

2017 Board Workshop Sacramento RT Strategic Vision

February 27, 2017

Overview

Section 1: Transition Vision

Section 2: Comprehensive Transformation/Overhaul

- a. Customers First Culture is Emerging
- b. Productive Ridership and Partnership Building
- c. A Business Oriented RT Leading to Fiscal Health

Section 3: Major Challenges Ahead

Overview (continued)

Section 4: Major Initiatives – Funded (next two years)

1. Operator Attendance Control
2. Route Optimization Study (ROS) (next two years)
3. Paratransit Business Model
4. IT Modernization
5. Security Program
6. Safety Program
7. Strategic Communications

Overview (continued)

Section 4: Major Initiatives – Funded (in next two years)

8. Build Strong Employee and Labor Relations
9. Organizational Excellence and Culture Change
10. Campus Master Plan
11. Transit Oriented Development
12. Fiscal Sustainability – Business Process Optimization

Overview (continued)

Section 5: Major Initiatives – Unfunded (Critical Projects)

1. State of Good Repair
2. Increased Services and Frequencies
3. Major Capital Expansion Projects
4. Better Customer Services – Priorities

Section 6: Summary and Request for Support

Section 1: Transition Vision

The Transition Vision Drives Us Forward

In June 2016, the RT Board of Directors adopted a Transition Vision to help RT focus on running more like an effective business enterprise, and develop a culture of customers first:

- Customers First
- Valued Partnerships
- Fiscal Sustainability
- Organizational Excellence
- Building Capability

Section 2:

Comprehensive Transformation & Overhaul

A. Customers-First Culture is Emerging

System-Wide Improvements

- Clean
- Safe
- Convenient

Golden 1 Center

- New Ridership
- Improved Image
- Built Trust

B. Productive Ridership and Partnership Building

- Regional Collaboration
- Public Private Partnership – Station Link
- Public Works Projects
- Federal and State Partners
- Community Groups
- Media
- Labor

C. A Business-Oriented RT Leading to Fiscal Health

- Relentlessly Pursuing Efficiencies
- Seeking New Revenue Sources
- Reversing Unfavorable Trend
- Growing Fare Revenue
- Avoided Service Cuts

D. Organizational Excellence

- Relentlessly Pursuing Efficiencies
- Encouraging Excellence & Innovation
- Cultivating a Teamwork Spirit District-Wide
- Implementing Best Industry Practices
- Streamlining Business Processes
- Focus on Performance & Accountability

E. Building Capability

- Building a Best Performing Agency with Top Talent
- Diversified, Motivated, and Visionary Executive Team
- Aggressive Succession Planning
- Leadership Training

Section 3: Major Challenges Ahead

Despite Successes, Major Challenges Ahead:

- **Operational Reliability**

1. On-Time Performance/Missed-Trips
2. State of Good Repair (Transit Asset Management mandated by FTA)

- **Ridership Growth**

- **Business Optimization and Cultural Transformation**

- **Fiscal Challenges (\$92-127M/Y or \$2.7-3.8B/30Y)**

- a. \$10M/Y operating deficit (addressed in next two years)
- b. \$13M/Y (\$390M/30 years) SOGR/Fix-It-First
- c. \$20M/Y for 25-30% new bus services
- d. \$30M/Y for frequencies (10-15 minutes) and others
- e. \$19M/Y (\$570M/30 years) for capital expansions
- f. \$35M annual funding for potential federal defunding

Section 4:

Major Initiatives
(Funded for Next Two Years)

1. Operator Attendance Control

Enhance operator attendance to reduce missed trips and improve customer service:

- Streamline internal processes
- Working collaboratively with the ATU to revise the attendance control program
- Training/guidance for line supervisors

2. Route Optimization Study (ROS) – Next Two Years

- RT's Route Structure
 - Designed 30 Years Ago
 - Focused Downtown
- Current Challenges
 - Decreasing Ridership
 - On-time Performance
 - Reliability
- The Time is Right
 - Engage the Community
 - Re-Imagine Service Design
 - Reflecting the Region Today and as it is Projected to Grow

2. Route Optimization Study (ROS) – Next Two Years

Key Elements:

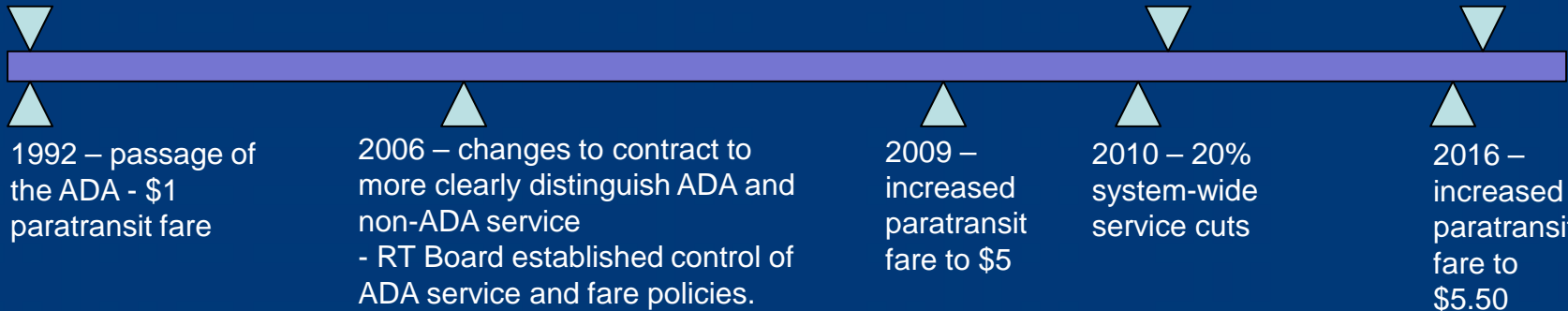
- Engage the Community
- Take a “Blank Slate” Approach
 - Evaluate Travel Patterns
 - Evaluate RT’s Ridership Characteristics
 - Assess the RT Ridership Decline (since 2010)
 - Address System Reliability
- Changes Must Drive Ridership Growth Strategy
- Near Term Implementation Elements
 - Cost Neutral
 - Re-Allocation of Resources
- Secure Grant Funding
 - Research
 - Community Engagement
 - Capital Improvements (new bus stops with changed routes)
- Consider Long Term Service and Frequency Improvements (with funding)

3. Paratransit Business Model

1992 – Evergreen agreement with Paratransit, Inc. established

2011 – Renegotiated agreement with a provision for a procurement cycle

2017 – First natural procurement cycle commences



- Over 350,000 Annual Trips – A Vital Element of Regional Mobility
- RT’s Goals: Service Quality & Fiscal Sustainability
- Fastest Growing Area of RT Budget
- Actual Cost FY16: \$19.3M (\$64.59 per trip)
- Approximate 10% Growth in Annual Cost over the last 5 years
 - Current structure provides little cost/benefit to RT with service efficiencies/economies of scale
 - Per Federal Government Accountability Office, average trip cost: \$28.94 per trip

3. Paratransit Business Model (continued)

- Continue Work with Paratransit, Inc. on Quality Improvements and Cost Containment Options
- The 2017 Procurement Cycle Presents a New Opportunity
 - Improve Customer Service and Service Quality
 - First Opportunity since 2011 to Renegotiate (every 3 years thereafter)
 - Explore New Ideas For Service Improvement and Fiscal Sustainability
- The Current Model Presents Risk
 - Inability to Maintain the Same Quality and Level of Service for Passengers with Disabilities using Fixed-Route and ADA Paratransit Services
- Next Steps
 - Determine the Value of the Service in Sacramento Market
 - Community Engagement Regarding Service Quality
 - Re-evaluate RT's Ability to Directly Operate ADA Service
 - Create Alternative Service Delivery Plans

4. IT Modernization – Next Two Years

Modernize technology to better enhance customer service:

- Implement permanent mobile fare app
- Implement smart card fare payment system (Connect Card)
- Provide real-time light rail train arrival information
- Expand Station Public Announcement System
- Install secondary light rail warning system (employee protection system)
- Explore ways to provide public access Wi-Fi at stations and on vehicles

5. Security Program – Next Two Years

Continue to Develop a Robust Program:

- Increase inspection efforts to reduce fare evasion (less than 5%)
- Transition to a better business model for presence at stations
- Implement a juvenile administrative evasion process
- Expand to a 24 hour operation in the Security Operations Center
- Focus on specific bus stop locations
- Expansion of plain clothes operations

5. Security Program – Next Two Years (continued)

Goals and Objectives – Security:

- Continue to reduce persons theft on the system (2014-2016 we have reduced this by 31%)
- Reduce overall Uniform Crime Reporting crime statistics by 2% (achieve this through more focus on auto burglaries at park and ride lots, utilizing cameras more proactively to prevent crime)
- To promote more rider involvement in making the system safer we will increase the number of riders utilizing our new reporting app Alert SacRT by 25%

6. Safety Program – Next Two Years

Goals and Objectives – Safety:

- Reorganize the unit and job descriptions for functionality and succession planning.
- Increase employee and community safety awareness and training.
- Technology: utilize to maximize efforts.
- Improving training compliance with a goal to be 90% in compliance
- Continue to perform below 1.2 accidents per 100,000 miles on bus and 2.2 accidents per 100,000 miles on rail
- Bring RT CPUC findings and recommendations up to date

7. Strategic Communications

Key focus areas for robust communications:

1. RT must both succeed in achieving its vision goals and *be seen* to do so.
 - Increase brand awareness – elevate RT’s visibility as a well run agency
 - Generate positive media coverage with transparency and timely responsiveness to reporters/media (within 24 hours)
2. RT is transforming the way we do business, and our partner and customer need for information is greatest during times of change.
 - Launch new programs (ROS, Connect Card, Fare App, etc.)
 - Generate support from customers, stakeholders, partners and the community in the Sacramento region

7. Strategic Communications - Public and Business Sectors:

Success requires us to expand our productive partnerships – we both need help and can give help to partners in common interest areas.

- Partnership Building – Proactive Engagement
 - Public Sector (i.e., City of Sacramento, SACOG and other regional public agencies)
 - Business Sector (i.e., Kings, Greater Sacramento Economic Council, Chambers, Downtown Sacramento Partnership and other regional business partners)
 - Federal and state agencies
 - Other transit providers in the region
- Public-Private Partnerships
 - Stimulate TOD/TAD around stations
 - Partnerships with developers and others on key projects

8. Build Strong Employee and Labor Relations:

- Maintain a dialog with employees and labor representatives
- Perform initial and periodic analyses of ideas
- Establish timely communications with employees and labor organizations such as monthly management and union meetings and regular and ad hoc union leadership and RT CEO meetings
- Develop priorities for collective bargaining
- Provide a forum for labor unions to share their concerns

9. Organizational Excellence and Culture Change Building Capability:

- Comprehensive succession planning
- Attract and retain a quality workforce
- Provide training and upward mobility opportunities
- Foster professional and career development

9. Organizational Excellence and Culture Change

Optimize Business Processes:

- Process Improvements
- Regulatory Compliance
- Cost Containment Initiatives
- Industry Best Practices

Transform Culture:

- Motivate Employees to Perform at a Higher Standard
- Cultivate Partnership and Teamwork
- Encourage Innovation
- Inspire with a Vision

9. Organizational Excellence and Culture Change Measure Performance:

- Percentage of Costs Covered by Fares
- Fare Revenue
- Total Expenses (bus, light rail and ADA Paratransit)
- System-Wide Ridership
- Passengers per Revenue Hour (Bus, Light Rail, CBS and Paratransit)
- On-time Performance for Bus Service
- On-time Departures for Light Rail Service
- Passenger Inspection Rate
- Crimes per Passenger
- Economic Impact
 - Jobs Created (annually)

10. Campus Master Plan:

- Examine opportunities to modernize work space.
- Current infrastructure is old, inefficient and an impediment to productive work.
- Our strategy is cost neutral improvement.
- Outcomes include enhanced productivity, efficient operations and a safe working environment.

11. Transit Oriented Development

Successful TOD Provide These Benefits:

- Reduced automobile trips and greenhouse gas emissions
- Increased transit ridership and transit revenues
- The potential to increase land and property values near transit
- Improved access to jobs for household of all incomes
- Reduced infrastructure costs for cities and counties, compared to what is required to support sprawling growth
- Reduced transportation costs for residents
- Improved public health due to increased walking and biking
- Creation of a sense of community and place

12. Fiscal Sustainability – Business Process Optimization

Address On-Going Operating Deficits:

- \$29M Operating Line of Credit with Bank
- Over \$3.5M annual revenue bond debt services for 23 years
- Reduced diesel sales tax revenues from the State
- Reduced “one time” funding - State Cap & Trade, CMAQ
- Increased cost of CNG
- Reduction & Potential Elimination of federal formula funds

Business Process Optimization:

- Benchmarking against industry standards
- Evaluating cost drivers
- Identify opportunities to streamline
- Explore new ways of doing business, especially contracted services

Section 5:

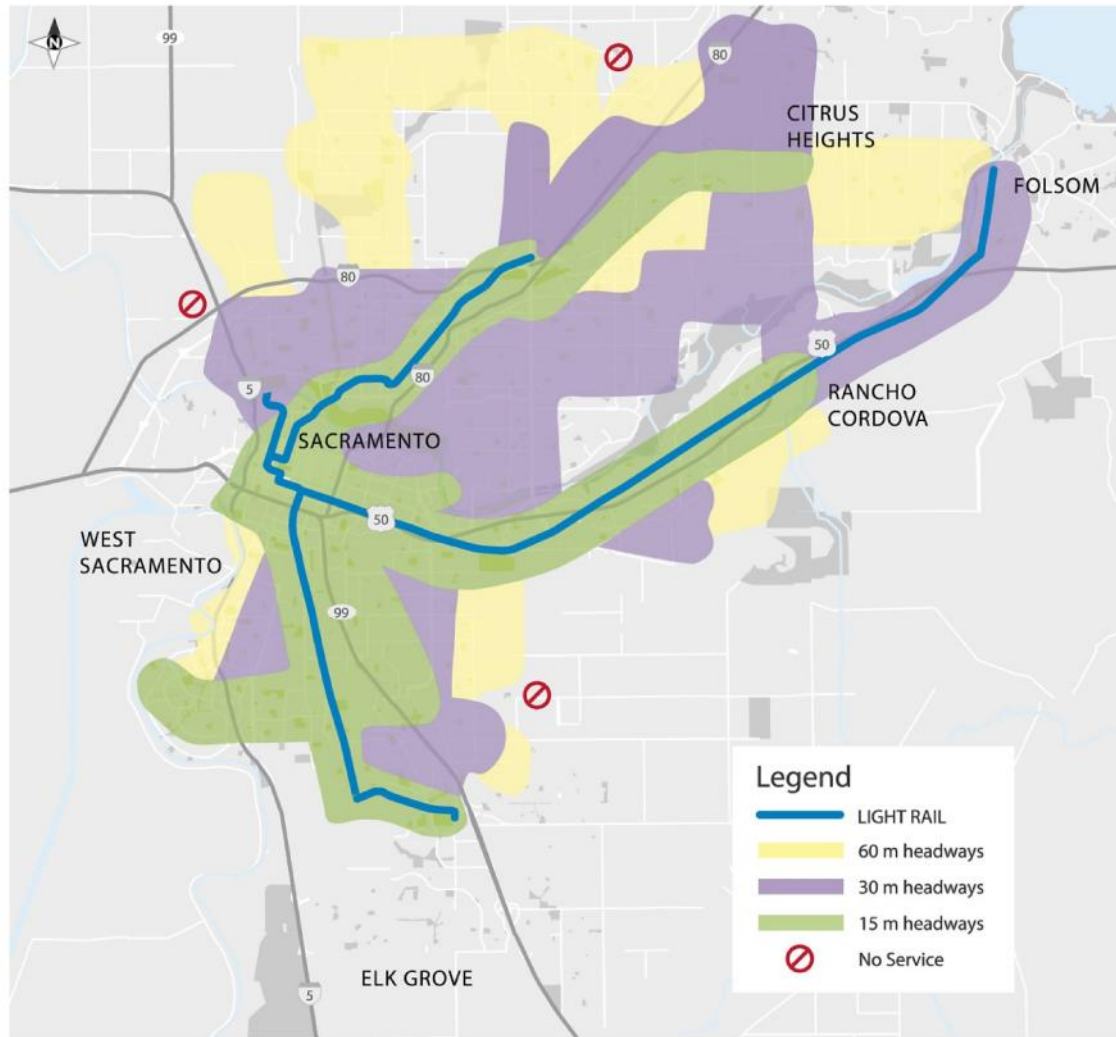
Major Initiatives
(Unfunded Critical Projects)

1. State of Good Repair

Name	Years	Cost
Station Modifications	2018	\$50,000,000
36 Siemens LR Vehicles	2023	\$162,000,000
91 Replacement Buses	2020	\$80,000,000
Rail Infrastructure	2018 - 2028	\$3,000,000
CAF Mid-Life	2018	\$40,000,000
Facilities Rehab	2017	\$13,000,000
Fare Vending Equipment	2018	\$6,000,000
IT Systems Maintenance	2017 - 2027	\$2,500,000
CBS Buses	2019-2022	\$3,000,000
Total (over next 10 years)		\$358.5M

2. Increased Services and Frequencies (Existing)

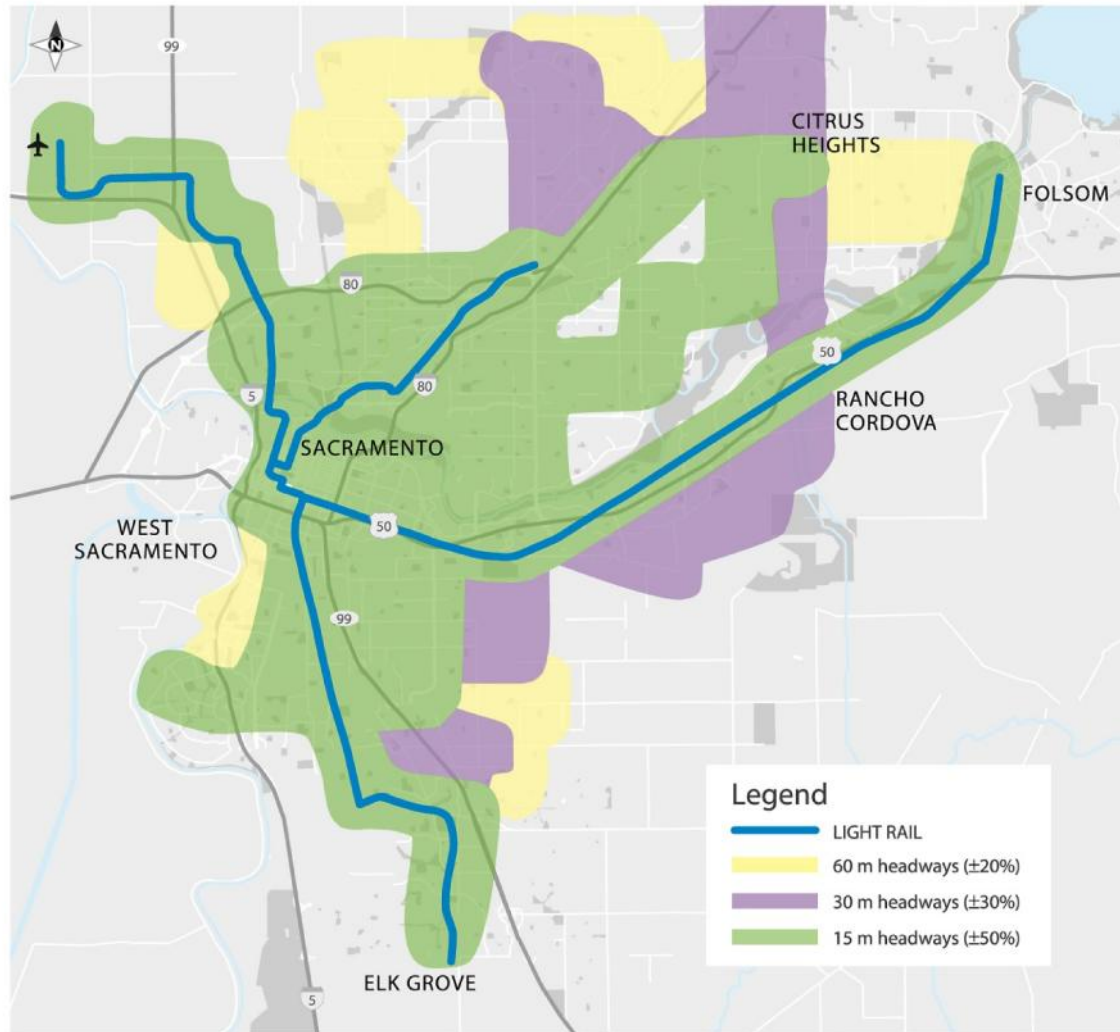
Existing Service



- 4 Weekday Bus Routes with 15 Minute Service
- 2 Sunday Bus Routes with 30 Minute Service
- 15 Minute LRS on Weekdays (30 Minutes to Folsom)
- 30 Minute Light Rail Service on the Weekend
- Gaps in Coverage

2. Increased Services and Frequencies (Expanded)

\$50 Million +



- 15 Minute Weekday Bus Routes: 4 to 15
- 30 Minute Bus Routes (7 days): 2 to 20
- Weekday LRS: 10 Minutes (peak) to 15 Minutes
- Weekend LRS: 15 minutes
- Expanded Network and Key Area Coverage
- More Evening and Weekend Service
- Reliability Issues Resolved

3. Major Capital Expansion Projects

Name	Estimated Start	Estimated Cost
SVS Loop	2018	\$60,000,000
Green Line	2020	\$1,000,000,000
Elk Grove Extension	Future	\$250,000,000
Folsom Double-Tracking	Future	\$50,000,000
Horn Road Station	2018	\$8,000,000
Dos Rios Station	2018	\$19,500,000
Driverless Vehicles	Future	TBD
Streetcar	Future	\$200,000,000

4. Better Customer Services

a. Fares

1. Free Student Fare
2. ADA Fare Discount
3. Hold Average Fare Flat for 10 Years
4. Free Transfers/Zone Fares

Section 6:

Summary and Request for Support

Funded Financial Forecast

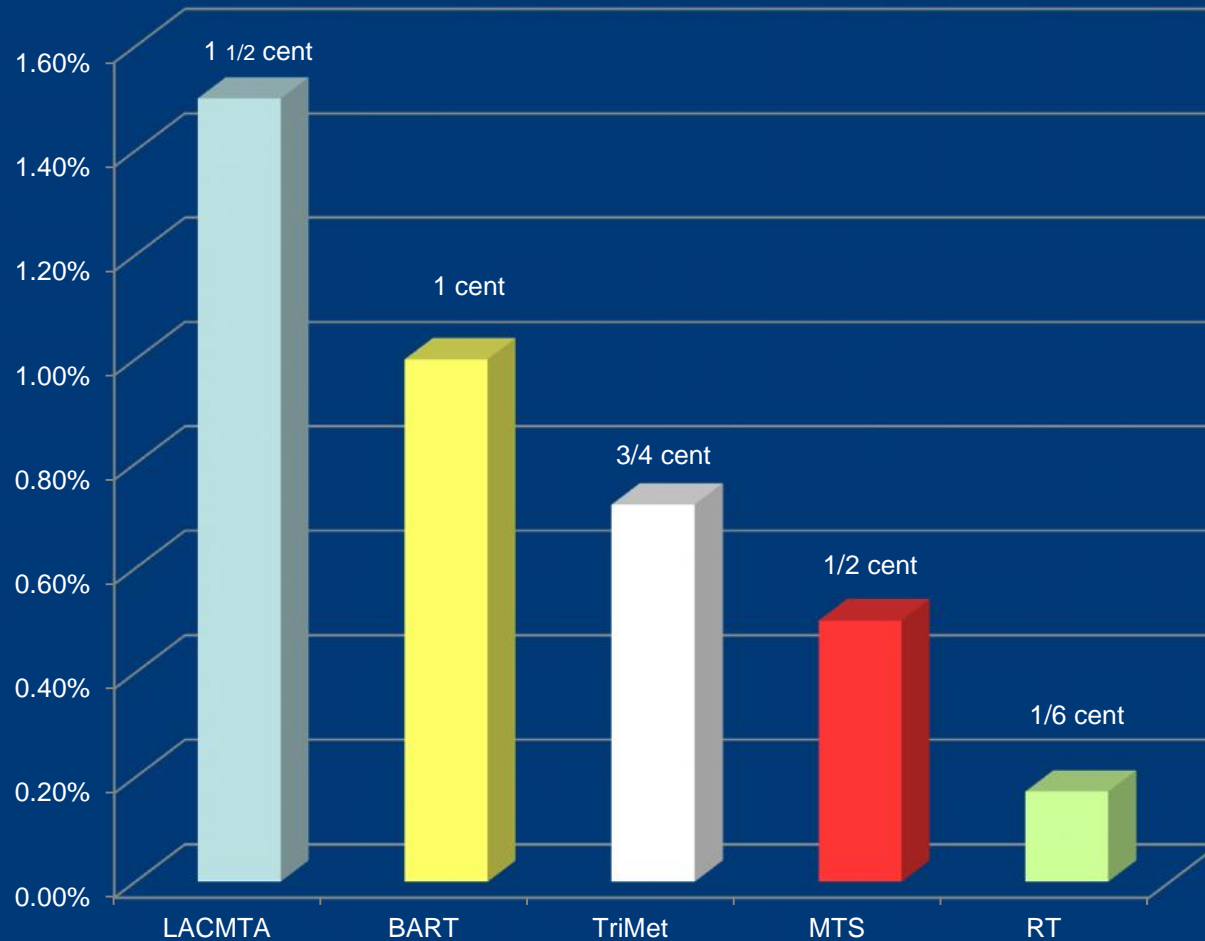
Item	Needs	\$(in millions) / year	Source of Potential Savings	Notes
1	On-going Operating Shortfall	\$4M	Internal Business Optimization and New Revenues TOD/Real Estate	Debt Service and Other Needs
2	Line of Credit & Reserve (Cap & Operating)	\$2M	New State Transportation Bill (proposed)	CMAQ, LCTOP
3	Short-term Funding Replacement (Blue Line)	\$3M		
4	Minor SOGR (on-going)	\$1M		
Total		\$10M		

Unfunded Needs

Item	Need	M/year	Total	Category Total	Notes
1	State of Good Repair / Fix-It-First	\$13M	\$390M / 30 yrs	\$960M	Failed Measure B (30% ridership increase)
2	Capital Expansions (includes 3 major projects)	\$13M	\$390M / 30 yrs		
3	Operations & Maintenance for Capital Expansion	\$6M	\$180M / 30 yrs		
4	Increase Bus Service by 25%	\$20M	\$600M / 30 yrs	\$1,480M	70% Ridership Increase
5	10-15 Minute Frequency (25% - 50% of Service)	\$21M	\$630M / 30 yrs.		
6	Students Fare Free / ADA Discount	\$6M	\$180M / 30 yrs		
7	Hold Base Fare Flat for 10 Yrs.	\$1M	\$30M /30 yrs.		
8	Free Transfers/Zone Fares	\$2M	\$60M /30 yrs.		
Total Unmet Needs		\$82M*	\$2,460M over 30 yrs = 1/3 of one penny		

* This does not include the potential reduction of \$35M/Y federal transit operating assistance for RT

Peer Comparison - Local Tax Measures



Agencies:

(LACMTA) Los Angeles County Metropolitan Transportation Authority (greatest funding)

(BART) San Francisco Bay Area Rapid Transit District

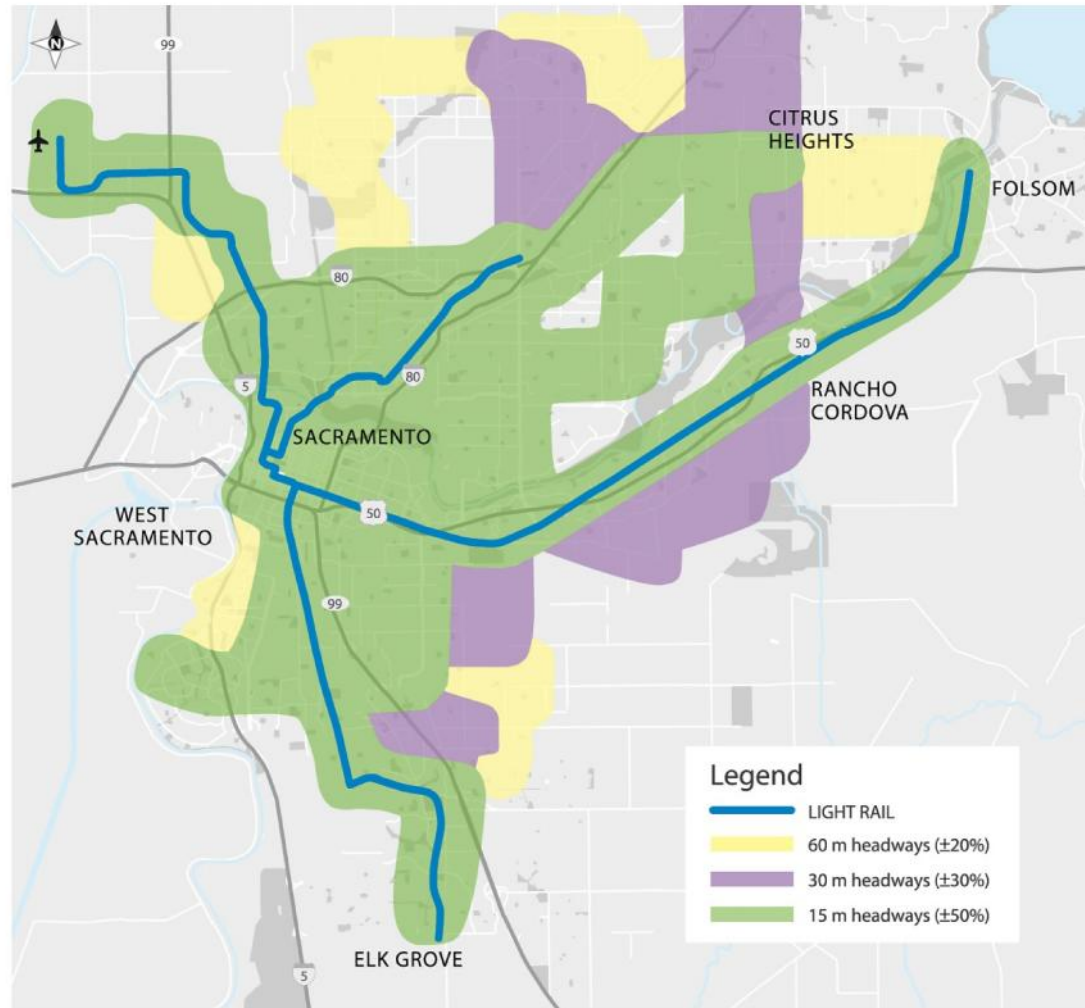
(TriMet) Tri- County Metropolitan Transportation District of Oregon

(MTS) Metropolitan Transit System - San Diego

(RT) Sacramento Regional Transit District (least local funding)

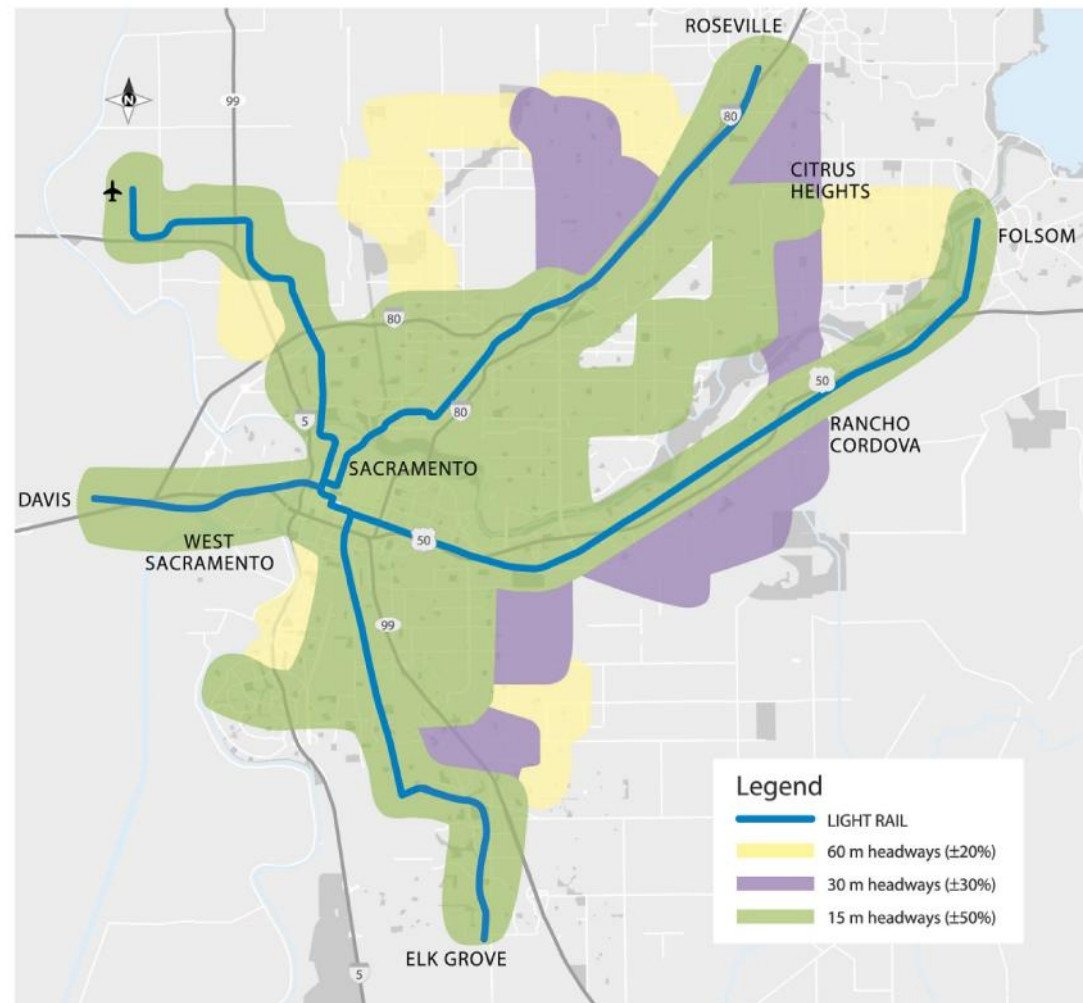
Increased Services and Frequencies (Baseline Expanded)

\$50 Million +



Increased Services and Frequencies (Roseville, West Sacramento and Davis Expansion)

Imagine the Future



Timeline for Achieving Our Strategic Vision

A. July 2015 – February 2017 (Comprehensive Transformation/Overhaul)

1. Monumental Improvements in service safety, cleanliness and convenience.
2. Stronger Partnership Regionally with Positive Reputation, Trust and Image
3. Positive Financial Trend

B. March 2017 – December 2018 (Build a Solid Track Record of Success)

1. Continue Solid Transformation to a Better-Run, Fiscally Sustainable, and Reputable Agency
2. Develop an Optimal Regional Network
3. Position RT for Sustainable High Level of Services to Community

C. January 2019 – Future (Realize Exciting Growth and Sustainable Future)

1. Deliver a 30-Year Sustainable Financial Future
2. Provide Frequent, Convenient, Reliable Service Delivery
3. Offer Exciting Regional System Expansions (20-50% New Services)
4. Thrive as an Integral and Reputable Regional Partner and Regional Economic Engine

Summary

- Despite great successes, significant challenges are still ahead
- RT's comprehensive transformation thus far, has created a great foundation for future improvement
- A strategic vision will guide RT to a fiscally sustainable future
- Major initiatives over the next two years will address the consequences of past decisions
- Transparency, business optimization, partnership and innovation will right the RT ship and deliver results within current resources
- Strong local assistance is ultimately needed to ensure the region a well-connected mobility network to make Sacramento a world-class region

Work Together for the Future of Sacramento

- RT is deploying an “all hands on deck” approach to achieving our vision and delivering successfully for the Sacramento region. All employees are inspired to achieve our vision.
- Engage all of our partners to collaborate on improvements, and to seek sustainable funding for those improvements. We need their help to succeed.
- RT Board members are regional leaders in our community, and proactive engagement on both the future vision of RT’s value and developing sustainable funding is the key to success.
- What more might we do together to succeed for our community?

Investment in RT is an Investment in a Healthy and Vibrant Sacramento Region

- 1/3 of a cent sales tax for transit contributes annually to our economy with \$400M in economic returns (\$4 to every \$1 invested), supports 5,000 local jobs, and provides \$300M in increased local business sales.
- Families using transit as their second car save \$10,175 annually and reduce their carbon footprint by 10 to 30%.
- Nationally, real estate prices are 42% higher in areas near frequent transit service.
- Transit users are healthier as a result of moderate walking to/from stops, lower stress from navigating congested traffic, and 95% fewer traffic accidents, injuries and deaths than when driving an automobile.

Source: American Public Transportation Association Public Transit Fact Book.

Questions and Answers