



DATE: August 25, 2017  
TO: Board of Directors  
FROM: Alex Clifford, CEO/General Manager  
SUBJECT: **ACCEPT THE BOARD AND CEO RESPONSES TO THE 2016-2017  
GRAND JURY REPORT**

**I. RECOMMENDED ACTION**

**That the Board of Directors:**

- A) Accept the attached Board and CEO responses to the 2016-2017 Grand Jury report; and,**
- B) Authorize the CEO to transmit the documents to the 2016-2017 Grand Jury by the deadlines noted in the 2016-17 Grand Jury report.**

**II. SUMMARY**

- The Santa Cruz County Grand Jury has been reviewing the Santa Cruz Metropolitan Transit District (METRO) as early as October 2016.
- Since then, the CEO and a number of METRO employees have been interviewed along with various site visitations, as noted in the Grand Jury report.
- On June 20, 2017, two members of the Grand Jury met with the CEO/General Manager (CEO) to provide a summary of the Grand Jury Findings.
- On June 27, 2017, the CEO and Board of Directors (Board) received a copy of the Grand Jury report.
- On June 29, 2017 the Grand Jury published their report to its web page [http://www.co.santacruz.ca.us/Portals/0/County/GrandJury/GJ2017\\_final/SantaCruzMetro.pdf](http://www.co.santacruz.ca.us/Portals/0/County/GrandJury/GJ2017_final/SantaCruzMetro.pdf).
- The Grand Jury requires, under Penal Code §933.05, that the CEO respond by August 28, 2017 to the Findings and Recommendations noted for CEO responses and that the Board respond by September 27, 2017 to the Findings and Recommendations noted for Board response.
- The Board is requested to approve Attachments A and B and to direct the CEO to transmit both to the Grand Jury by the deadlines noted in the Grand Jury report.
- The Board Capital Projects Standing Committee reviewed the Grand Jury report and the CEO and Board responses to the report at their August 15, 2017 meeting and unanimously recommended that the responses to the report be forwarded to the full Board for review and approval. As a result of the Committee's review, all responses related to capital expenditures were expanded to include text reflecting that future major capital expenditures in those categories would be reviewed by the Board Capital Projects Standing Committee.

### **III. DISCUSSION/BACKGROUND**

The Grand Jury, which is tasked with performing investigations of local public agencies, has been reviewing METRO since late last year. Since late last year, the CEO and a number of METRO employees have been interviewed by the Grand Jury and the Grand Jury made several site visitations, as noted on page ten of its report.

METRO is fortunate to have been reviewed by the Grand Jury and is very pleased that the report made no findings of waste, fraud or abuse.

Unfortunately, the Grand Jury missed a good opportunity to hold METRO up as a positive example of fiscal responsibility, particularly with regard to the METRO Board's difficult work over the past three years to resolve METRO's structural deficit.

Also, the Grand Jury report contained a number of findings and recommendations on topics that METRO agrees with and, in fact, has already implemented or is in the process of implementing, as detailed in the responses set forth in Attachments A and B.

METRO is a recipient of state and federal grants. As a result of that, METRO is accustomed to frequent in-depth reviews and audits. Most, if not all these events result in a thorough review of the facts and a check of the preliminary findings and recommendations with staff, prior to finalizing. Such a check before publication helps to avoid errors by the auditors/reviewers and offers the agency an opportunity to provide additional documentation and/or clarifications, all of which are typically taken into consideration prior to the issuance of the final report.

Unfortunately, under the law governing Grand Jury procedures, METRO was unable to receive an opportunity to address the Grand Jury report's draft findings or provide helpful information and/or clarifications prior to the publication of the final report. Had METRO been given this opportunity, the report would likely have been a much improved work product, and allowed METRO to focus its efforts on the report's findings and recommendations that it has not yet addressed or resolved. A bill (SB 1292) was introduced in the State Legislature in 2016, which would have provided for such a process. Unfortunately, the bill did not make it out of committee.

The Board Capital Projects Standing Committee reviewed the Grand Jury report and the CEO and Board responses to the report at their August 15, 2017 meeting and unanimously recommended that the responses to the report be forwarded to the full Board for review and approval. As a result of the Committee's review, all responses related to capital expenditures were expanded to include text reflecting that future major capital expenditures in those categories would be reviewed by the Board Capital Projects Standing Committee.

**IV. FINANCIAL CONSIDERATIONS/IMPACT**

There are no fiscal consequences of this action.

**V. ALTERNATIVES CONSIDERED**

The Board could accept the Board and CEO responses and provide the CEO direction on various revisions.

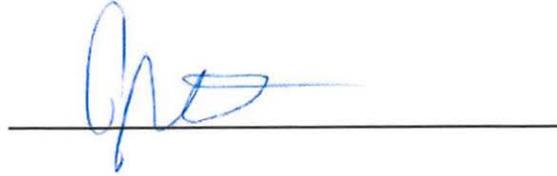
**VI. ATTACHMENTS**

- Attachment A:** METRO CEO's Responses to the Grand Jury Report
- Attachment B:** METRO Board's Responses to the Grand Jury Report
- Attachment C:** Copy of the Grand Jury Report related to Santa Cruz METRO, published 6/29/2017

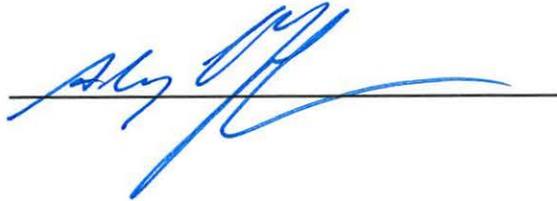
Prepared By: Alex Clifford, CEO/General Manager

**VII. APPROVALS:**

Julie Sherman, District Counsel



Alex Clifford, CEO/General Manager



# Attachment A

## METRO CEO Response to the Grand Jury Report

### Findings

F1. Metro experienced an anticipated revenue reduction of \$26 million from 2008–2014 and had to use its reserves to fill the shortfall. This is not sustainable.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

Metro agrees with the finding, with the exception of the statement “Metro experienced an anticipated revenue reduction of \$26 million from 2008–2014...”

The Grand Jury misunderstood this reference in the Board structural deficit workshop materials. Metro did not experience an anticipated revenue reduction of \$26 million from 2008 - 2014. Rather, Metro suffered a decline in sales tax revenues as a result of the 2008 recession.

The intent of the slide in the Board workshop presentation was to provide an example of what sales tax revenues could have been between 2008 and 2014 had there been no prolonged recession and a modest 3% year-over-year growth in sales tax revenues. The data was intended to display that had the recession not hit, and for illustrative purposes only, had Metro’s sales tax instead grown at a modest 3% year-over-year growth through FY14, Metro would have received approximately \$26 million more in sales tax revenue over the same period of time studied than was actually received.

Finally, no one could have predicted how severe and prolonged the recession would be. In 2008, and for several years thereafter, the Metro Board chose to use its reserves to sustain the level of service provided to its customers. The Board can choose to use its reserves for a rainy day or for capital expenditures. The Board chose to use its reserves to cover the rainy day impacts of the recession on bus operations. Unfortunately, the rainy day was longer than a day.

F2. Metro grant writing has been insufficient and ineffective.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

Metro strongly disagrees with this Finding. This Finding was presented to the CEO three days before the release of the Grand Jury report and without an opportunity to respond in writing. The Grand Jury provided no supporting documentation or

information from interviews with staff or others that would substantiate this Finding. At the Grand Jury exit meeting, the CEO verbally provided the Grand Jury members background and examples as to why this Finding is incorrect; unfortunately the Grand Jury chose to disregard this information.

It appears that the Grand Jury members did not properly comprehend the grants process, particularly differences between Capital Grants and Operating Grants and the differences between Formula Grants and Discretionary (Competitive) Grants.

### **Operating Grants vs. Capital Grants**

Think of the operating budget as “running buses” and the capital budget as “buying buses.” Metro’s structural deficit, as referred to in the Grand Jury report, is in the operating budget. State and federal discretionary (competitive) grants typically do not provide revenue for the operating budget, and local grants that might provide operating funds are few and far between. Nearly all state and federal grant opportunities are for capital improvements and bolster Metro’s ability to buy buses. Regardless, METRO applies for all discretionary grant opportunities for which it is eligible.

### **Formula Grants**

State and federal formula grants come to Metro as a result of legislation, usually require an annual application, and always require follow-up information on how Metro used the money. While this is a cumbersome and time-consuming process, which also demands attention from the grants-writing staff, Metro always follows the dictated processes and never risks or jeopardizes its state and federal formula grant allocations. These state and federal formula dollars are typically used for operations, are sometimes flexible for use in both operations or capital, and are often restricted to capital only.

### **Discretionary (Competitive) Grants**

In any given year, there are a number of state and federal discretionary grant programs offered. Metro always submits highly competitive grant applications for programs for which it qualifies. Unfortunately, the Grand Jury report does not reflect Metro’s highly successful discretionary capital grant awards in 2016. In 2016, Metro competed successfully at the state, federal and local levels for the following grants:

- State Low Carbon Transit Operations Program (LCTOP) – Awarded \$709,292 to purchase one zero emissions electric bus that will run as a circulator in Watsonville.
- Federal Low or No Emission Vehicle Program (LoNo) - \$3,810,348 to purchase three zero emissions electric over-the-road coaches to run on the Highway 17 commuter service. The grant includes recharging facilities. Of the 20 nationwide awards, Metro received the 5<sup>th</sup> highest award in the nation, receiving a larger grant than the Chicago Transit Authority.

- Santa Cruz County Regional Transportation Commission: Surface Transportation Block Grant (STBG) - \$500,000 to purchase one Compressed Natural Gas (CNG) bus to run on Metro's fixed-route services.

When grants become available for competition, they are always way oversubscribed. Typically, there are nine to ten times as many applications as actual grant awards, and the amount awarded is a fraction of the amount requested. For example, in 2016 the federal Bus and Bus Facilities grant program received \$1.647 billion in applications for a program with only \$213 million available for distribution. In the 2016 federal Low and No Emission Bus Program, applicants requested \$446 million from a pot of only \$55 million.

Again, these grants are for capital improvements only and do not provide operating revenue.

### **The Changing Landscape of Grants Availability**

Finally, the grant funding landscape has changed dramatically over the past five years, which the CEO explained to the Grand Jury members. Here are just a few examples:

- Up until 2012, the federal transportation authorization included a Bus and Bus Facilities Program, a discretionary capital grant program. Up until then, Metro had competed successfully for some of this funding. With the enactment of Map21 in 2012, the Bus and Bus Facilities discretionary grant program was eliminated. It was not until the FAST Act reauthorization last year that the Bus and Bus Facilities program was reestablished, albeit at a substantially reduced funding level.
- In 2006, the California voters created a capital funding source through Proposition 1B. This ten-year capital program, which expired last year, funded numerous Metro security, facilities and bus procurements, which were all capital projects. Fortunately, the Governor signed the Road Repair and Accountability Act this past April to partially replace Proposition 1B and to provide additional State Transit Assistance (STA) to Metro. Again, this legislation favors capital projects for the use of this money, although some of it can be used for operating assistance if METRO meets specific performance criteria.
- The American Recovery and Reinvestment Act of 2009 (ARRA), signed into law by President Barack Obama on February 17, 2009, was an economic stimulus package that provided Metro valuable capital dollars. ARRA was a one-time program and did not provide recurring resources.
- In 2012, the US Congress eliminated federal "earmarks," a process that provided legislative appropriations to specific projects in a congressperson's district.

Metro had frequently secured federal earmarks to fund multiple capital projects. Each year federal subsidies for public transit are threatened. The result of this constant threat is often flat or nominal growth in federal transportation funding, and in an environment where operational costs typically grow at a rate equal to or greater than the Consumer Price Index (CPI).

With the loss of several substantial capital funding programs since 2012, Metro’s challenge in the coming years will be one of trying to find the resources with which to replace 61 buses that are currently obsolete and in need of replacement at an estimated cost of \$38 million to \$60 million, depending on whether Metro purchases CNG or electric buses.

**F6.** Metro does not have joint meetings that include the Board, Metro management, and the Metro Advisory Committee. Better and more frequent communication and coordination between these bodies could improve decision making.

- AGREE**
- PARTIALLY DISAGREE** – explain the disputed portion
- DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

Metro is unclear as to what the Grand Jury members intended with the following statement: "...joint meetings that include the Board, Metro management, and the Metro Advisory Committee." This statement appears out of place when attempting to reconcile it against the text of the report. Metro would appreciate any clarification the Grand Jury members could provide.

In the way of background, Metro staff does regularly attend and provide staff support to the Metro Advisory Committee (MAC) and the MAC Chair attends two Metro Board meetings a year, providing the Board with an update of the MAC activities and MAC recommendations on various transportation topics.

Additionally, Metro questions the wisdom and value of joint staff and Board meetings. All staff report to the CEO. The joint meetings suggested in the report would have the potential to blur the lines of reporting relationships or create an opportunity for the Board (policy makers) to interfere with the administrative functions they have contractually delegated to the CEO. Nevertheless, Metro Board members do regularly interface with staff at Committee and full Board meetings and the CEO provides an interactive working environment in which staff members are responsible for presenting their department’s Board reports to the full Board and answering Board member questions.

**F7.** Manual collection of route performance data does not allow for optimal use of the HASTUS system.

- AGREE**
- PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

**F8.** Metro partnerships with UCSC and Cabrillo College have contributed significantly to Metro revenues, and Metro would benefit from additional community partnerships.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

**F9.** Metro marketing functions are handled inefficiently, in significant part due to an unfilled marketing manager position. Marketing must be more than just selling advertising on buses.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

**F10.** Metro lacks a business development manager. Currently, business development responsibilities are distributed across the organization, and are not implemented or effective.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

The CEO agrees that the business development duties and responsibilities described in the Grand Jury report should be encompassed within one position, irrespective of the position being called a "Marketing Manager" or "Business Development Manager."

Although currently implicit in the Marketing Manager Job Description, the job description will be strengthened in the future to provide additional business development functions.

Finally, business development will always be a shared responsibility between a Marketing Manager and the Planning and Development Manager. The Planning and Development Manager is responsible for obtaining and monitoring data relative to new and existing transit nodes, transit catchment areas, transit friendly developments and employment centers, and for making recommendations for service adjustments that will maximize the potential of retaining and attracting new ridership.

**F11.** Metro design standards for bus stops and shelters have not been consistently implemented, which may negatively impact ridership.

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- AGREE  
 PARTIALLY DISAGREE – explain the disputed portion  
 DISAGREE – explain why

**Response explanation** (required for a response other than **Agree**):

This challenge has been on Metro’s radar screen for some time. As acknowledged in the Grand Jury report, Metro does have a Bus Stop Guide. This guide was adopted by the Metro Board on August 28, 2015 and has been followed since then. The text of the Grand Jury report states - “There is little consistency in the design, construction, or location of bus stops, and they often do not conform to the criteria stated in the Metro Bus Stop Guide.” While this statement is somewhat true, it does not acknowledge that Metro has been operating for nearly 50 years and the Bus Stop Guide was only recently adopted.

The challenge for Metro in the coming years will be identifying funding with which to modify and update all **847** active bus stops in the Metro system to achieve the goals set forth in the Bus Stop Guide. Ideally, these dollars will come from capital grants in which the funding source is unique and won’t compete with the higher priority capital dollars needed to purchase new buses. Also, on the operating side of the business, an overly aggressive use of operating dollars to upgrade bus stops may not be wise when operating dollars are needed to fund improved service frequency.

Notably missing from the Grand Jury report is the fiscally creative accomplishment this past year in which the Metro bus stop customer experience has been vastly improved by the rollout of the Schedule By Stop program. This in-house developed program provides the opportunity for customers standing at a bus stop to quickly retrieve scheduled bus information for their stop via their cell or Smartphone. This new program is seen as an interim step in the journey toward real-time bus arrival information, or a Predictive Arrival and Departure System (PADS). At some point in the future, Metro staff envisions being able to remove the confusing and aesthetically displeasing bus stop maps and schedules currently posted at bus stops.

All capital expenditures related to bus stops will be reviewed by the Board Capital Projects Standing Committee.

**F12.** Metro bus seats are difficult to clean and sanitize, which may negatively impact ridership.

- AGREE  
 PARTIALLY DISAGREE – explain the disputed portion  
 DISAGREE – explain why

**Response explanation** (required for a response other than **Agree**):

Over the past two years, Metro staff has discussed the sanitary and maintenance challenges of padded seats and are considering that future bus procurements should be ordered without padded seats. Metro will purchase all future fixed-route buses without padded seats. However, Metro staff believes that all future Highway 17 commuter bus

procurements will continue to include padded seats.

**F13.** The lack of overnight parking at bus facilities may be a deterrent to potential riders.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

**F14.** Metro’s CNG bus engines break down sooner than expected, resulting in accelerated expenses.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

The statement is somewhat correct. Diesel engines typically run 225K – 250K miles before experiencing a major failure. Compressed Natural Gas (CNG) engines run about 125K – 150K miles before experiencing a major failure, and in some cases, less than 100K miles. CNG engines run very hot and one of the most common failures is a dropped valve that then breaks the piston head. CNG engines also require more frequent maintenance than do diesel engines.

Current developments in CNG engine technology have resulted in engineering design changes that are being implemented to try and improve engine longevity. Additionally, CNG engine technology has evolved into the design of a “Near Zero Emission” engine that significantly reduces NoX emissions for future bus purchases.

All capital expenditures related to bus purchases will be reviewed by the Board Capital Projects Standing Committee.

**F15.** Metro transit centers are deteriorating and in disrepair, which may negatively impact ridership.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

If METRO continues to properly maintain these facilities, they should provide benefit to Metro and its customers for many years to come. The facilities are not “deteriorating.” While in need of some upgrades, both structures are sound.

Nearly three years ago, soon after the arrival of the new CEO, a complete assessment of both facilities was performed and a list of needed investments was identified. Over the past three years, as the budget would allow, tens of thousands of dollars have been invested in these facilities, as described below:

### **Watsonville Transit Center**

- Santa Cruz Metro signs installed on exterior
- Restrooms rehabilitation
- Exterior repainting - All buildings, clock tower and other exterior structures
- New bus loop signage
- Full exterior lighting upgrades
- Design and construction of Customer Service Information Booth
- New staffed customer service center
- Added stop sign inside the bus loop
- Installed two new bus benches outside
- Removal of several kiosks to improve visibility, safety, and customer Experience
- Refinishing of all wooden interior benches

### **Next series of upgrades being considered or in work**

- Possible main building floor replacement
- New community mural
- Public spaces art
- Vegetation upgrades
- Conversion of one out-building to another leasable space

### **Pacific Station**

- All new carpet throughout second floor
- Complete interior repainting
- Refinishing of all the interior wood benches
- Rebuild the upstairs customer service area (currently in design)
- Targeted exterior repainting of various ironworks and Metro logo
- Major tree trimming
- Power washing of all concrete areas
- A/C cooling unit for server room
- Major repairs to the public restrooms
- Interior floor stripping and deep cleaning
- Clean overhead lamp shades

### **Next series of upgrades being considered or in work**

- Emergency generator replacement
- Replacement of curved plexi-glass windows that leak
- Lease remaining leasable space

There is no question that Metro can and should do more frequent **custodial** work at these two facilities. Metro's fiscal challenges limit the operations resources with which to hire the additional custodian or two that are needed if Metro wants to increase the

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frequency of cleanings. Metro agrees that doing so would improve the customer experience at these two locations. Additionally, vandalism of the public restrooms is a recurring and costly challenge to keep up with. That said, Metro has and will continue to make every attempt possible to keep up with and remediate vandalism.

All major capital expenditures related to Metro facilities and transit centers will be reviewed by the Board Capital Projects Standing Committee.

**F16.** Metro transit centers are not clean, which may negatively impact ridership.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

Response included in answer to Finding 15

### **Recommendations**

**R1.** Metro should conduct a limited study to determine if reduced fares would generate additional revenue through increased ridership. (F1, F4, F7)

**HAS BEEN IMPLEMENTED** – summarize what has been done

**HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe

**REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

This Recommendation will not be implemented because it is not warranted or is unreasonable. Metro fares are already reduced given that the public subsidizes the service by about 77%. Additionally, the Metro Board Adopted Fare Policy includes provisions for further discounts if Metro passes are purchased in bulk by qualified entities. There are also inter-agency agreements that allow riders to ride services in Santa Clara County and Monterey County.

Metro has recently resolved the structural deficit and gambling with public resources and risking a drop in farebox revenues seems inconsistent with the Board's goal of fiscal responsibility.

Today, METRO's farebox recovery is about 23%, one of the highest in the state. Farebox recovery represents the percentage of total operating costs recovered through the farebox. However, approximately 77% of the costs of running the system are subsidized by the taxpayers via local sales tax initiatives and state and federal subsidies. Reducing bus fares risks dropping overall fare revenue. Doing so could also

negatively impact bus routes that are running at capacity in the peak hour today. Further impacting a full bus in the peak hours could result in a need to add additional buses. Since only twenty-three cents on an operating dollar for additional buses is recovered through the farebox, the operating budget would be negatively impacted by an increase of seventy-seven cents on a dollar of the cost to run the additional buses.

Metro has, and will continue to emphasize and work towards ridership growth. In reality, increasing ridership must be an outcome of a more surgical and strategic exercise as opposed to a conceptual thought that reduced fares will grow ridership. Target marketing seeks to identify existing excess capacity, both in the peak and off-peak hours, and to attract new customers to fill the empty seats. Doing so successfully will result in increased revenues and no new operating costs.

Finally, Metro's Transportation Development Act (TDA) funding requires that Metro achieve certain performance standards, including a minimum farebox recovery. Metro should not place this formula funding source (\$6.7 million/year) at risk by experimenting with such a hypothesis.

**R2.** Metro should redefine the Marketing Manager position as Director of Business Development and fund it. (F9, F10)

**HAS BEEN IMPLEMENTED** – summarize what has been done

**HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe

**REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

This Recommendation will not be implemented because it is not warranted or is unreasonable. At the CEO's request, the Board created the Marketing, Communications and Customer Service Manager position on February 13, 2015. Since 2014, the Board has been working to resolve the \$6.3 million fiscal structural deficit. The fiscal structural deficit was not resolved until July 2016. During this fiscally challenged period of time, Metro was proposing to reduce service as much as 33% and layoff as many as 1/3 of the bus operators to resolve the structural deficit. Given these difficult times, it would not have been prudent policy to fund a new manager position. The CEO will revisit asking the Metro Board to fund the Marketing, Communications and Customer Service Manager position sometime in the next year or two.

Finally, at the current time, the CEO sees no tangible value in renaming the Marketing, Communications and Customer Service Manager position to the Director of Business Development. The Recommendation is not a documented industry-wide common practice.

Also, see response to Finding 10.

R4. The Metro Board, Metro management, and the Metro Advisory Committee should meet jointly on a regular basis. (F5, F6)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

See response to Finding 6.

R5. Metro should identify and secure additional funding sources. (F2, F8, F9, F10)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

Metro has been and plans to continue to seek additional funding sources. In addition, Metro must continue to allocate substantial time and resources to protecting existing state and federal funding streams.

**Recent Increased Funding Sources Outcomes**

- The voters of Santa Cruz County supported Measure D, in which 16% of net revenues come to Metro
- Metro strongly supported SB-1, which has been signed into law by the Governor
- Metro worked with UCSC to increase UCSC’s financial support to sustain service on important lines serving the college
- Metro worked with the Cabrillo College student Senate to encourage the Senate to place a measure on the student ballot for a student program similar to UCSC. That Measure passed which produces a funding source that helps to sustain service levels on lines serving the college.
- Metro initiated a discussion with the San Lorenzo Valley School District about shared transportation interests and partnerships
- Annual Washington, DC trips with Board members to advocate for Metro funding of various capital grants programs

**Ongoing and Potential Future Funding Growth Strategies**

- Advocating at the federal level for the increase of the Small Transit Intensive Cities (STIC) program to be increased from 1.5% to 3%
- Advocating at the federal level for the Alternative Fuels Credit to be made a permanent annual credit instead of an annual renewal with the annual Extenders process.
- Continue annual Washington, DC trips with Board members to advocate for funding of various Metro capital grants
- Once the Marketing Manager is hired, improve the bus advertising program and develop a bus stop and transit terminal advertising program.
- Continue evaluating strategic surgical approaches to increasing ridership that will fill excess capacity, both peak and off-peak hours of service
- Increase service frequency on key lines, which will result in an increase in ridership
- Seek funding for a Predictive Arrival And Departure System (PADS) that will provide customers with real-time bus arrival information and result in an increase in ridership
- Analyze and present to the Board a fare restructuring proposal in CY2018
- Continue working with the City of Santa Cruz on a Transportation Demand Management (TDM) partnership that will reduce the parking needs of the downtown and increase ridership for Metro
- Continue to develop strategies to encourage students to ride the bus to school
- Develop a target marketing strategy for growing Highway 17 commuter service ridership
- Grow ridership on the Highway 17 commuter service by purchasing over-the-road coaches
- Grow systemwide ridership by appealing to the environmental, sustainability and Green House Gas (GHG) oriented potential customers by purchasing zero emissions electric buses

R6. Metro should expand their grant writing program. (F2)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

**See response to Finding 2**

R7. Metro should adopt and adhere to a budget that does not deplete reserves for operating expenses. (F1)

- HAS BEEN IMPLEMENTED** – summarize what has been done

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- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

The Grand Jury was provided very positive information about the Board's attention to and the resolution of the fiscal structural deficit; the elimination of the use of Reserves in the operating fund; and the positive outlook for budgetary stability over the next five years.

The Board actions of June 2016, over a year ago, resolved the most immediate challenge, which was the \$6.3 million fiscal structural deficit. Also, thanks to the voters of Santa Cruz County for Measure D and the state legislators for SB-1. As a result of the aforementioned actions, Metro does not anticipate the return of the structural deficit in the five-year budget look-ahead.

In the June 2017 budget adoption, the Board also adopted a strategy to replenish key Reserves by 6/30/22 and to provide \$15 million over the next five years to be leveraged for state and federal capital grants.

- R8.** Metro should consider pursuing additional private and government partnership programs, such as those with UCSC and Cabrillo College. (F8)
- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

Metro is and will continue to implement this recommendation. Recently, Metro staff met with San Lorenzo Valley School District officials to explore potential partnerships. Last year, Metro accomplished the two new and improved partnerships referenced by the Grand Jury, and Metro plans to continue to seek other funding partnerships in the future.

- R9.** Metro should create a bus stop sponsorship program that underwrites construction of bus stops in accordance with Metro's design standards. (F11)
- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe

(not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why  
**Response explanation, summary, and timeframe:**

This Recommendation requires further analysis.

Metro is and has been considering the creation of a bus bench and bus shelter advertising program in the future, much like many transit properties around the country do today. One approach might be to secure a contract with an advertising company that includes the provision of new bus shelters in the deal.

The ability to sell advertising space and the valuation of that space is most often driven by the number of potential visual impressions. Impressions are the number of people who actually see the advertisement, based on the size of the advertisement, visibility, and the speed at which people are passing by. While some may characterize the Santa Cruz County roadway corridors as heavily congested, from a marketing advertisement space perspective, the corridors don't have the kinds of car counts most high-dollar perspective advertisers seek and who are willing to pay high rental rates.

Nonetheless, Metro believes there is a new revenue stream and/or new bus shelters that can be obtained by the addition of bus bench and bus shelter advertising. However, cities sensitive to the escalation of outdoor advertising, sometimes called visual pollution, may have concerns about the addition of potentially 847 new public advertising spaces along Santa Cruz County roadway corridors. Metro will need to work with the County and the four cities within Metro's service area to attempt to find common ground in the creation of aesthetically pleasing advertising spaces. Two years ago the Board gave the CEO such direction. Now that Metro's fiscal structural deficit has been resolved, the CEO plans to turn his attention to this matter.

All capital expenditures related to bus stops will be reviewed by the Board Capital Projects Standing Committee.

- R10. Metro should improve cleanliness at transit facilities. (F12, F16)
  - HAS BEEN IMPLEMENTED** – summarize what has been done
  - HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
  - REQUIRES FURTHER ANALYSIS** – explain scope and timeframe  
(not to exceed six months)
  - WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

See responses to Findings F15 and F16.

- R11. Metro should improve maintenance at transit facilities. (F12, F15, F16)

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- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

See responses to Findings F15 and F16.

**R12.** Metro should establish overnight parking at the Scotts Valley Cavallaro Transit Center for riders. (F13)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

The CEO concurs with this recommendation; however, establishing overnight parking at the Scotts Valley Cavallaro Transit Center will require further analysis to mitigate some operational challenges.

About a year ago, Metro posted “No Overnight Parking” signs at the transit center. At that time, the parking lot was surveyed and found to have only a small handful of vacant parking spaces (excess capacity) at the end of the weekday peak hour. A lack of parking was identified as being an impediment to marketing efforts to grow Highway 17 commuter service ridership.

Upon further analysis, it was discovered that several spaces were being taken up nightly by some homeowners residing at the Blue Bonnet condominium complex, adjacent to the parking facility. Unfortunately, the owners of these cars typically do not move them prior to the start and end of Metro’s peak hour transit need. Complicating matters further, Metro discovered that Apple, among other tech firms, was using the facility for their tech bus riders without Metro authorization.

In order to deter the Blue Bonnet condominium homeowners from their unauthorized overnight parking, Metro installed the no overnight parking signs and Metro plans to enforce the no overnight parking ban in the near-future. Metro has also been working with the City of Scotts Valley to identify alternate tech bus parking spaces. At Metro’s urging, Google recently negotiated a lease with the Scotts Valley Boys and Girls Club to utilize their excess daily parking. Also, the City is currently negotiating with Apple for Apple to lease off-site spaces on City-owned property.

Metro does acknowledge the need for legitimate transit overnight parking. For example, it might be common for someone to park at the transit center and take the Highway 17 commuter service to San Jose Diridon Station and catch CALTRAIN to San Francisco for an overnight business or pleasure stay, or, to take Amtrak from San Jose Diridon Station to a vacation destination.

As time and resources permit, Metro staff has been, and will continue, to investigate possible solutions to the overnight parking, permitting and enforcement challenges and the unauthorized tech bus and Blue Bonnet homeowners' usage of the transit center parking lot. While tech buses provide a similar service as the Highway 17 commuter service, that is, taking cars off the highway, it is not prudent to use public resources to provide tech companies with free parking. At some point in the near future, Metro will start citing and towing those who park at this facility and board tech buses and the cars of the Blue Bonnet homeowners. Metro staff will also investigate opportunities to permit transit-oriented overnight parking. Such a program might involve the purchase of one or two parking ticket machines that would dispense overnight permits for a cost.

Metro will continue to study, analyze and evaluate solutions to these challenges.

**R13.** Metro should evaluate cost-effective alternatives to the CNG bus powertrain.  
(F14)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe  
(not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

As per the fleet plan adopted by the Metro Board on May 19, 2017, Metro will continue to purchase CNG powered buses through about 2030, and then phase-out CNG buses from the fleet by about 2040, at which time Metro aspires to have a 100% zero emissions fleet.

Metro is well informed on the evolving electric bus technology and participates regularly in various forums, briefings and seminars on the topic. Metro's CEO represents Metro on the Zero Emission Bus Resource Alliance (ZEBRA) and Metro has a contract with the Center for Transportation and the Environment (CTE) to assist with Zero Emission Bus (ZEB) analysis, procurement and the deployment of electric buses at Metro. As the California Air Resources Board (CARB) continues to progress towards mandating zero emissions bus fleets in the future, METRO must continue to perform due diligence in reviewing new and evolving low or no emissions technologies.

Currently, there are three types of cleaner emissions buses being produced: All electric, hydrogen fuel cell and hybrid electric. In addition, Cummins has been

communicating that they will be producing near zero emissions diesel engines in the near future. As these newer technologies evolve, one must be mindful that there is virtually no life cycle experienced with any of these technologies. Aggressive early adopters may suffer the consequences of high costs and service disruptions associated with helping the industry perfect the technology.

The most significant challenge for electric buses today is one of range. If a bus charged overnight cannot run the entire day on one charge, the result will be significant additional costs for in-route recharging (opportunity charging). Battery charging capacity and bus range has been slowly improving over the last few years and is expected to continue to improve in the coming years.

The suggestion that Metro convert CNG buses to electric buses would result in far fewer batteries being installed than a factory electric bus, a very low overall range and the need to install very expensive in-route recharging facilities. In contrast, buses built at the factory as electric buses are constructed in such a way as to accommodate far more batteries and greater range. Also, it would not be a prudent expenditure of public resources to invest in an electric battery retrofit of a bus body and frame that may have over 500K miles and twelve years of life.

As stated above, on May 19, 2017, the Metro Board adopted Metro's goal to attain a fully zero-emission fleet by 2040 and phasing out CNG bus purchases by 2030. With this strategy, Metro will continue to buy a mix of CNG and electric buses through 2030, and then all electric buses thereafter. The last CNG bus would then be retired in 2040. This strategy will allow Metro to achieve the full life expectancy and fully depreciated value of the multi-million investment made in 2002 in the liquefied natural gas fueling station. However, the challenge in fulfilling this goal is one of capital resources. CNG buses today cost about \$580K/each and electric buses with associated infrastructure cost nearly \$1 million/each.

All capital expenditures related to bus purchases will be reviewed by the Board Capital Projects Standing Committee.

- R14.** Metro should use easily cleanable materials for bus seats. (F12)
- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

See Metro's response to Finding 12

**R15.** Metro should conduct a limited trial using AVL and HASTUS to explore bus route efficiency. (F7)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

This Recommendation will not be implemented because it is not warranted or is unreasonable. Implementing a “trial” of an Automatic Vehicle Location (AVL) system would be a costly and time-consuming undertaking and would yield no new information. Metro staff and the Board understand the value and benefits of AVL, which is widely used today at transit properties across the nation.

Metro has been working on the development of an AVL project for nearly three years, which unfortunately was not acknowledged by the Grand Jury. Over the past three years, Metro staff have received numerous presentations from vendors in the Predictive Arrival and Departure Systems (PADS) technology space. Over this same period of time, Metro staff have developed a scope of work for a future procurement that reflects the PADS needs of Metro. At the same time, Metro has been actively seeking funding for such a project. Once the capital funding is identified, staff will propose to the Board that it authorize a procurement for such a system.

All capital expenditures related to AVL and PADS will be reviewed by the Board Capital Projects Standing Committee.

**R16.** Metro should provide WiFi connection on more buses. (F4)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

This Recommendation will not be implemented because it is not warranted or is unreasonable. We note that Finding 4, as referenced in R16 above, is an opinion about Bus Rapid Transit (BRT) and not Wi-Fi. The text of the Grand Jury report does not address a Wi-Fi observation or an industry practice. Please provide a clarification with regard to this recommendation.

Currently, the Highway 17 commuter bus fleet is outfitted with Wi-Fi. This is a dedicated

fleet in which these buses run only on the Highway 17 commuter service.

In the future, as funding resources are identified, Metro may add Wi-Fi to the routes that run between Watsonville and Santa Cruz, and possibly the routes that run between downtown Santa Cruz and UCSC. The challenge of doing so is not limited to the capital required to purchase the on-board Wi-Fi equipment, and the recurring operations cost of maintenance and cellular service, but also the operational challenges created when the bus fleet is further segregated in dedicated fleets, that is, buses that are limited to running on certain routes.

Metro's experience with installing Wi-Fi on Highway 17 buses goes back to a period of time between 2007 and 2013 in which Wi-Fi was installed on some buses, then expanded and then upgraded. Over that period of time it appears that Metro expended over \$165,000 in capital dollars for the installation, monitoring, maintenance and upgrades required for the 21 buses. Since then, ongoing operational expenses (recurring) amount to about \$26K/year for a monitoring and maintenance contract and \$23K/year for the AT&T and Verizon cellular service providers (dual providers are necessary due to topographical challenges encountered in signalization is weak or lost while traversing Highway 17). Expansion of Wi-Fi could be expensive if the cost model does not change. In the future, Metro hopes to explore expanded Wi-Fi service business models in which most, if not all, of the costs are absorbed by a vendor who would profit from advertisements viewers are required to see when using the Wi-Fi system.

All capital expenditures related to WiFi will be reviewed by the Board Capital Projects Standing Committee.

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# Attachment B

## METRO Board Response to the Grand Jury Report

### Findings

**F3.** Many Metro Board members lack transit management knowledge of best practices or business experience, leaving them ill-equipped to address Metro's declining revenues.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

The makeup of the Metro Board is dictated by Metro's enabling legislation (see Public Utilities Code section 98000 et seq.), and is a common model utilized by transit districts across the state of California (see Public Utilities Code Division 10). Thus, Metro does not control appointments to the Metro Board.

However, Metro understands the importance of having an engaged and educated Board. To that end, each new Metro Board member is provided several hours of orientation soon after appointment. The thorough and comprehensive orientation includes transit terminology; history of Metro; introduction to all department managers; an overview of each department's responsibilities; financial overview; legal and ethical requirements applicable to Board members; providing a 300+-page "Board Member Orientation Packet"; and other ancillaries.

As time goes on, Board members can take advantage of other training opportunities. Some Board members, current and past, have taken advantage of the American Public Transportation Association (APTA) Board Member and Board Support Conference. This multi-day training event occurs annually. Additionally, because Board members take the initiative to learn about Metro's business and specific challenges, Board members often request special briefings from staff on topics where they wish to increase their knowledge. Moreover, there are significant benefits to having a Board comprised of members from diverse backgrounds and experiences. Finally, the CEO regularly provides the full Board with transit and transportation related articles about a multitude of transit topics involving numerous transit properties across the nation.

We note that the Grand Jury report emphasizes perceived benefits of Bus Rapid Transit (BRT) and a board member education program offered by the Institute for Transportation & Development Policy (ITDP). A high-level review of the apparent mission of the ITDP seems to reflect a strong leaning towards the promotion of BRT concepts and sustainability. In the Board's response to Finding 4, we will address the BRT Finding.

It is not clear to Metro how this Finding can be resolved by sending Board members through the ITDP program. Board members are already well-versed in issues related to

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sustainability and the potential benefits of BRTs.

F4. Metro use of Bus Rapid Transit (BRT) industry best practices is limited.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

The Grand Jury report contends that Bus Rapid Transit (BRT) systems are a “best practice” in the transit industry. However, this contention appears to misconstrue the sources relied upon by the Grand Jury members for this conclusion. In fact, the reports found under the links contained in the Grand Jury report offer ideas, concepts, successes and “best practices” for BRTs, should an agency be inclined to implement a BRT. BRT does not always make sense for every transit environment. Indeed, the following is a quote taken from the FTA’s Executive Summary in one of the links referenced in the Grand Jury report, which focuses on the benefits of BRT in “large cities”:

### FTA Research

#### Peer-to-Peer Information Exchange on Bus Rapid Transit (BRT) and Bus Priority Best Practices May 2012

*“The results of the Peer-to-Peer Information Exchange on BRT and Bus Priority Best Practices program make clear that better public transportation in general and BRT in particular can be cost-effective, useful tools for improving transportation and the environment and restoring the livability of America’s large cities.”*

We agree that BRT should be evaluated by transit entities. Therefore, Metro is not and has not been opposed to reviewing the potential of a BRT in Santa Cruz County. Metro’s current and past history demonstrates that Metro has and continues to evaluate BRTs. The following reflects Metro’s experience on this topic

### Santa Cruz BRT history (2005-10)

Together, Monterey-Salinas Transit (MST) and METRO won an Air District grant in 2007 to study BRT in the Monterey Bay area. MST developed its portion of the analysis for the purpose of an FTA Very Small Starts Grants application. The initial Santa Cruz portion of the effort was to consider the general opportunities and applicability for BRT features between Santa Cruz and Watsonville. This analysis is reflected in the 2008 METRO SRTP with general references to BRT and that there may be opportunities in the Soquel/Freedom, Highway 1, and/or rail corridor. These are the same corridors currently being studied in the RTC Unified Corridor Study.

Later, UCSC contributed funding to develop an additional analysis of the BRT corridor between Pacific Station and the campus, as continuation of previous work the University had developed. The improvements suggested in this analysis, (additional vehicles, station modifications, queue jumps, and transit signal priority) were expensive (over \$2 million), did not create sufficient additional benefits to justify the expense, and did not have political support to pursue. Travel time analysis suggested that only 1.2 minutes per 6.7 mile round-trip (currently 45-55 minutes) could be saved due to these

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improvements. Until recently, this had been the last effort in this County on this topic.

### **Santa Cruz BRT history (2016)**

In 2016, Metro and MST were jointly awarded a grant from Association of Monterey Bay Governments (AMBAG) to study the feasibility of "Bus on Shoulder" on portions of Highway 1 in Santa Cruz County and in Monterey County. This study, which is currently underway, envisions a BRT that would run between Watsonville and Santa Cruz, providing BRT or BRT-like service operating on the inner or outer shoulder of the highway. Bus-on-Shoulder is a concept increasingly being used in some cities today across the nation, not as a "best practice" but as a "common practice" in operating environments in which buses operate on very congested highways.

Metro will continue to evaluate, and potentially implement, both BRT and Bus on Shoulder concepts, should one or more of those concepts be determined to be in Metro's best interest.

All capital expenditures related to BRTs will be reviewed by the Board Capital Projects Standing Committee.

**F5.** There are no experience qualifications for Metro Board members in its bylaws, and the Board lacks the range of experience or training necessary to improve Metro's performance.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

Covered in the answer to Finding 3.

**F6.** Metro does not have joint meetings that include the Board, Metro management, and the Metro Advisory Committee. Better and more frequent communication and coordination between these bodies could improve decision making.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

Metro is unclear as to what the Grand Jury members intended with the following statement: "...joint meetings that include the Board, Metro management, and the Metro Advisory Committee." This statement appears out of place when attempting to reconcile it against the substantive text of the report. Metro would appreciate any clarification the Grand Jury members could provide.

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In the way of background, Metro staff does regularly attend and provide staff support to the Metro Advisory Committee (MAC) and the MAC Chair attends two Metro Board meetings a year, providing the Board with an update of the MAC activities and MAC recommendations on various transportation topics.

Additionally, Metro questions the wisdom and value of joint staff and Board meetings. All staff report to the CEO. The joint meetings suggested in the report would have the potential to blur the lines of reporting relationships or create an opportunity for the Board (policy makers) to interfere with the administrative functions they have contractually delegated to the CEO. Nevertheless, Metro Board members do regularly interface with staff at Committee and full Board meetings and the CEO provides an interactive working environment in which staff members are responsible for presenting their department's Board reports to the full Board and answering Board member questions.

**F7.** Manual collection of route performance data does not allow for optimal use of the HASTUS system.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

**F8.** Metro partnerships with UCSC and Cabrillo College have contributed significantly to Metro revenues, and Metro would benefit from additional community partnerships.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

**F9.** Metro marketing functions are handled inefficiently, in significant part due to an unfilled marketing manager position. Marketing must be more than just selling advertising on buses.

**AGREE**

**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

**F10.** Metro lacks a business development manager. Currently, business development responsibilities are distributed across the organization, and are not implemented or effective.

**AGREE**

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**PARTIALLY DISAGREE** – explain the disputed portion

**DISAGREE** – explain why

**Response explanation** (required for a response other than **Agree**):

The CEO agrees that the business development duties and responsibilities described in the Grand Jury report should be encompassed within one position, irrespective of the position being called a "Marketing Manager" or "Business Development Manager." Although currently implicit in the Marketing Manager Job Description, the job description will be strengthened in the future to provide additional business development functions.

Finally, business development will always be a shared responsibility between a Marketing Manager and the Planning and Development Manager. The Planning and Development Manager is responsible for obtaining and monitoring data relative to new and existing transit nodes (transit concentrations or intersections), transit catchment areas (typically ¾ mile on each side of a transit route), transit friendly developments and employment centers, and for making recommendations for service adjustments that will maximize the potential of retaining and attracting new ridership.

This matter will be further evaluated in the Management Classification and Compensation study, currently underway.

## Recommendations

**R2.** Metro should redefine the Marketing Manager position as Director of Business Development and fund it. (F9, F10)

**HAS BEEN IMPLEMENTED** – summarize what has been done

**HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe

**REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

This Recommendation will not be implemented because it is not warranted or is unreasonable. At the CEO's request, the Board created the Marketing, Communications and Customer Service Manager position on February 13, 2015. Since 2014 the Board has been working to resolve the \$6.3 million fiscal structural deficit. The fiscal structural deficit was not resolved until July 2016. During this fiscally challenged period of time, Metro was proposing to reduce service as much as 33% and layoff as many as 1/3 of the bus operators to resolve the structural deficit. Given these difficult times, it would not have been prudent policy to fund a new manager position. The CEO will revisit asking the Metro Board to fund the Marketing, Communications and Customer Service Manager position sometime in the next year or two.

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Finally, at the current time, the Board sees no tangible value in renaming the Marketing, Communications and Customer Service Manager position to the Director of Business Development. The Recommendation is not a documented industry-wide common practice.

This matter will be further evaluated in the Management Classification and Compensation study, currently underway.

Also, see response to Finding 10.

**R3.** The Metro Board should include members who have marketing, business management, or finance experience. (F3, F5, F6)

**HAS BEEN IMPLEMENTED** – summarize what has been done

**HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe

**REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

This Recommendation will not be implemented because it is not warranted or is unreasonable. Neither the Board Bylaws nor the Metro's enabling legislation requires such expertise. Moreover, as a result of Metro's enabling legislation, Metro does not control appointments to the Metro Board (see Public Utilities Code section 98000 et seq.).

The Board does agree that business experience can lend value to Board policy discussions and the Metro Board has numerous examples of business experience. In addition, and in accordance with Metro's enabling legislation, many Board members serve (and in some cases have served for many years) in similar capacities for other governing bodies. That experience, which includes policy making in the marketing, business management and finance areas, is directly transferrable to the Board members' service on behalf of Metro.

**R4.** The Metro Board, Metro management, and the Metro Advisory Committee should meet jointly on a regular basis. (F5, F6)

**HAS BEEN IMPLEMENTED** – summarize what has been done

**HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe

**REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

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See response to Finding 6.

**R5.** Metro should identify and secure additional funding sources. (F2, F8, F9, F10)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Response explanation, summary, and timeframe:**

Metro has been and plans to continue to seek additional funding sources. In addition, Metro must continue to allocate substantial time and resources to protecting existing state and federal funding streams.

### **Recent Increased Funding Sources Outcomes**

- The voters of Santa Cruz County supported Measure D, in which 16% of net revenues come to Metro
- Metro strongly expressed support for SB-1, which has been signed into law by the Governor
- Metro worked with UCSC to increase UCSC's financial support to sustain service on important lines serving the college
- Metro worked with the Cabrillo College student Senate to encourage the Senate to place a measure on the student ballot for a student program similar to UCSC. That Measure passed which produces a funding source that helps to sustain service levels on lines serving the college.
- Metro initiated a discussion with the San Lorenzo Valley School District about shared transportation interests and partnerships
- Annual Washington, DC trips with Board members to advocate for Metro funding of various capital grants programs

### **Ongoing and Potential Future Funding Growth Strategies**

- Advocating at the federal level for the increase of the Small Transit Intensive Cities (STIC) program to be increased from 1.5% to 3%
- Advocating at the federal level for the Alternative Fuels Credit to be made a permanent annual credit instead of an annual renewal with the annual Extenders process.
- Continue annual Washington, DC trips with Board members to advocate for funding of various Metro capital grants
- Once the Marketing Manager is hired, improve the bus advertising program and develop a bus stop and transit terminal advertising program.
- Continue evaluating strategic surgical approaches to increasing ridership that will fill excess capacity, both peak and off-peak hours of service

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- Increase service frequency on key lines, which will result in an increase in ridership
- Seek funding for a Predictive Arrival And Departure System (PADS) that will provide customers with real-time bus arrival information and result in an increase in ridership
- Analyze and present to the Board a fare restructuring proposal in CY2018
- Continue working with the City of Santa Cruz on a Transportation Demand Management (TDM) partnership that will reduce the parking needs of the downtown and increase ridership for Metro
- Continue to develop strategies to encourage students to ride the bus to school
- Develop a target marking strategy for growing Highway 17 commuter service ridership
- Grow ridership on the Highway 17 commuter service by purchasing over-the-road coaches
- Grow systemwide ridership by appealing to the environmental, sustainability and Green House Gas (GHG) oriented potential customers by purchasing zero emissions electric buses

R6. Metro should expand their grant writing program. (F2)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

### Response explanation, summary, and timeframe:

Metro strongly disagrees with this Finding. This Finding was presented to the CEO three days before the release of the Grand Jury report and without an opportunity to respond in writing. The Grand Jury provided no supporting documentation or information from interviews with staff or others that would substantiate this Finding. At the Grand Jury exit meeting, the CEO verbally provided the Grand Jury members background and examples as to why this Finding is incorrect; unfortunately the Grand Jury chose to disregard this information.

It appears that the Grand Jury members did not properly comprehend the grants process, particularly the differences between Capital Grants and Operating Grants and the differences between Formula Grants and Discretionary (Competitive) Grants.

### Operating Grants vs. Capital Grants

Think of the operating budget as “running buses” and the capital budget as “buying buses.” Metro’s structural deficit, as referred to in the Grand Jury report, is in the operating budget. State and federal discretionary (competitive) grants typically do not provide revenue for the operating budget, and local grants that might provide operating funds are few and far between. Nearly all state and federal grant opportunities are for

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capital improvements and bolster Metro's ability to buy buses. Regardless, METRO applies for all discretionary grant opportunities for which it is eligible.

### **Formula Grants**

State and federal formula grants come to Metro as a result of legislation, usually require an annual application, and always require follow-up information on how Metro used the money. While this is a cumbersome and time-consuming process which also demands attention from the grants-writing staff, Metro always follows the dictated processes and never risks or jeopardizes its state and federal formula grant allocations. These state and federal formula dollars are typically used for operations, are sometimes flexible for use in both operations or capital, and are often restricted to capital only.

### **Discretionary (Competitive) Grants**

In any given year, there are a number of state and federal discretionary grant programs offered. Metro always submits highly competitive grant applications for programs for which it qualifies. Unfortunately, the Grand Jury report does not reflect Metro's highly successful discretionary capital grant awards in 2016. In 2016, Metro competed successfully at the state, federal and local levels for the following grants:

- State Low Carbon Transit Operations Program (LCTOP) – Awarded \$709,292 to purchase one zero emissions electric bus that will run as a circulator in Watsonville.
- Federal Low or No Emission Vehicle Program (LoNo) - \$3,810,348 to purchase three zero emissions electric over-the-road coaches to run on the Highway 17 commuter service. The grant includes recharging facilities. Of the 20 nationwide awards, Metro received the 5<sup>th</sup> highest award in the nation, receiving a larger grant than the Chicago Transit Authority.
- Santa Cruz County Regional Transportation Commission: Surface Transportation Block Grant (STBG) - \$500,000 to purchase one Compressed Natural Gas (CNG) bus to run on Metro's fixed-route services.

When grants become available for competition, they are always way oversubscribed. Typically, there are nine to ten times as many applications as actual grant awards, and the amount awarded is a fraction of the amount requested. For example, in 2016 the federal Bus and Bus Facilities grant program received \$1.647 billion in applications for a program with only \$213 million available for distribution. In the 2016 federal Low and No Emission Bus Program, applicants requested \$446 million from a pot of only \$55 million.

Again, these grants are for capital improvements only and do not provide operating revenue.

### **The Changing Landscape of Grants Availability**

Finally, the grant funding landscape has changed dramatically over the past five years,

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which the CEO explained to the Grand Jury members. Here are just a few examples:

- Up until 2012, the federal transportation authorization included a Bus and Bus Facilities Program, a discretionary capital grant program. Up until then, Metro had competed successfully for some of this funding. With the enactment of MAP-21 in 2012, the Bus and Bus Facilities discretionary grant program was eliminated. It was not until the FAST Act reauthorization last year that the Bus and Bus Facilities program was reestablished, albeit at a substantially reduced funding level.
- In 2006, the California voters created a capital funding source through Proposition 1B. This ten-year capital program, which expired last year, funded numerous Metro security, facilities and bus procurements, which were all capital projects. Fortunately, the Governor signed the Road Repair and Accountability Act this past April to partially replace Proposition 1B and to provide additional State Transit Assistance (STA) to Metro. Again, this legislation favors capital projects for the use of this money, although some of it can be used for operating assistance if METRO meets specific performance criteria.
- The American Recovery and Reinvestment Act of 2009 (ARRA), signed into law by President Barack Obama on February 17, 2009 was an economic stimulus package which provided Metro valuable capital dollars. ARRA was a one-time program and did not provide recurring resources.
- In 2012, the US Congress eliminated federal “earmarks,” a process that provided legislative appropriations to specific projects in a congressman’s district. Metro had frequently secured federal earmarks to fund multiple capital projects.

Each year federal subsidies for public transit are threatened. The result of this constant threat is often flat or nominal growth in federal transportation funding, and in an environment where operational costs typically grow at a rate equal to or greater than the Consumer Price Index (CPI).

With the loss of several substantial capital funding programs since 2012, Metro’s challenge in the coming years will be one of trying to find the resources with which to replace 61 buses that are currently obsolete and in need of replacement at an estimated cost of \$38 million to \$60 million, depending on whether Metro purchases CNG or electric buses.

**R7.** Metro should adopt and adhere to a budget that does not deplete reserves for operating expenses. (F1)

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- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

### Response explanation, summary, and timeframe:

The Grand Jury was provided very positive information about the Board's attention to and the resolution of the fiscal structural deficit; the elimination of the use of Reserves in the operating fund; and the positive outlook for budgetary stability over the next five years.

The Board actions of June 2016, over a year ago, resolved the most immediate challenge, which was the \$6.3 million fiscal structural deficit. Also, thanks to the voters of Santa Cruz County for Measure D and the state legislators for SB-1. As a result of the aforementioned actions, Metro does not anticipate the return of the structural deficit in the five-year budget look-ahead.

In the June 2017 budget adoption, the Board also adopted a strategy to replenish key Reserves by 6/30/22 and to provide \$15 million over the next five years to be leveraged for state and federal capital grants.

**R8.** Metro should consider pursuing additional private and government partnership programs, such as those with UCSC and Cabrillo College. (F8)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

### Response explanation, summary, and timeframe:

Metro is and will continue to implement this Recommendation. Recently, Metro staff met with San Lorenzo Valley School District officials to explore potential partnerships. Last year, Metro accomplished the two new and improved partnerships referenced by the Grand Jury, and Metro plans to continue to seek other funding partnerships in the future.

**R9.** Metro should create a bus stop sponsorship program that underwrites construction of bus stops in accordance with Metro's design standards. (F11)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe

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**REQUIRES FURTHER ANALYSIS** – explain scope and timeframe  
(not to exceed six months)

**WILL NOT BE IMPLEMENTED** – explain why  
**Response explanation, summary, and timeframe:**

This Recommendation will not be implemented because it is not warranted or is unreasonable. This Recommendation is unclear, and the Grand Jury report provides no examples of common practice or support for this Recommendation.

Metro is and has been considering the creation of a bus bench and bus shelter advertising program in the future, much like many transit properties around the country do today.

The ability to sell advertising space and the valuation of that space is most often driven by the number of potential visual impressions. Impressions are the number of people who actually see the advertisement, based on the size of the advertisement, visibility, and the speed at which people are passing by. While some may characterize the Santa Cruz County roadway corridors as heavily congested, from a marketing advertisement space perspective, the corridors don't have the kinds of car counts most high-dollar perspective advertisers seek and who are willing to pay high rental rates.

Nonetheless, Metro believes there is a new revenue stream that can be obtained by the addition of bus bench and bus shelter advertising. However, cities sensitive to the escalation of outdoor advertising, sometimes called visual pollution, may have concerns about the addition of potentially 847 new public advertising spaces along Santa Cruz County roadway corridors. Metro will need to work with the County and the four cities within Metro's service area to attempt to find common ground in the creation of aesthetically pleasing advertising spaces. Two years ago the Board gave the CEO such direction. Now that Metro's fiscal structural deficit has been resolved, the CEO plans to turn his attention to this matter. Metro will also explore possible contacts with advertisers that could provide Metro with new bus shelters and bus benches.

All major capital expenditures related to bus stops will be reviewed by the Board Capital Projects Standing Committee.



## Santa Cruz Metropolitan Transit District

### The Bus Stops Here

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#### Summary

The Santa Cruz Metropolitan Transit District's purpose is to provide Santa Cruz County with a reliable transit system, delivering us where we need to be when we need to be there. Despite the efforts of the district's Board, management team, and employees, significant annual budget shortfalls and decreasing ridership jeopardize the sustainability of the system.

The 2016–17 Grand Jury evaluated actions the Santa Cruz Metropolitan Transit District (Metro) could take to reverse its service decline and achieve a balanced budget. Metro should increase efforts to retain and grow ridership, build sustaining partnerships such as those with UCSC and Cabrillo College, and expand funding sources. Combining these activities and marketing under a business development umbrella will align these tasks and focus the entire Metro team on its mission:

*To provide a public transportation service that enhances personal mobility and creates a sustainable transportation option in Santa Cruz County through a cost-effective, reliable, accessible, safe, clean and courteous transit service.*<sup>[1]</sup>

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## Background

In August 2016 Metro undertook extensive public outreach to discuss proposed service cuts resulting from insufficient funding. It also initiated a re-evaluation of existing routes and services. A slow recovery from the recession that began in 2008 contributed to a \$26 million reduction in anticipated revenue from 2008 through 2014.<sup>[2]</sup>

Anticipating a continuing annual shortfall that is currently funded from dwindling reserves, Metro engaged Transportation Management & Design, Inc. to study and report on Metro's delivery of services<sup>[3]</sup> and to conduct a market assessment of Metro's service area.<sup>[4]</sup> These reports were used to realign routes to control losses, but not for additional changes they recommended.

Metro lacks a system-wide strategic plan for long-term economic viability and ridership growth, and an action plan for increasing revenues and balancing the budget. Without such plans Metro faces continuing budget shortfalls and depleted reserves. The "FY 2017 & FY 2018 Budget" states that even with anticipated revenue from Measure D the district will return to a structural deficit in FY 2019.<sup>[5]</sup> <sup>[6]</sup>

## Management Structure

The Metro Board of Directors is comprised of 12 members:

- Five members of the Santa Cruz County Board of Supervisors or their appointed representatives
- Six city council members or their appointed representatives: one from Capitola, one from Scotts Valley, two from Santa Cruz, and two from Watsonville
- One member appointed from UCSC

Reporting to the Metro Board are the CEO/GM (Chief Executive Officer/General Manager) and District Counsel.

The Metro Advisory Committee is made up of citizen volunteers approved by the Metro Board. It meets quarterly and advises the Metro Board on matters of policy and operations with regard to bus transportation services.

## Scope

The Grand Jury recognizes the value of a county transit system to the economy, environment, and an enhanced quality of life for the entire community. Exploring the challenges to successful and financially viable transit systems, the Grand Jury met with members of the Metro Board of Directors, management, and union personnel. Grand Jury members rode buses on seven routes, toured the maintenance facilities, visited the new operations facility on River Street, and inspected the transit centers in Watsonville, downtown Santa Cruz, and Scotts Valley. We attended meetings of the Metro Board and the Metro Advisory Committee.

We reviewed publicly available materials, including the recently commissioned reports by Transportation Management & Design, Inc. evaluating Metro's services and markets.

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We reviewed proposed modified bus routes, ParaTransit for outlying areas, new alternative services, and management's vision of Metro's evolving role. We examined Metro funding partnerships with Cabrillo College and the University of California at Santa Cruz (UCSC), as well as options for securing future partnerships.

Many of our ideas coalesced from research on Bus Rapid Transit (BRT) systems.<sup>[7] [8]</sup> BRT is a compilation of adjustments and accommodations made to enhance bus service by reducing obstructions to achieving peak efficiency. The goal of BRT is to enable bus systems to perform more like light rail systems, free of traffic constraints and inefficient loading and unloading of riders. The main features of these systems include one or more of the following:

- Dedicated lanes
- Off-board fare collection
- Traffic light prioritization
- Platform-level boarding
- High-capacity vehicles
- Quality adjunct facilities
- Strong market branding
- Real-time rider data collection

## Investigation

Our investigation identified five areas in which Metro could benefit from an increased emphasis on current initiatives and from new management approaches. We agree with management that long-term financial sustainability and service to the community must be Metro's primary goals. We investigated the potential for:

- Expanding funding sources and operational revenue
- Improving facilities and equipment
- Evaluating management best practices
- Introducing a business development unit
- Improving the ridership experience

## ***Funding Sources and Operational Revenue***

Fares, tax initiatives, and grants are insufficient to cover operating costs. Current Metro Board actions and guidance to management do not address the need to grow income. Reserves continue to be depleted to cover operating costs and Metro has projected that within two years they will return to running a deficit.<sup>[5]</sup>

The Grand Jury reviewed ways Metro is attempting to reduce the practice of depleting reserves for operating expenses. Among these were route reductions, fewer stops, and a decrease in frequency of service of as much as 20%.

While Metro is striving to become more efficient, it has many challenges, including reduced fare box revenue, fewer grants, and dwindling state and federal funding

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contributions. Although assisted by subsidized funding from UCSC (\$4.1 million expected in FY17) and Cabrillo College (\$940,000 expected in FY17),<sup>[9] [10]</sup> inadequate funding remains a problem. Our investigation identified several potential avenues for additional funding:

- Increasing grant writing
- Expanding community partnerships beyond public-sector institutions
- Working with community retail districts to encourage mutual growth
- Exploring financial successes of similar public transit systems

## ***Facilities and Equipment***

The central maintenance and operations facilities are new and appear to be well run. The transit centers in Santa Cruz and Watsonville however are deteriorating and are not well maintained. Cleanliness of these centers is discussed below under *Ridership Experience*.

Part of Metro's bus fleet runs on Compressed Natural Gas (CNG), which has proven to be less cost effective than planned. This stems largely from shorter than expected maintenance cycles – the CNG bus engines need repairs more often than anticipated. Metro should evaluate the benefits of converting CNG bus engines to electric, which is estimated to be half the cost of purchasing new electric buses.

Metro currently uses a transit management software system called HASTUS. With this system, ridership data needs to be collected from direct observation on the buses and then manually uploaded. There is also no real-time tracking of timeliness. Automation of these data collection tasks could greatly assist Metro with management decisions. Automatic Vehicle Location (AVL) is a system for keeping track of the bus position in real time. With this and an automatic system to track boardings, considerably more and higher quality data could be gathered and fed into the HASTUS software. This would allow for better route management, reduced schedule delays, and a more appropriate allocation of resources. For riders, AVL is a necessary part of any system that would keep them informed when to expect the next bus.

## ***Transit Management Best Practices***

There are a number of transit best practices that would offer Metro new long-term strategies and short-term tactics to improve their operations. These include ideas for improving customer service, creating a positive rider environment, having agile action plans, and providing flexible budget allocations and program alignments. The overall challenge is to grow income – reducing services and using reserves to balance the budget is not sustainable. Growing ridership, increasing community partnerships, and expanding economic vitality are essential to a successful Metro.

The Federal Transit Administration's Office of Research, Demonstration, and Innovation states BRT "is often considered more reliable, convenient and faster than regular bus services."<sup>[11]</sup> In line with these conclusions, the Santa Cruz County Regional Transportation Commission continues to study ways to serve a high-density coastsides

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population along with more sparse rural areas. These areas have widely differing costs to operate and different service expectations.

Industry best practices are in evidence in many transit programs throughout the country. Collectively what stands out in these programs is a focus on innovation, both in systems and in management training. Programs in Seattle, Washington;<sup>[12]</sup> Eugene and Springfield, Oregon;<sup>[13]</sup> Fort Collins, Colorado;<sup>[14]</sup> and Alameda-Contra Costa Counties, California<sup>[15]</sup> are among several that may offer solutions to Metro's challenges.

The Institute for Transportation and Development Policy<sup>[16]</sup> is another resource for innovative ideas. It also underwrites a one-year management training for transit board members for regions with populations greater than 200,000, such as Santa Cruz County.

Metro Board members are not required to have any relevant transit experience, qualifications, or training.<sup>[17]</sup> This may be an impediment to improving Metro's performance, as not all Board members are aware of transit best practices, or have the time and resources to acquire that expertise.

## ***Business Development Unit***

In today's financial climate, special districts must be their own advocates in augmenting their budgets. While there are tax dollars allocated, they must proactively seek out additional funding, brand themselves, and actively market their services. The district needs the mindset of an entrepreneur to flourish.

The Metro organization chart has had an unfilled position for a marketing manager for three years. This may be short-sighted. A person in this position, particularly if it were expanded to include business development, could be:

- developing and championing ways to increase revenues,
- exploring new concepts and programs,
- pursuing partnerships similar to those with UCSC and Cabrillo College,
- establishing community outreach programs,
- expanding grant writing oversight, and
- advocating for an improved rider experience.

Currently these activities are disjointed and sporadic, and are constrained by a narrow definition of marketing. A business development manager would also examine the practices of similar and more financially robust transit systems to identify proven strategies.

## ***Ridership Experience***

It is a downward spiral to constantly reduce services in the face of a declining number of customers or revenue, yet struggling service providers tend to do so. Reductions and realignments should be done within the context of a growth plan, otherwise they lead an agency towards irrelevance or dissolution.

Metro still has several opportunities for making small investments to increase ridership, build loyalty, and strengthen Metro's relevance to our local economy. There are many

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benefits from improving the rider experience: reduced stress for bus operators, lower staff turnover, friendlier driver-rider interaction, higher bus utilization, and greater community support for funding of transit services. Primarily, Metro needs to consider a wider appeal to gain ridership. This challenge includes delivering services to current riders who will invite others to join them.

Any campaign to grow ridership will need to confront real and perceived criticisms. Key among these are dirty stations, parking that falls short of commuters' needs, and buses that are late, outdated, or unclean.

The Grand Jury identified several issues contributing to rider dissatisfaction:

- Traffic congestion contributes to schedule delays and missed connections, which has riders displeased with the bus operators, even though this is beyond Metro's control. Not knowing when the next bus will come is a big concern for riders.
- Metro Buses exceed the national industry average of 500,000 miles. Aging equipment is often in disrepair and makes a negative impression on riders.
- Bus seats are porous fabric and not easily sanitized.
- There is little consistency in the design, construction, or location of bus stops, and they often do not conform to the criteria stated in the Metro Bus Stop Guide.<sup>[18]</sup>
- District transit centers in downtown Santa Cruz and Watsonville are not maintained to a consistent standard of cleanliness.
- Overnight parking is not available at the park-and-ride lot for Highway 17 Express bus users.

## Findings

- F1.** Metro experienced an anticipated revenue reduction of \$26 million from 2008–2014 and had to use its reserves to fill the shortfall. This is not sustainable.
- F2.** Metro grant writing has been insufficient and ineffective.
- F3.** Many Metro Board members lack transit management knowledge of best practices or business experience, leaving them ill-equipped to address Metro's declining revenues.
- F4.** Metro use of Bus Rapid Transit (BRT) industry best practices is limited.
- F5.** There are no experience qualifications for Metro Board members in its bylaws, and the Board lacks the range of experience or training necessary to improve Metro's performance.
- F6.** Metro does not have joint meetings that include the Board, Metro management, and the Metro Advisory Committee. Better and more frequent communication and coordination between these bodies could improve decision making.
- F7.** Manual collection of route performance data does not allow for optimal use of the HASTUS system.

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- F8.** Metro partnerships with UCSC and Cabrillo College have contributed significantly to Metro revenues, and Metro would benefit from additional community partnerships.
- F9.** Metro marketing functions are handled inefficiently, in significant part due to an unfilled marketing manager position. Marketing must be more than just selling advertising on buses.
- F10.** Metro lacks a business development manager. Currently, business development responsibilities are distributed across the organization, and are not implemented or effective.
- F11.** Metro design standards for bus stops and shelters have not been consistently implemented, which may negatively impact ridership.
- F12.** Metro bus seats are difficult to clean and sanitize, which may negatively impact ridership.
- F13.** The lack of overnight parking at bus facilities may be a deterrent to potential riders.
- F14.** Metro's CNG bus engines break down sooner than expected, resulting in accelerated expenses.
- F15.** Metro transit centers are deteriorating and in disrepair, which may negatively impact ridership.
- F16.** Metro transit centers are not clean, which may negatively impact ridership.

## Recommendations

- R1.** Metro should conduct a limited study to determine if reduced fares would generate additional revenue through increased ridership. (F1, F4, F7)
- R2.** Metro should redefine the Marketing Manager position as Director of Business Development and fund it. (F9, F10)
- R3.** The Metro Board should include members who have marketing, business management, or finance experience. (F3, F5, F6)
- R4.** The Metro Board, Metro management, and the Metro Advisory Committee should meet jointly on a regular basis. (F5, F6)
- R5.** Metro should identify and secure additional funding sources. (F2, F8, F9, F10)
- R6.** Metro should expand their grant writing program. (F2)
- R7.** Metro should adopt and adhere to a budget that does not deplete reserves for operating expenses. (F1)
- R8.** Metro should consider pursuing additional private and government partnership programs, such as those with UCSC and Cabrillo College. (F8)

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- R9.** Metro should create a bus stop sponsorship program that underwrites construction of bus stops in accordance with Metro’s design standards. (F11)
- R10.** Metro should improve cleanliness at transit facilities. (F12, F16)
- R11.** Metro should improve maintenance at transit facilities. (F12, F15, F16)
- R12.** Metro should establish overnight parking at the Scotts Valley Cavallaro Transit Center for riders. (F13)
- R13.** Metro should evaluate cost-effective alternatives to the CNG bus powertrain. (F14)
- R14.** Metro should use easily cleanable materials for bus seats. (F12)
- R15.** Metro should conduct a limited trial using AVL and HASTUS to explore bus route efficiency. (F7)
- R16.** Metro should provide WiFi connection on more buses. (F4)

## Commendations

- C1.** Although Metro faces difficult decisions and financial hardship, we found the employees hardworking and dedicated. Without exception they were extremely helpful and treated their customers with kindness and respect. We commend the employees for their outstanding service to the community.

## Required Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz Metropolitan Transit District Board	F3–F10	R2–R9	90 Days September 27, 2017
Santa Cruz Metropolitan Transit District CEO	F1, F2, F6–F16	R1, R2, R4–R16	60 Days August 28, 2017

## Definitions

- **AVL:** Automatic Vehicle Location is a system using GPS to track the real-time location of vehicles.
- **BRT:** is a Bus-based Rapid Transit system designed to improve capacity and reliability relative to a conventional bus system.
- **CNG:** Compressed Natural Gas used as a vehicle fuel.
- **HASTUS:** (*Horaires et Assignments pour Systems de Transport Urban et Semi-Urban*) A software system designed for managing transit systems. Modular in nature, systems can be purchased depending on need and cost.

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- **WiFi:** Trademark for facilities which allow computers, smartphones, or other devices to connect to the Internet or communicate with one another wirelessly within a particular area.

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## **Site Visits**

Metro Administrative offices and Fleet Maintenance Facilities  
Board of Directors Meeting  
Metro Advisory Committee Meeting  
Transit Stations: Scotts Valley, Santa Cruz, Capitola Mall, and Watsonville  
Bus rides: Route 35, Route 20, and Route 75

## **Websites**

Santa Cruz Metropolitan Transit District [www.scmttd.com](http://www.scmttd.com)