



## 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>

## **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.

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

contributions. Although assisted by subsidized funding from UCSC (\$4.1 million expected in FY17) and Cabrillo College (\$940,000 expected in FY17),<sup>[9]</sup> <sup>[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

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

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.

- 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)

- 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><b>Respondent</b></i>	<i><b>Findings</b></i>	<i><b>Recommendations</b></i>	<i><b>Respond Within/ Respond By</b></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.



- **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)