



Council Agenda Report

Item 5c

Department: Public Works
Cost Center: 5201
For Agenda of: 8/24/2021
Placement: Consent
Estimated Time: N/A

FROM: Matt Horn, Public Works Director
Prepared By: Austin O'Dell, Interim Transit Manager

SUBJECT: TRANSIT SERVICE AGREEMENT EXTENSION BETWEEN THE CITY OF SAN LUIS OBISPO AND CAL POLY FOR FISCAL YEAR 2021-22

RECOMMENDATION

Authorize the City Manager to execute a Transit Services Agreement Extension with Cal Poly for Fiscal Year 2021-22.

DISCUSSION

Background

Since 1985, California State Polytechnic University (Cal Poly) and the City of San Luis Obispo have maintained a Transit Service Agreement (TSA) to allow Cal Poly to access the City's transit (SLO Transit) services. Through this Agreement, Cal Poly has paid an annual service fee to the City in exchange for a zero-fare program that allows students, staff, and faculty to ride SLO Transit at no charge to the rider. A valid Cal Poly Identification Card must be presented to participate in a zero-fare ride.

City Council approved the last long-term TSA with Cal Poly in 2011 which expired in 2016. One year service extensions have been executed annually while both agencies work to negotiate a new Transit Services Agreement. The Agreement encourages students, faculty, and staff to make use of alternative transportation as a means of travel. Cal Poly trips represent approximately 65% of the annual trips on SLO Transit. Historically, the University has compensated the City for transit services from its Parking & Forfeitures Fund and with no direct contribution from students, staff, and faculty.

Transit Service Agreement Negotiations

Cal Poly and the City have been in negotiations for a new long-term TSA for many years. The City's primary position during these negotiations for a new long-term TSA is that Cal Poly should pay a larger share since Cal Poly consumes about 65% of the rides SLO Transit provides, requires a high level of service and data exchange, and obtains rides at a cost of roughly 60% of the standard consumer rate. It should be noted that the standard customer rates only funds 43% of the actual operation cost excluding necessary capital cost for items such as bus replacement and facility maintenance.

Fortunately, transit services are heavily subsidized by both State and Federal funds to be able to provide a high level of service to the community at low rates, but the State does require that transit service revenue meet or exceed 20% of their operating costs from farebox revenue. Cal Poly's TSA funding is vital to the City to maintain the State mandated farebox ratio in order to remain eligible for State transit funding.

Transit Service Agreement Extension 2021-22

The pandemic has had large impacts to both Cal Poly and Transit Service operations. So far during COVID 19, Cal Poly classes have been primarily virtual and transit use by the community has been greatly reduced. Due to these changes in use over the last year and a half, neither Cal Poly nor the City know how quickly Cal Poly's use of the transit services will rebound over the course of 2021-22. Due to this uncertainty, continuing with the status quo agreement, since 2016 and approving another one-year extension meet both agencies' needs for FY 2021-22.

The proposed agreement extension will provide Cal Poly students, faculty, and staff transit service until June 30, 2022, upon presentation of valid Cal Poly Identification Card at no cost to the rider. Cal Poly will fund the City with a total amount of \$537,500 paid quarterly in the amount of \$134,375. Below is table that show Cal Poly's previous annual transit service funding contributions.

Fiscal Year	Cal Poly Transit Service Funding Amount
2011-12	\$380,000
2012-13	\$395,200
2013-14	\$403,104
2014-15	\$415,197
2015-16	\$427,653
2016-17	\$440,482
2017-18	\$453,697
2018-19	\$517,611
2019-20	\$533,139
2020-21	\$150,000*
2021-22	\$537,500

*Funding reduced due to reduced demand during pandemic

During the FY 2021-22, the City and Cal Poly will continue to negotiate a new longer term Transit Service Agreement as both agencies will better understand transit trends coming out of the pandemic. Prior to the expiration of this one-year extension, staff will return to Council with either a mutually agreeable transit partnership agreement that reflects payment for services provided and investment in infrastructure or a recommendation to not extend the Transit Service Agreement with Cal Poly and identification of what the impacts of that would be.

Previous Council or Advisory Body Action

City Council approved the Transit Service Agreement with Cal Poly on September 20, 2011. This agreement expired on June 30, 2016. City Council has approved transit service extensions with Cal Poly on August 15, 2016, June 27, 2017, and July 15, 2019, and July 21, 2020.

Policy Context

Approving this extension will allow the conformance with the financial and operating assumptions in the City's adopted Short Range Transit Plan. In addition, approving this extension will advance Major City Goal work programs for Climate Action, Open Space and Sustainable Transportation as well as Diversity, Equity and Inclusion

Public Engagement

No public engagement is necessary as this is considered to be an administrative item.

CONCURRENCE

Cal Poly concurs with the Transit Service Agreement Extension as presented to Council for the Fiscal Year 2021-22.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2021-22

Funding Identified: N/A

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
Transit Fund	N/A			
State	N/A			
Federal	N/A			
Fees	N/A			
Other:	N/A			
Total				

During the 2021-23 Financial Plan process, the Transit Fund assumed that a new long-term agreement with Cal Poly would not be in place due to the impacts of COVID-19. This extension provides the City with certainty of \$537,500 of funding, as both the City and Cal Poly reopen and negotiate a longer-term agreement. The Cal Poly funding is an important revenue component for the Transit Fund and represents a significant portion of the locally generated farebox revenue to meet the State mandated 20% local revenue contribution. With the Cal Poly contribution intact for FY 2019-20, SLO Transit achieved a 18% ratio despite the lock-down in the last quarter of the fiscal year. However, given the reduction for FY 2020-21 (see page 2), local revenue will be far below the required ratio. Fortunately, this farebox ratio requirement has been suspended due to the pandemic. When the current health crisis ends, the State will likely reinstate the farebox ratio mandate of 20%. Transit operators will have three years to comply with the State mandate. Cal Poly's revenue is a vital part of the Transit Enterprise Fund's strategy to achieve the locally generated revenue amounts to remain eligible for State transit funding usually accounting for 70% of the farebox revenue.

ALTERNATIVES

1. ***Deny/Defer FY 2021/22 Transit Agreement Extension.*** City Council may choose to deny or defer the University Transit Subsidy Agreement. Staff does not recommend this alternative as the impact of this alternative would significantly reduce ridership and revenues. As previously mentioned, both the City and Cal Poly agree to the terms of the new subsidy agreement. The continuation of the program helps foster the continued partnership of this mutually beneficial program.
2. ***Direct Staff to alter the fee schedule to some other level.*** Staff does not recommend this alternative as both the City and Cal Poly agree to the terms of the new subsidy agreement. The continuation of the program helps foster the continued partnership of this mutually beneficial program.

ATTACHMENTS

- A – Cal Poly 2011-16 Transit Agreement with Extensions
- B – Fourth Transit Service Agreement Extension