



DATE: September 24, 2021
TO: Board of Directors
FROM: John Urgo, Planning & Development Director
SUBJECT: ACCEPT AND FILE THE METRO PLANNING AND DEVELOPMENT ANNUAL STATUS REPORT

I. RECOMMENDED ACTION

Board of Directors accept and file the METRO Planning and Development Annual Status Report

II. SUMMARY

- This report apprises the Board of Directors of the status of the Planning and Development Department's major activities and initiatives over the past year.
- System performance in FY21 was characterized by a slow and steady recovery from the service reductions implemented due to COVID-19. METRO has now restored service to pre-COVID levels on all routes with the exception of weekday Highway 17 and 91X service, and some school term trips. Overall ridership remains at 80% below pre-COVID levels, although non-student ridership is now 50% of what it was before the pandemic.
- The primary service related initiatives during FY22 will be the expansion of service in Watsonville through the introduction of the zero-emission Watsonville Circulator, and preparing for the return of school term ridership at UCSC and Cabrillo College.
- The Planning Department is also implementing a number of other initiatives to enhance transit operation and improve the customer experience, including a speed and reliability study of Watsonville to Santa Cruz service, new signage and customer information at all bus stops, and the expansion of contactless fare payment. In addition, staff continue to work with external partners on the rehabilitation of Pacific Station and transit improvements to Highway 1.
- Staff requests the Board of Directors (Board) accept and file this Service Planning Update.

III. DISCUSSION/BACKGROUND

The Planning Department began providing this annual report following the completion of the Comprehensive Operational Analysis (COA) service reduction

in the fall of 2016. Prior to the COA, annual fixed route ridership was approximately 5.5 million. In the first year following this service reduction, ridership dropped approximately 8% to a little over 5 million annual fixed-route boardings. Prior to COVID-19, METRO ridership had settled at approximately 5 million riders per year.

The COVID-19 pandemic brought unprecedented disruption to METRO service and planning activities as well as to the communities we serve. The pandemic has forced METRO, and all transit agencies, to rethink mission, service standards, metrics, and service delivery. Throughout FY21, staff has been working to restore service strategically and to restart projects delayed due to the pandemic.

FY21 System Performance

System performance in FY21 was characterized by a slow and steady recovery from the service reductions implemented due to COVID-19 and the shelter in place orders issued by Santa Cruz County in the fourth quarter of FY20. FY21 ridership was 82% below pre-COVID FY19 levels, down from over 5,000,000 annual passenger boardings to just over 900,000. This is a steeper decline than transit ridership nationally owing to METRO's greater reliance on student riders: ridership trends reported by the American Public Transit Association (APTA) indicate that national transit ridership in FY21 was 65% below pre-pandemic levels and was still 62% below FY19 levels at the end of the fiscal year. Both of these trends are in line with METRO's non-student ridership.

Figure 1 shows the change in revenue hours and ridership over time since the start of the pandemic using January 2020, the last full pre-COVID month, as a baseline. By the beginning of FY21, METRO had restored service to 42% below the January 2020 level. When it looked as if COVID-19 cases were waning in California at the end of the summer of 2020, staff worked to increase service to 25% below pre-COVID levels for the fall service change. However, owing to continued school and workplace closures, ridership increased to just 84% below pre-COVID levels during that time. The fall service restoration proved to be premature as a new wave of COVID-19 cases swept over the state between November and March, and ridership declined back to 88%. Staff trimmed service levels in the winter and spring to 70% of pre-COVID levels, where they remained through the end of the fiscal year. Ridership proceeded to increase slowly but steadily between January and June 2021.

Figure 2 tells a slightly different story, showing the year over year change in ridership and revenue hours by month using FY19, the last full pre-COVID year, as a baseline. The highest ridership months – July 2020, December 2020 and June 2021 – are months when student ridership is typically lower. Comparing ridership in months when students are generally commuting (e.g. October 2020 and February 2021) reveals that total ridership was 86% below pre-COVID levels for much of the year.

Figure 3 shows change in ridership type by month using FY19 as a baseline. Throughout the pandemic, non-student ridership decreased the least and has recovered the fastest. By the fall of 2020, non-student ridership had recovered to 65% below pre-pandemic levels, compared to decreases of 85% for Highway 17 and 97% for student (UCSC and Cabrillo College) ridership. Even during the highest rates of COVID-19 cases through late fall and winter, over a third of non-student customers continued to rely on METRO service regularly. By April 2021, non-student ridership had increased to 55% below pre-pandemic levels, a 6-point increase that coincided with the temporary fare reduction pilot (though it is impossible to separate the effects of the fare change from the COVID-19 recovery). By the end of FY21, non-student ridership had recovered more than half of pre-COVID levels as the County and State of California fully reopened.

Highway 17 ridership sustained decreases of 85% below pre-pandemic levels through much of FY21. Commuters and students comprise the majority of Highway 17 ridership. With UCSC and San Jose State University (SJSU) campuses largely closed, and with many workplaces continuing work from home policies for much of FY21, there was little demand for Highway 17 service (a noticeable 4-point increase did occur in April 2021, coinciding with the reduced fare pilot). By the end of FY21, Highway 17 ridership had increased to 70% below pre-pandemic levels, an encouraging sign, although staff note that June is a month when fewer students are typically riding.

Finally, with campus activity limited at UCSC and Cabrillo College through FY21, student ridership remained at over 95% below pre-COVID levels throughout the entire year.

FY21 Route Performance

In the transit industry, a rule of thumb is that there needs to be an average of 10-15 boardings per revenue service hour for a service to be considered effective, depending on the type of service (e.g., rural, local, regional, intercity) or whether the service has a goal of ridership or coverage. The goal for ridership oriented service is typically 15 passengers per revenue service hour or greater while coverage oriented service has a goal of 10-15 passengers per hour.

Prior to COVID-19, most METRO routes performed within the coverage metric, suggesting that the level of service was correct relative to demand and financial capacity to provide service. METRO had a small number of routes that consistently did not achieve these transit industry standards. Among these were:

- Route 3, a historically poor performer, owing to its very low frequency. METRO temporarily suspended this route in the summer of 2021, replacing it with a new Route 18, running twice per hour on the segments of Mission Street previously covered by Route 3. In addition, with the start of the fall 2021 service change, Routes 22 and 20 (on select trips) will serve the Seymour Center.

- Route 79, one METRO's least productive routes. Future modifications may be possible in conjunction with the introduction of the Watsonville Circulator.
- Rural routes 40, 41 and 42, which are some of METRO's least productive routes, owing to their limited span of service and the rural nature of their service areas. In FY21, METRO added a new midday trip on Route 42, so that residents of Bonny Doon and Davenport would not have to spend the entire day in Santa Cruz if commuting by bus. Trip times were also adjusted to better align with school bell times and schedules.

Post COVID-19, all METRO routes are performing below 10 passengers per revenue hour, with the system-wide average hovering around six. It remains to be seen whether productivity will recover or whether ridership changes will force METRO to rethink service standards. The strongest performers continue to be Routes 69W, 69A, 19, 66, 18 and 71, which are the only routes to have averaged above seven passengers per revenue hour in FY21. The 69A/W and 71 serve important regional connections between Watsonville and Santa Cruz, while the 66 connects Capitola Mall and the east side of Santa Cruz to downtown. The relatively high productivity of Routes 18 and 19 is surprising given the absence of student riders, suggesting relatively strong ridership on the west side.

Service Planning for COVID-19 Recovery and Beyond

Thanks in part to federal stimulus programs passed by the U.S. Congress in FY20 and FY21, METRO was able to retain workforce and maintain service levels despite significant decreases in ridership, fare and other revenue sources. At times throughout the year, with service 30% below pre-COVID levels and ridership down 85%, it appeared that service was oversupplied relative to demand. However, METRO's strategy throughout the pandemic has been to maintain service levels ahead of demand, so that as the economy and schools reopen, service is there when people need it.

This strategy was also informed by a survey staff distributed during the first quarter of FY21 to METRO email subscribers and through social media to gather feedback on the impact of the COVID-19 pandemic on riding habits. The survey identified three types of customers: frequent riders, customers planning to ride less in the future, and customers unlikely to ride. The effectiveness of strategies to encourage customers to return to METRO or ride more often in the future differed by customer type.

Frequent riders (defined as those riding five or more days per week) comprised the largest share of overall ridership and survey respondents. The majority of their concerns about riding again or more often in the future concerned measures within METRO's control: restoring service to previous levels while ensuring a safer customer experience through enhanced cleaning and requiring that all

customers wear PPE. For these reasons, staff's service planning efforts in FY21 focused on retaining this core ridership group. Enhanced cleaning and enforced PPE measures have been a part of METRO's operational procedures since the beginning of the pandemic. By the fall of 2021, METRO had restored service to pre-pandemic levels on all local routes with the exception of School Term service and some 91X trips.

Customers who said they planned to ride less or not at all in the future indicated they were most influenced by the distribution of vaccines, the prevalence of COVID-19 cases in the community, and enhanced vehicle cleaning measures. Compared to frequent riders, these riders are less concerned about factors intrinsic to METRO service and are more likely to be influenced by issues beyond METRO's control. Many of these customers have indicated they may not return to METRO until next year or beyond, and may telecommute more often for the near future, so encouraging their return will take time.

Looking ahead, the biggest factor affecting METRO ridership in FY22 will be the return of UCSC and Cabrillo College students, faculty and staff. This segment comprised 53% of METRO ridership in FY19, and has been over 95% absent through FY21. With both UCSC and Cabrillo College planning a return to near full campus activity in FY22, METRO expects student ridership to significantly rebound. To prepare, METRO is restoring as much of the pre-COVID "school term" service as feasible with the start of the fall bid, with the caveat that restoring 100% of pre-COVID school term service is not currently possible given bus operator retirements and resignations. METRO is also planning to operate new service, including a new Route 18 that replaces Routes 3 and 16 with frequent service along Mission Street, and a realigned Route 22 with connections to the campus, Mission Street, and the Coastal Science Campus. METRO has also leased four articulated buses for extra capacity on school term routes.

Other major factors affecting ridership in FY22 include continued telecommuting, increased automobile use, the impacts of congestion on transit speed and reliability, the influence of ride-hailing services, rates of unemployment, and the emergence and spread of new COVID-19 variants. Many of these trends existed before and were accelerated by the pandemic; others, such as heightened perceptions of safety, are relatively new. Together they indicate that long-term ridership decline may continue. METRO entered FY22 with non-student ridership at 50% of pre-COVID levels, even as regional traffic volumes and congestion returned to nearly pre-COVID levels. In order to attract and retain ridership METRO will need to continue to focus on safety and cleanliness measures, as well as policies and programs that give transit priority on local streets and roads, improve infrastructure, and enhance the customer experience. Many of these initiatives are outlined below.

Status Update on Major Planning Initiatives

Watsonville Circulator

Staff completed planning in FY21 for the introduction of a new zero-emission bus circulator in the Watsonville area, which launched on September 16. Funded by a grant from the California Department of Transportation, the service provides 16 daily round trips, seven days a week using zero emission buses. The route will connect the downtown transit center with primary retail and medical destinations in Watsonville. It will operate a clockwise loop and a counter-clockwise loop from Watsonville Transit Center, serving Main Street, Green Valley Road, Freedom Centre, Freedom Boulevard and Lincoln Street, connecting commuters with existing local and intercity Bus Lines 69A, 69W, 71, 72/72W, 74S, 75, 79 and 91X. METRO will offer free fares to the public to encourage ridership and promote public transportation through the first year of service. Staff will evaluate ridership on the circulator and nearby routes and make recommendations for service changes at the end of the pilot year.

Watsonville – Santa Cruz Intercity Transit Speed and Reliability Study

In February 2021, METRO staff submitted an application to the Caltrans Sustainable Transportation Planning Grant Program (STPG) to fund the Watsonville - Santa Cruz Intercity Transit Speed and Reliability Study. In June 2021, METRO received notification from Caltrans that its application was successful. The funds will be used to assist in evaluating traffic and travel conditions along the primary transit corridors connecting Watsonville and Santa Cruz in order to identify opportunities for pedestrian, bus stop and transit priority improvements aimed at improving the convenience, access and reliability of METRO's core service. The aim of the study is to contribute to a sustainable transportation system that reduces vehicle miles traveled (VMT), reduces greenhouse gas (GHGs) emissions and congestion, improves the transit and active transportation network, and serves communities that are transportation disadvantaged.

Pacific Station

On June 26, 2020, the Board approved a Memorandum of Understanding (MOU) between the City of Santa Cruz and METRO in which the City and METRO agreed to work together to apply for a state Affordable Housing and Sustainable Communities (AHSC) grant to redevelop the current Pacific Station site and adjacent City owned properties. METRO and City staff have since met regularly to develop a site plan and development concept, including the configuration of the bus bays, the size of the tarmac, and the concept of a mixed-use project that includes METRO offices. In November 2020, the City initiated an RFP process to find a developer to execute this vision. The winner of that process, First Community Housing (FCH), is a mission-oriented nonprofit that has focused on building neighborhood-based, service-enriched communities throughout Silicon

Valley and the Greater Bay Area, including in Santa Cruz. In June 2021, the City and METRO submitted a joint application to the AHSC program. Notification of award is expected in the fall.

Contactless Fare Payment

Spurred in part by the need to reduce contact between bus operators and passengers as a continued COVID-19 safety measure, many agencies, including METRO, are looking toward contactless onboard fare payment as the future of fare collection. Besides reducing the risk of exposure to COVID-19, these programs have the additional benefits of reducing the cost of cash collection, speeding up the boarding process, and improving the convenience and access to fare products. In September 2020, METRO launched a mobile ticket “Splash Pass,” which lets customers purchase METRO fare products using a smartphone. Splash Pass tickets were extended to the GO Santa Cruz Downtown pass program in April 2021, and to Cruz On-Demand in May 2021. Also in April, METRO completed the installation of electronic validators on all Highway 17 buses for more accurate and efficient validation of tickets. Mobile validators will also allow for contactless credit and smart card transactions to happen with the tap of a card. Contactless credit and debit cards are anticipated to launch in late 2021.

The final phase will involve the rollout of a new smart card and account based ticketing system using stored value accounts. Value will be stored in a customer’s account, not on a card, enabling transactions both online and through an expanded retail network throughout Santa Cruz County. Account-based ticketing using stored value will allow riders to exchange cash for credit, enabling customers without a bank account to tap and ride.

Bus Stop Signage Update

Staff have worked over the past year to completely redesign METRO’s bus stop signage to bring it in line with industry best practices and reduce future maintenance costs associated with updating schedules and maps. The new design features double-sided signs featuring highly visible route numbers, names and stop IDs. The project required the installation of new poles at all stops to raise sign heights to seven feet and relocate signage from inside bus shelters to outside. Installation began in summer 2021 and is nearly complete. Nearly a third of stops feature at-stop schedule inserts with maps, route arrival and departure times. As transit ridership declines in the wake of the COVID-19 pandemic, this effort aims to strengthen METRO’s brand identity as a safe, reliable transportation option and improve the customer experience.

Cruz-On-Demand

In April 2021, METRO launched a new on-demand service, Cruz On-Demand, which aimed to increase the convenience and coverage area of METRO service.

Cruz On-Demand is a shared ride experience on smaller vans, operated by METRO's trained ParaCruz operators, extending METRO's service area 3/4s of a mile from any of METRO's fixed bus routes, excluding Highway 17 and the UCSC campus. Pick-up locations can be any address within METRO's service area and drop-off locations can be anywhere within a three mile radius of a pick-up address. Trips can be booked up to 24 hours in advance. Customers can schedule trips on demand or for later in the day.

To date, ridership has been much lower than expected, averaging just five to ten passenger trips per day. Low demand can be explained by average vehicle wait times of 30 minutes, limited marketing, and low transit demand in general. Most Cruz On-Demand customers are existing ParaCruz customers who book same day trips. As paratransit ridership increases, there are fewer available time slots for general public trips. Staff will bring a more in-depth analysis of the first six months of the pilot to the Board in October.

Other Initiatives

The Planning Department is developing a number of other significant planning initiatives, which aim to attract new riders and/or enhance the rider experience through improved customer service features, including technology and communication enhancements.

- **City of Santa Cruz Downtown Bus Pass** – In FY21, METRO continued its partnership with the City of Santa Cruz to provide a free “Eco-Pass” to all 4,000+ downtown Santa Cruz employees, paid for by the City. The project aims to increase METRO ridership while reducing the demand for parking in downtown Santa Cruz. As of April 2021, the program is also available via METRO's mobile app “Splash Pass.”
- **CAD/AVL** – METRO is currently implementing a Computer-Aided Dispatch / Automatic Vehicle Location (CAD/AVL) system on its fleet, which will allow real time vehicle location tracking and help the agency better track bus speed and reliability. While real time passenger information will not be visible to the public until late 2022, staff have already begun to use the data for system improvements. The system has allowed staff to remove inefficient running time and adjust schedules as traffic congestion has returned to the region.
- **Fare Restructure** – Staff put fare restructure proposals on hold again in FY21 as the COVID-19 pandemic continued to depress ridership and revenues. With the start of the spring bid in March 2021, METRO implemented a temporary six-month fare reduction in order to encourage greater transit use. The fare reduction served its purpose as ridership jumped three percentage points between March and April, including an increase of six percentage points in non-student riders. In FY22, staff will restart discussions with the Board related to opportunities to improve the fare structure. Then staff will work with the Board Finance, Budget and Audit Standing Committee

to make fare restructuring recommendations. Staff will also explore ways to make fares more equitable and accessible to low-income customers by evaluating offering free transfers and/or fare-capping, also known as “best fares.” Certain fare policy adjustments would require a near full replacement of METRO’s fare equipment – an effort which has begun in fall 2020 with the launch of mobile ticketing, the first step toward a full account-based ticketing system.

- **Watsonville – Santa Cruz Multimodal Corridor Program** – METRO staff continue to coordinate with the Santa Cruz County Regional Transportation Commission (RTC), Caltrans and Santa Cruz County on all aspects of this project, including the Highway 1 Auxiliary Lanes/Bus On Shoulder component, Soquel Avenue/Drive to Freedom Boulevard bicycle/pedestrian improvements, and the Santa Cruz Branch Rail Line alternatives analysis. In December 2020, the California Transportation Commission approved over \$100 million in funding for the Watsonville-Santa Cruz Multimodal Corridor Program Cycle 2 Project, which will construct auxiliary lanes with bus-on-shoulder operation on underpasses on Highway 1 between Soquel Ave and State Park Drive. The project will also add buffered/protected bike lanes and transit signal priority (TSP) on Soquel Drive along the same segment. In FY22, METRO will continue coordinating with Caltrans on a maintenance agreement for the Bus on Shoulder facility and work with the County to implement the TSP project on Soquel Drive. Construction on both projects is expected to be complete by 2023.
- **Ongoing Coordination with UCSC and Cabrillo** – While campus closures and remote learning due to COVID-19 meant less service, ridership and revenue from UCSC and Cabrillo College in FY21, both partners have recommitted to restoring METRO service through new contracts as they prepare to welcome back students to their campuses in FY22. METRO has committed to restoring as much pre-COVID school term service as feasible given the current bus operator shortage. METRO is also leasing higher capacity articulated buses for the coming academic year to help with loads. Early signs are encouraging that METRO’s student ridership, which accounts for over 50% of ridership and fare revenue, is set to return in FY22.
- **Bus Replacement Plan** – Planning will monitor the METRO fleet for progress towards reducing the number of buses beyond their useful life. This program allows the Grants and Finance departments to make the most efficient use of limited capital budget and maximize the likelihood for METRO to receive grant funding for future bus replacements. In FY21, METRO had planned for procuring 14 CNG buses through a lease-to-purchase agreement. However, due to the uncertainty surrounding the COVID-19 pandemic and its effects on ridership, bus manufacturing capacity and federal funding levels, staff recommended postponing the lease-to-purchase agreement until FY23. In FY21, METRO received four zero emission buses. These actions reduced the

number of obsolete buses in METRO's fleet to 23. In FY22, METRO expects to receive 10 CNG buses from previously awarded grants. In addition, four articulated buses in the fleet have reached the end of their useful life and METRO is procuring four articulated buses through a lease-to-purchase agreement in FY23. With this, it is expected that METRO's fleet will have 9 obsolete buses at the start of FY23.

- **Zero Emission Bus Analysis and Rollout Plan** – METRO continues to progress towards meeting the California Air Resources Board (CARB) mandate that all transit agencies in California operate 100% zero-emission transit buses by 2040. In FY21, METRO received delivery and put in service four battery electric buses (BEB), and staff plans to work with the Federal Transit Administration (FTA) to use funding available for Highway 17 service to procure four additional BEBs. In addition, METRO has contracted the Center for Transportation and the Environment (CTE) for the development of a Master Plan meeting the CARB mandate, to include both vehicles and facility requirements. CTE will also research and analyze renewable power generation and stationary storage options.
- **Installation of Automated Passenger Counter (APC) Systems** – In order to improve data collection and provide real time crowding information to passengers, METRO plans to install new Automated Passenger Counters (APCs) on its fleet. The APC module will give passengers the opportunity to make informed decisions on which vehicle they feel comfortable riding. APCs will also provide the Planning Department with a rich dataset for future route and service planning, including boarding and alighting information at the level of individual bus stops for all trips. Currently that information is only available on an extremely limited basis through manually-conducted surveys. This project has been put on hold until the rollout of the CAD/AVL system is complete.

Mid-to-Long-Term Priorities for Fixed-Route Service Expansion

Given METRO budget limitations, opportunities for service enhancements are limited. As is standard transit industry practice, the Planning Department maintains a prioritized list of service needs, sometimes referred to as “unmet needs”, so that if at any time there is additional recurrent operating funds available for the introduction of additional effective service, the priorities are clear. Currently, the Planning Department sees the following needs as the most important:

- **Route 35/35A evening frequency** – As this San Lorenzo Valley (SLV) route alternately serves two legs beyond Boulder Creek, the limited evening frequency makes for extremely poor level of service on these legs. Beginning in summer 2021, METRO increased evening frequency to both

legs. Staff also implemented a minor route change so that there is now service in both directions on Scotts Valley Drive throughout the day.

- Areas of the County that have population densities and demographics that suggest additional span of service and frequency could generate additional ridership. The Live Oak corridor between Capitola and downtown Santa Cruz is seen as a key opportunity for service improvements. In summer 2021, METRO improved the evening frequency of Route 66 and increased the span of Routes 66 and 68 on weekdays and weekends.
- As resources allow, staff will continue to evaluate opportunities for service improvements, including:
 - Frequency – Hourly service during the peak demand and 90 minutes off peak times do not allow the public to use these services spontaneously.
 - Span of Service - Routes for which service starts too late in the morning or ends too early in the evening, both weekdays and weekends, do not meet work trip needs, particularly for those in the service industry. Nor do these limited spans meet the general mobility needs of County residents.
 - Rural routes with limited daily trips.

IV. STRATEGIC PLAN PRIORITIES ALIGNMENT

This report aligns with METRO's Service Quality and Delivery strategic priority.

V. FINANCIAL CONSIDERATIONS/IMPACT

There is no financial impact related to this status report.

VI. CHANGES FROM COMMITTEE

N/A.

VII. ALTERNATIVES CONSIDERED

There are no alternatives to consider.

VIII. ATTACHMENTS

Attachment A: Figures 1, 2, and 3: Ridership and Revenue Hours

Prepared by: John Urgo, Planning and Development Director

IX. APPROVALS

Approved as to fiscal impact:
Chuck Farmer, CFO

Alex Clifford, CEO/General Manager
