

REPORT TO SHASTA COUNTY RTPA

SUBJECT	MEETING DATE	ITEM NUMBER
Consider Request from the Redding Area Bus Authority (RABA) to Reduce Permanently the Minimum Farebox Ratio to 16.5%	2/26/2002	7

RECOMMENDATION

It is recommended that the Agency approve the attached resolution to reduce the fare revenue ratio to operating costs to 16.5% for 2001-2002, 17.5% for 2002-2003, 18.5% for 2003-2004 and 19% for fiscal years thereafter.

SUMMARY

RABA has requested relief from the RTPA-adopted 19% farebox requirement. Agency approval is required to accommodate this request.

DISCUSSION

Generally, transit operators in urban areas are required to achieve a 20% farebox ratio as a condition of receiving TDA revenues. In the event of non-compliance, the TDA Manual provides a process of calculating and assessing penalties in the form of reduced future TDA eligibility.

California Code of Regulations Section 6645.1 provides that the RTPA can reduce the required farebox ratio to 15% subject to the Agency considering certain factors. RABA has made a request that the farebox standard be reduced to 16.5% permanently. This request was made to the RTPA in the form of a letter from Rod Lindsay, RABA Chair, dated February 11, 2002 (attached).

This request is based upon increased costs incurred by RABA due to the increase in the minimum wage, a new labor agreement between Forsythe and Associates and the Teamsters and increases in fuel costs. According to RABA these costs increases will cause the farebox ratio to decrease to about 16.5%.

The Staff recommendation differs from the action requested by RABA in that the Staff recommendation contemplates RABA taking actions that will cause the farebox ratio to return to the adopted 19% target. This will involve RABA making some tough decisions decreasing costs and/or increasing fare revenues to avoid penalties. The RABA request is to reduce the farebox requirement to 16.5% permanently. This recommendation is consistent with action taken by the Agency in 1998 reacting to a request by RABA for relief from the statutory farebox standard. At that time the farebox standard was reduced to 15% temporarily with annual increases until 1999-2000. The standard for that year was (and remains) 19%.

For the most recent year completed RABA incurred operating costs of \$3,130,853 and collected \$591,038 in fares resulting in a fare ratio of 18.88%. Assuming that RABA's request was granted RABA could potentially increase costs by \$450,000 and still meet the 16.5% request. This is not to imply that RABA would arbitrarily increase costs but is presented to make the Agency aware of the potential impacts of their eventual decision. This potential increase in costs

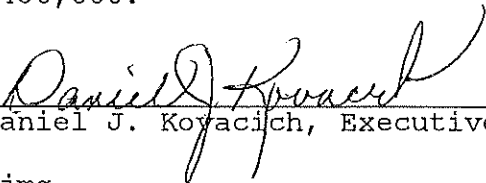
RABA Farebox Item/Item #7
February 26, 2002
Page 3

OTHER AGENCY INVOLVEMENT

This item was discussed briefly at the Technical Advisory Committee (TAC) meeting. Due to time constraints of not receiving the request letter local agencies have not had the opportunity to comment on this Staff report. A letter has been received from the County and is included with this item.

FINANCING

The impact of reducing the farebox ratio will be a potential increase in the TDA subsidy to RABA. At this time it is not possible to quantify the exact impact. The maximum impact would be an increase in TDA revenues to RABA of about \$450,000.



Daniel J. Kovacich, Executive Officer

/jmg

Attachments: 1) Resolution No. 02-01
 2) Letter to Norma Connick dated February 11 from Rod
 Lindsay
 3) Letter to Norma Connick dated February 20 from Patrick
 Minturn

RESOLUTION NO.
02-01
SUPPORTING THE FAREBOX REDUCTION
FOR THE REDDING AREA BUS AUTHORITY (RABA)

WHEREAS, California Code of Regulations Section 6645.1 specifies that operators serving in urbanized areas in a population of less than 500,000 may establish for that operator a required ratio of fare revenue to operating costs of less than 15%; and

WHEREAS, Shasta County has a population of less than 500,000; and

WHEREAS, the Redding Area Bus Authority (RABA) has requested a reduction in the farebox standard; and

WHEREAS, the size and density of the urban area in which the services to the general public are provided have been considered; and

WHEREAS, the proportion of the operator's ridership which is transit dependent, including elderly, handicapped and low income patrons, has been considered; and

WHEREAS, the transit operator is providing service to both urban areas and rural areas;

NOW, THEREFORE, BE IT RESOLVED that the Shasta County Regional Transportation Planning Agency established a fare revenue to operating cost standard of 16.5% for 2001-2002, 17.5% for 2002-2003, 18.5% for 2003-2004 and 19% for fiscal years thereafter.

PASSED AND ADOPTED this 26th day of February, 2002, by the Shasta County Regional Transportation Planning Agency.

Norma Connick, Chairman
Shasta County Regional
Transportation Planning Agency



February 11, 2002
R-010

The Honorable Norma Connick
Chairperson
Shasta County Regional Transportation Planning Agency
1855 Placer Street
Redding, CA 96001

Dear Chairperson Connick:

On behalf of the Board of Directors of the Redding Area Bus Authority (RABA), I am respectfully requesting that the Shasta County Regional Transportation Planning Agency (RTPA) permanently reduce RABA's minimum farebox ratio from 19 percent to 16.5 percent, effective this fiscal year.

As you know, RABA implemented a number of significant changes to increase its farebox ratio from 15.9 percent in fiscal year 1997-98 to 19.1 percent in fiscal year 1999-2000. Some of these changes included:

1. Increasing RABA's base fare by 33.3 percent in fiscal year 1998-99;
2. Making improvements to the Demand Response System that resulted in a 25.6 percent increase in productivity (2.19 riders per hour in fiscal year 1997-98 vs. 2.75 riders per hour in fiscal year 2000-01); and,
3. Purchasing and implementing new technology to improve productivity and customer service.

These changes helped RABA earn the coveted "Outstanding Achievement Award" from the American Public Transportation Association in 2001. This award is intended to recognize public transportation systems that operate in an exceptionally efficient and effective manner.

Notwithstanding the changes and improvements outlined above, RABA's farebox ratio decreased from 19.1 percent in fiscal year 1999-2000 to 18.8 percent in fiscal year 2000-01. It is anticipated that this ratio will continue to decrease to approximately 16.5 percent due to:

REDDING AREA BUS AUTHORITY

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The Honorable Norma Connick

February 11, 2002

Page 2

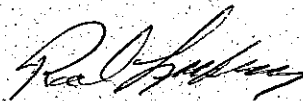
1. A 17.4 percent increase in the California minimum wage since January 1, 2000, that has had a direct impact on the pay scale that is utilized by RABA's contract operator;
2. Changes in the local labor market; and,
3. A long-term trend of rising fuel prices.

These first two changes, in particular, have increased RABA's cost of "purchased transportation" by approximately 15.8 percent. This is the amount that RABA pays to its contract operator, Forsythe & Associates, Inc., to operate the transit system. It is important to note that "purchased transportation" accounts for approximately 59 percent of RABA's total operating budget.

It is my understanding that the RTPA has the authority to reduce the farebox ratio to as low as 15 percent. However, we believe that RABA can and should do better than 15 percent. RABA will continue to strive to obtain the highest farebox ratio possible. With that said, however, the RABA Board of Directors is requesting that the RTPA permanently reduce the farebox ratio to 16.5 percent at your meeting on February 26, 2002, in order to reflect the issues described above.

Thank you in advance for your consideration.

Sincerely,



Rod Lindsay
Chairman

✓ c: Dan Kovacich, RTPA Executive Officer
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SHASTA COUNTY

DEPARTMENT OF PUBLIC WORKS

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DPW/ROADS 1-800-479-8022

PATRICK J. MINTURN
DIRECTOR

February 20, 2002

FCS 020003

The Honorable Norma Commick, Chairperson
Shasta County Regional
Transportation Planning Agency
1855 Placer Street
Redding, CA 96001

Subject: RABA Farebox Ratio

Dear Chairperson Commick:

This is in reference to RABA's pending request to permanently reduce the minimum Farebox Ratio to 16.5%. The request cites three causative factors for the failure to meet the statewide minimum standards, all three of which bear equally upon every other transit provider in California. In the absence of a more unique and compelling explanation, the generic criterion should stand.

The Farebox Ratio is a straightforward measure of transit service performance. Transit agencies vary widely in size, demographics, geography, cost of living, etc. They're all different. However, all of the variables cancel out in the Farebox Ratio, to leave a non-biased index. It's such a reliable yardstick that the TDA codes explicitly set forth minimum acceptable standards: 20% Urban, 10% Rural. Weighting those values for RABA yields 19%. Note that this is sited not as an optimal balance, but as a minimum acceptable level, the breaching of which triggers penalties.

There are provisions in the TDA codes for the RTPA to tolerate a lower Farebox Ratio. Such local flexibility is good, when used for cause. Compelling conditions would be exceptional and localized, unprecedented in other times and places. None of the three causative factors proffered by RABA meet this test. Quite the contrary. Changes to the Minimum Wage, the labor market, and fuel prices, are facing every transit provider in California.

The reasons for the shortfall are probably the mundane, day-to-day organizational management functions that the Farebox Ratio is designed to quantify. RABA needs to "look under the hood," diagnose the condition, and work to alleviate it. The "significant changes" sited in RABA's letter sound encouraging; perhaps what is needed is more of the same.

If you have any questions, please give me a call at 225-5661.

Very truly yours,

By 
Patrick J. Minturn, Director

PJM/mlc