047
	12.5% base fare increase w/o Changes to Current Passes	56% of boardings are w/ a pass			\$456,966*
	25% base fare increase w/o Changes to Current Passes				\$1,234,155*
	12.5% base fare increase w/o Changes to Smartcard Fares	266,954 boardings occurred w/ smartcards in FY 17			\$56,928
	25% base fare increase w/o Changes to Smartcard Fares				\$93,388
	10% Extra Value on Stored Cash Card Purchases	7,149 stored value cash cards sold in FY 17			\$15,855
	12.5% base fare increase w/ 20 Ride Youth Pass	3,205 youth 31-day passes sold in FY 17			TBD
	25% base fare increase w/ 20 Ride Youth Pass				TBD
	12.5% base fare increase ONLY ON LOCAL BUSES w/ HWY 17 31-Day pass value changed to 30x	28% of HWY 17 boardings occurred with a 31-day pass in FY 17			\$171,018 into service
	25% base fare increase ONLY ON LOCAL BUSES w/ HWY 17 31-Day pass value changed to 30x				\$171,018 into service
	12.5% base fare increase ONLY ON LOCAL BUSES w/ HWY 17 31-Day pass value changed to 25x				\$79,073 into service
	25% base fare increase ONLY ON LOCAL BUSES w/ HWY 17 31-Day pass value changed to 25x				\$79,073 into service