

REGIONAL TRANSIT ISSUE PAPER

| Agenda Item No. | Board Meeting Date | Open/Closed Session | Information/Action Item | Issue Date |
|-----------------|--------------------|---------------------|-------------------------|------------|
| 3 | 05/08/17 | Open | Action | 4/28/17 |

Subject: Amended and Restated Agreement with the California State University, Sacramento Student and Employee Transit Pass Program.

ISSUE

Whether or not to approve the Amended and Restated Agreement for California State University, Sacramento Student and Employee Group Transit Pass Program.

RECOMMENDED ACTION

Adopt Resolution No. 17-05-____, Approving the Amended and Restated Agreement for California State University, Sacramento Student and Employee Group Transit Pass Program.

FISCAL IMPACT

| Fiscal Year Ridership | Fiscal Year Funds Received | Estimated Revenue (from 2015) | Revised Estimated Revenue | Difference |
|-----------------------|----------------------------|-------------------------------|---------------------------|------------|
| FY 2016 | FY 2017 | \$780,050 | \$790,756 | \$10,715 |
| FY 2017 | FY 2018 | \$795,651 | \$822,386 | \$26,735 |
| FY 2018 | FY 2019 | \$811,564 | \$854,017 | \$42,453 |
| FY 2019 | FY 2020 | \$827,795 | \$854,017 | \$26,222 |
| FY 2020 | FY 2021 | \$854,017 | \$854,017 | \$0 |

Without this agreement, RT could lose a significant portion of the Sac. State ridership.

DISCUSSION

Background

On June 10, 1996, the RT Board approved a ten-year agreement with California State University, Sacramento (Sac. State) for the provision of transit passes for students and employees at a discounted rate. There were four amendments to extend the term of that agreement. On July 1, 2009, Sac. State and RT entered into a new agreement covering a three-year period expiring on June 30, 2012, which was amended on June 18, 2012 to extend the term to June 30, 2015.

On June 11, 2015, RT entered into a 5-year agreement extending through RT's Fiscal Year (FY) 2020 with payment terms similar to the previous agreement. Sac. State is billed for the previous year's Student and Employee ridership as determined by RT's Fare Survey at RT's Discount Single Fare rate, which at the time was \$1.25. The new terms also included a 21-month repayment period for any amount billed more than a 5% increase from the previous year's billing. When the new agreement was signed, the FY15 Ridership Survey was not completed; the FY14 Ridership for Sac. State was 599,808 rides. When the FY15 Ridership

Approved:

Presented:

Final 05/03/17

General Manager/CEO

Manager, Revenue

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Survey, which is used for the FY16 billing, was complete. Sac. State's ridership had increased 48.8%, to 892,614 trips. Sac. State was notified of the ridership increase and billed 5% above the previous year's billing according to contract terms, leaving Sac. State with \$351,012.50 balance due to RT within 21 months. At this time Sac. State and RT began discussions about the Ridership Survey and contract billing. During contract discussions between Sac. State and RT, the FY16 ridership numbers became available; the FY16 ridership was 793,618 trips, which was less than FY15 but still a 32% increase over FY14.

Upon receiving the news that ridership increased by 32%, staff at Sac. State challenged the calculations. The reason for the challenge was threefold: 1) there was no significant decrease in the amount of cars parked on campus; 2) there was no significant increase in enrollment, and 3) RT's ridership in total was actually declining. To address this, RT and Sac. State had several meetings to examine the survey results, but no errors could be identified. With the increase in annual ridership for Sac. State, RT's total billing amount due for FY16 exceeded the transportation fees collected for the year, and the FY17 billing was significantly beyond what they had anticipated. After these meetings, Sac. State stated it would have to tighten its process to obtain the transit pass to ensure only Students who had paid their fees receive a pass and begin internal talks about terminating the agreement if we cannot renegotiate the terms.

Proposed Change to the Payment Provisions

RT and Sac. State met several times to discuss the renegotiation of terms and came up with a compromise that would prevent termination of the agreement while providing additional revenue to RT. If the Amendment and Restatement is approved, starting this fiscal year (FY17), Sac. State will pay a flat fee per year based off of the average ridership for FY11-FY14 (632,605 trips) times the FY16 discount single fare of \$1.25, increasing to \$1.30 in FY18 and \$1.35 for FY19 and FY20. To show good faith, Sac. State has paid in advance the \$351,012.50 balance due from FY16. This additional cash flow for March benefits RT and the new billing methodology helps both Sac. State and RT, as this will keep a solid revenue stream for RT that is consistent with a reasonable average fare. The current methodology, based on annual ridership, makes budgeting difficult for both RT and Sac. State due to ridership variability and fare changes. However, RT will continue to track ridership in the annual survey. If, based on the survey, RT anticipates that the number of unlinked trips will exceed 948,907 for a given year (a 50% increase over the number of trips used to calculate the annual fee), RT may request that the parties meet to renegotiate the agreement.

Staff Recommendation

Staff recommends the Board approve an Amendment and Restatement of the Agreement, changing the payment provisions for the remainder of the agreement. Termination of the agreement would adversely affect many Sac. State Students, and significantly reduce RT's revenue and ridership.

RESOLUTION NO. 17-05-_____

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

May 8, 2017

**APPROVING THE AMENDED AND RESTATED AGREEMENT FOR CALIFORNIA
STATE UNIVERSITY, SACRAMENTO STUDENT AND EMPLOYEE GROUP
TRANSIT PASS PROGRAM**

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

THAT, the Amended and Restated Agreement for California State University, Sacramento Student and Employee Group Transit Pass Program, whereby the payment methodology is modified to fix the ridership and the price per ride for the remaining term of the Agreement, is hereby approved.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute said Amended and Restated Agreement.

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary