



STAFF REPORT

DATE: June 8, 2020

TO: Sacramento Regional Transit Board of Directors

FROM: Brent Bernegger, VP, Finance/CFO

SUBJ: DELEGATING AUTHORITY TO THE GENERAL MANAGER TO: AMEND AND RESTATE THE AGREEMENT FOR CALIFORNIA STATE UNIVERSITY, SACRAMENTO STUDENT AND EMPLOYEE TRANSIT PASS PROGRAM; AND APPROVE A SEVENTH AMENDMENT TO THE STUDENT TRANSIT PASS PROGRAM WITH LOS RIOS COMMUNITY COLLEGE TO PROVIDE AN ADDITIONAL FEE DISCOUNT

RECOMMENDATION

Adopt the Attached Resolutions.

RESULT OF RECOMMENDED ACTION

The first recommended action will delegate authority to the General Manager/CEO to enter into a contract amendment with California State University, Sacramento (Sac State) regarding an extension of the student and employee group transit pass program for up to 5 years through June 30, 2025. The amendment will include a discount of 25% of the Annual Fees to be paid in Fiscal Year 2021 (payments in arrears for the 2019-2020 school year) to relieve the cash flow burden on Sac State and allow Sac State to reduce transportation fees as a result of the cancellation of on-campus classes due to COVID-19 for Fall semester of 2020.

The second recommended action will delegate authority to the General Manager/CEO to approve an amendment to the Student Transit Pass Agreement with the Los Rios Community College District (Los Rios) to provide a fee discount due to COVID-19 impacts for the Fall semester of 2020.

FISCAL IMPACT

The table below displays the projected revenue from the proposed amendment with California State University, Sacramento (Sac State), assuming a renewal in the existing agreement with a short-term discount allowance as a result of COVID-19. The table reflects a 25% annualized discount to allow for reduced student fees for the Fall semester as students will not be allowed to attend the classrooms. The amounts also assume that students and teachers will resume with classroom studies beginning in the Spring semester of 2021 and thereafter.

Fiscal Year	Projected Revenue Collection
FY21	\$679,520
FY22	\$933,207
FY23	\$961,204
FY24	\$990,040
FY25	\$1,019,741

Los Rios has also requested reductions in the pass fees due to COVID-19 and cancellation of on-campus classes for Fall semester of 2020. Prior to the COVID-19 pandemic SacRT had anticipated receiving \$1,200,000 in fare revenue from Los Rios during the fall semester of 2020. The amount of the fee reduction for Los Rios is still under negotiations and is therefore unknown at this time. However, upon agreeing to a discount amount, Staff will provide the Board with an update.

DISCUSSION OF CONTRACT AMENDMENT WITH SAC STATE

SacRT and Sac State have had a student pass agreement since 1996. The last agreement was approved in 2015 and expires June 30, 2020. The student and employee group transit pass program requires Sac State students to pay a mandatory transportation fee (\$21 per semester) as part of their enrollment, a portion of which is used for the transit pass program. The fee allows students to obtain a transit pass that is valid on all SacRT services for the semester printed on the pass. Employees have the option of paying \$40 for a semester pass. A portion of the revenue collected from the student transportation fee and amounts from the employee fee are remitted to SacRT and considered part of SacRT's fare revenue. In FY19, fare revenue collected from the Sac State student and employee pass program was approximately \$854,000. The current agreement requires a 3% increase in fee revenue per year. Staff anticipates that this will continue under the new agreement (see later discussion regarding potential COVID discount).

Sac State is currently billed in arrears. For example, the fee revenue generated by Sac State in FY17 is not billed and collected by SacRT until FY18. This is due to the fact that prior years were billed on annual ridership surveys. Sac State would hold fee revenue generated throughout the year and then remit the funds to SacRT the following year, after the ridership had been calculated. This approach led to unpredictable invoicing and payment and made the budgeting process difficult for both SacRT and Sac State. The 2017 Amendment and Restatement of the Agreement fixed the yearly amount due based on the average number of unlinked trips in Fiscal Years 2011-2014 and a per trip cost designed to ensure that SacRT received an amount per trip equal to the discount single ride fare. When the two sides agreed to switch to a fixed fee model (as opposed to ridership driven) Sac State was continued to be billed in arrears.

Sac State is requesting a reduction in the amounts that would be paid to SacRT in the upcoming fiscal year. Due to the billing in arrears noted above, the amounts due in Fiscal Year 2021 are for passes used and student fees that were collected in the Fall 2019-Spring 2020 school year. The amendment that is currently being negotiated will reduce the billings related to student fees collected in the 2019-2020, not the upcoming semester. The fiscal impact section above references the cash flow impact to SacRT in FY2021. Cash receipts from Sac State will be reduced by \$226,507 in FY2021 compared to prior contractual requirements. Staff recommends that SacRT continue

the current fixed yearly amount approach as opposed to a more volatile ridership-based approach. Given the current economic climate, it is prudent to stabilize revenue sources as much as possible.

Sac State has also requested that SacRT work with the university to incorporate newer technologies into the agreement. At this time, staff and Sac State have begun exploring the possibility of using the mobile fare application as a means of electronically storing and displaying the group pass. While not directly connected to the Pass Program Agreement, Sac State and SacRT Staff have also had discussions regarding adding additional SmART ride services in the areas surrounding the campus. Staff at SacRT and Sac State are hoping to implement changes such as these to better serve the student population and surrounding community within the next 3 years.

Because negotiations have not been completed, but the amendment will need to be executed prior to the next Board meeting in order to have the program in place for the fall semester, Staff is recommending that the Board delegate authority to the General Manager/CEO to enter into a contract amendment with California State University, Sacramento extending the student and employee group transit pass program for a contract term of up to 5 years through June 30, 2025 on substantially the same financial terms as the existing agreement, with the exception of a discount offered as a result of the cancellation of on-campus classes in Fall semester 2020 due to COVID-19.

DISCUSSION OF FALL SEMESTER 2020 FEE DISCOUNTS

SacRT maintains group pass agreements with both Sac State and Los Rios with the primary purpose of providing affordable transportation to and from college campuses for students. While many students do use the pass for other purposes, the intent of the program is to ensure that transportation to campuses is available to all students.

In response to the COVID-19 pandemic, both Sac State and Los Rios campuses will conduct almost all classes online for the Fall semester of 2020. The cancellation of on-campus classes is anticipated to significantly reduce ridership among pass program participants, reducing the benefits received for the mandatory transportation fees paid. To relieve the fee burdens on students that may be facing significant economic challenges in the current environment (a recent analysis of unemployment claims by the California Policy Lab at UCLA found that approximately 1/3rd of individuals age 16-24 had filed claims for unemployment), Staff would like the Board to provide the General Manager/CEO the flexibility to negotiate fee reductions with Sac State and Los Rios to temporarily reduce student transportation fees for the Fall semester of 2020.

Without the impact of COVID-19, Staff would have anticipated combined fare revenues from Sac State and Los Rios to be approximately \$1.7 million for the Fall semester. Student enrollment (and therefore fee revenue) will be down in the fall and will lead to a reduction in this amount, regardless of whether or not an additional discount is negotiated. The Sac State amendment and Los Rios amendment will be structured to ensure that students receive the benefit of any reduced payments due (either through reductions in the fees assessed or refunds in fees already paid).

Negotiations with Sac State are nearly complete, and we have tentatively agreed on offering a 50% discount on the amounts that would otherwise be collected from Sac State during Fiscal Year 2021 (which are payments in arrears for the 2019-2020 school year). Relieving this cash flow burden on Sac State will allow for relief for students from

the fee burden during the upcoming school year. The 50% amount was loosely based on other discount programs that SacRT offers (although the normal amount paid by Sac State already reflects a roughly 50% discount off the SacRT base fare per ride). Regular payments would resume in Fiscal Year 2022. Negotiations with Los Rios are ongoing at this time and the discount amount is unknown.

Staff recommends that the Board authorize the General Manager/CEO to enter into negotiations and approve a new student and employee pass program for Sac State that includes a discounted Fiscal Year 2021 fee reflecting a Fall semester of 2020 discount and an amendment to the Los Rios Student Transit Pass Agreement to allow a fee reduction for the Fall semester of 2020.

RESOLUTION NO. 20-06-0058

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

June 8, 2020

DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO ENTER INTO AN AMENDMENT AND RESTATEMENT OF THE AGREEMENT FOR CALIFORNIA STATE UNIVERSITY, SACRAMENTO STUDENT AND EMPLOYEE TRANSIT PASS PROGRAM

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

THAT, the Board hereby delegates authority to the General Manager/CEO to negotiate and enter into a contract amendment with the California State University, Sacramento (Sac State), for the California State University, Sacramento Student and Employee Transit Pass program, whereby SacRT agrees to continue to recognize the Sac State Student Transit Pass and Sac State Employee Transit Pass as valid fare media for SacRT service and Sac State agrees to continue to provide SacRT with compensation for such recognition for a term of up to five years on terms substantially similar to the existing agreement between the parties, with the addition of a 25% discount in the amount due for the FY2020 Annual Fees as a result of the cancellation of the majority of on-campus classes for Fall semester of 2020 to allow for reduction or elimination of the student transportation fee.

THAT, the General Manager/CEO is hereby authorized to execute said Amendment and Restatement, upon successful completion of negotiations.

STEVE HANSEN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 20-06-0059

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

June 8, 2020

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO ENTER INTO
THE SEVENTH AMENDMENT TO THE STUDENT TRANSIT PASS AGREEMENT
WITH LOS RIOS COMMUNITY COLLEGE DISTRICT**

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

THAT, the Board hereby delegates authority to the General Manager/CEO to negotiate and enter into a Seventh Amendment to the Student Transit Pass Agreement – 2015 by and between the Sacramento Regional Transit District (therein “RT”) and the Los Rios Community College District (therein “Los Rios”) whereby the parties agree to a reduction or refund of the mandatory transportation fees paid by eligible students for Fall semester of 2020 to reflect the reduced benefits provided to students as a result of the cancellation of on-campus instruction due to COVID-19.

THAT, the General Manager/CEO is hereby authorized to execute said Seventh Amendment, upon successful completion of negotiations.

STEVE HANSEN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary