

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
8	05/24/10	Open	Action	05/7/10

Subject: Approving an Amended and Restated Light Rail Maintenance and Operations Agreement with the City of Folsom

ISSUE

Whether to approve an Amended and Restated Light Rail Maintenance and Operations Agreement with the City of Folsom

RECOMMENDED ACTION

Adopt Resolution No. 10-05-_____, Approving the Amended and Restated Light Rail Maintenance & Operations Agreement with the City of Folsom.

FISCAL IMPACT

Under the current Maintenance and Operations Agreement, the parties reach agreement in advance of the start of each Fiscal Year regarding: (1) the Estimated Rail Service Operating Costs for operating light rail from Hazel Avenue station to the Historic Folsom Station during the Fiscal Year; (2) the estimated fare revenue that will be generated from such service and from the complementary paratransit service associated with the rail service; and (3) the estimated amount of In-Kind services to be performed by Folsom during the Fiscal Year.

Currently, the amounts set forth in (2) and (3) above are subtracted from (1) to generate an Estimated Net Operating Costs figure for the Fiscal Year and the City of Folsom is billed 1/12 of that amount each month.

The proposed amendment would make two changes to this methodology:

- (1) Rather than paying a new amount, Folsom would pay based on RT's full estimated operating costs and RT would remit the amount of the estimated fare revenue to Folsom.
- (2) After the end of each Fiscal Year, beginning for Fiscal Year 2011, a reconciliation will take place, where the parties will reconcile the estimated costs, revenues and in-kind services against the estimated costs, revenues and in-kind services. If there has been an overpayment or underpayment to any party, either a refund or payment will be due.

The first change will have no net fiscal impact on RT. The fiscal impact of the second change will depend on the accuracy of the parties' estimates and changes to service that occur during the Fiscal Year. There may be years in which RT ends up owing money to Folsom due to past overpayments however, Staff believes that this modified methodology is more fair to both parties, since it will result in payments based on actual costs and revenues rather than best-guess estimates.

DISCUSSION

The State of California Transportation Development Act (TDA) mandates that transit operators in urbanized areas maintain a minimum 20% farebox recovery ratio in order to receive the maximum available funding allocation. The Folsom Stage Line, as the official transit provider for the City of

Approved:

Presented:

Final 5/18/10

General Manager/CEO

Director, Office of Management & Budget

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Folsom (Folsom), currently receives approximately \$2.2M in TDA funds per year under a three-year TDA transition program following the initiation of light rail service to Folsom. Folsom currently has a farebox recovery ratio of approximately 5.1%. TDA allows jurisdictions to supplement farebox revenue with other types of local revenue to meet the 20% requirement. Folsom has supplemented farebox revenue with allocations from its general fund for this purpose.

Prior to the initiation of light rail service to Folsom, Folsom Stage Line ran a commuter route into Sacramento with a farebox recovery ratio of 45%, with the rest of its transit service at or around 20%. When light rail service started, Folsom Stage Line reconfigured its system and TDA allowed three years to adjust to the change. Over that time, the transit system was adjusted twice to be a feeder service for light rail. With SACOG’s concurrence, various TDA exercises (service reconfigurations) were undertaken to raise the farebox recovery ratio, but the measures were unsuccessful in getting Folsom Stage Line to the 20% threshold needed to receive the full TDA allocation without assistance from the general fund.

Folsom put Folsom Stage Line on notice that future back-fills from the general fund would not be made and that cutting service may be the only option to stay within budget. Since cutting service would further reduce the farebox recovery ratio, that was not a viable option.

In February 2009, RT and Folsom staff began to explore ways in which RT could assist Folsom in meeting the farebox recovery ratio. Initially, consideration was given to RT claiming Folsom’s TDA revenue based upon its own farebox recovery ratio and then netting the cost of light rail service against it. However, it was determined that this approach would not work.

Since entering into the Maintenance and Operations agreement, RT has billed Folsom for the estimated net operating costs of the Gold Line from Hazel Avenue light rail station to the Historic Folsom light rail station after deducting associated fare revenue. This methodology does not allow Folsom to claim fares from the Gold Line as part of its farebox recovery ratio.

The proposed revisions to the Light Rail Maintenance and Operations Agreement will aid Folsom in satisfying its requirements for TDA funding by including the associated fare revenue. The revisions would include the following:

1. Adjusting the billing so that the expenditures incurred and the revenue received by Folsom for the Light Rail service (and complementary Paratransit service) are clearly segregated. With this change, Folsom will reimburse RT for its Estimated Full Operating Cost instead of net operating costs and will receive Fare Revenue payments from RT on a monthly basis based on estimated revenue for Folsom Light Rail service and complementary Paratransit service. This will improve Folsom’s farebox recovery ratio. Folsom will continue to receive In-Kind credits against the full operating costs based on its (1) estimated Park and Ride lot maintenance costs and (2) the estimated costs of any security services provided by Folsom. The amendment will be retroactive to July 1, 2009. Within 60 days after execution of the amendment and restatement, the parties will adjust the billing for Fiscal Year 2010 to reflect the new methodology. Payments have been made each month for Fiscal Year based on the net payment method.

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2. Beginning for the Fiscal Year 2011 once actual audited cost, credit and revenue figures are available, the parties will reconcile the actual and estimated In-Kind Credits and Operating Costs and will separately reconcile the actual and estimated Fare Revenue. The amount of any over - or under - payment identified through the reconciliation process must be repaid or paid within 30 days after the end of the fiscal year in which the reconciliation is calculated. For example, any reconciliation payments for service provided in Fiscal Year 2011 will be due and payable within 30 days after the end of Fiscal Year 2012.

The General Manager/CEO will be authorized under the agreement to annually approve the estimated and actual costs, in-kind credits, and fare revenue.

Although this amendment and restatement will generally be retroactive to July 1, 2009, the provisions related to reconciliation will not be effective until Fiscal Year 2011 and the first reconciliation payments if any, will be made by the parties with the 30 days after the end of the Fiscal Year 2012. The fiscal impact of delaying the implementation of the reconciliation provisions has been calculated.

3. Adding a component to the agreement to provide for reporting preventative maintenance costs for federal grant purposes.
4. The agreement would also reflect the change in ownership, since the Maintenance and Operations agreement was last amended, of the improvements at the Glenn Drive Park and Ride Facility, which are now owned and maintained by the City of Folsom.

Without a strategy to increase its transit farebox recovery ratio, Folsom would lose most of its TDA funding and could be forced to eliminate much, if not all, of its transit service. The end of the three-year transition period was June 30, 2009. RT is willing to assist Folsom by amending the existing agreement.

Folsom voted to approve an amendment to the Light Rail Maintenance and Operations agreement in 2009, which at that time was yet to be developed. Folsom used the methodology under discussion with the concurrence of SACOG to submit a TDA claim for the current fiscal year that included the fares associated with the Gold Line from the Hazel Avenue light rail station to the Historic Folsom light rail station as an element of its total fare revenue.

Staff seeks approval of the Amended and Restated Light Rail Maintenance & Operations Agreement with the City of Folsom.

RESOLUTION NO. 10-05-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

May 24, 2010

APPROVING THE AMENDED AND RESTATED LIGHT RAIL MAINTENANCE & OPERATIONS AGREEMENT WITH THE CITY OF FOLSOM.

WHEREAS, the Sacramento Regional Transit District (RT) has a light rail Maintenance & Operations agreement with the City of Folsom (Folsom) addressing the operation and maintenance of light rail service (and associated complementary Paratransit service) from the Hazel Avenue light rail station to the Historic Folsom station; including compensation from Folsom to RT for the costs of such service; and

WHEREAS, the parties desire to change the payment methodology so that Folsom makes payment for the estimated full operating costs of the light rail service and RT credits Folsom for fare revenues generated for such service and associated complementary paratransit services; and

WHEREAS, for readability purposes, the parties desire to amend and restate the Maintenance & Operations agreement.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the amended and restated Light Rail Maintenance & Operations Agreement with the City of Folsom is approved.

STEVE MILLER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary