



DATE: January 25, 2019
TO: Board of Directors
FROM: Barrow Emerson, Planning & Development Director
**SUBJECT: 10-YEAR (FISCAL YEAR 2020-29) STRATEGIC BUSINESS PLAN
UPDATE**

I. RECOMMENDED ACTION

That the Board receive a presentation on the 10-Year Strategic Business Plan; and,

A. Approve the proposed seven Strategic Priorities.

B. Approve the list of Key Tactical Initiatives in support of the Strategic Priorities.

C. Direct staff to develop implementation plans for the Key Tactical Initiatives in Item B above.

II. SUMMARY

- At the October 17, 2018 Santa Cruz Metropolitan Transit District (METRO) Board Strategic Business Plan initial work session, the Board and management team established a preliminary set of Strategic Priorities (see Attachment A).
- The METRO management team has proposed a number of Key Tactical Initiatives in support of the Strategic Priorities (see Attachment B).
- The Strategic Priorities and Key Tactical Initiatives are intended to prioritize the use of METRO's financial and staff resources.
- Pending adoption of the Strategic Priorities and Key Tactical Initiatives, staff proposes to develop implementation plans for the Key Tactical Initiatives within the context of the 10-Year financial outlook.

III. DISCUSSION/BACKGROUND

At the October 17, 2018 METRO Board Strategic Business Plan initial work session, the Board and management team established a preliminary set of strategic priorities (see Attachment A).

These Strategic Priorities were developed within the context of the existing METRO Mission Statement:

“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.”

Among issues discussed at the October 17th work session were a number of specific key ongoing tactical initiatives identified by the METRO management team, including timeframes and cost contexts where appropriate. For the purpose of the next step in the Strategic Business Plan process, these Key Tactical Initiatives have been assigned to one or more of the seven draft Strategic Priorities (see Attachment B).

A primary theme from the October 17th work session was that for at least the last four years METRO has been in a survival mode, staving off a financial structural deficit which could have undermined its ability to continue to provide public transportation services to the County.

The management team sees a period of relative consolidation or maintaining of service levels, while reinvesting in the bricks of the business, improving the quality and promotion and public awareness of the current services prior to growing the system significantly. As METRO hopefully moves beyond this “fix” stage and towards a “build” phase, it is important that it be clear on its mission and focus its limited financial and staff resources on only its core business initiatives.

Next Steps

Pending adoption of the Strategic Business Plan Strategic Priorities and Key Tactical Initiatives, staff proposes to develop implementation plans for the Key Tactical Initiatives within the context of the 10-Year financial outlook. This task is now able to be done within the context of SB-1 funding remaining part of METRO’s revenue assumptions.

The assumptions of the 5-Year Budget Plan, adopted annually as part of the Fiscal Year budget process, will be used as the financial/budget basis/context for creating implementation plans for the key tactical initiatives. In addition, if adopted, the Strategic Priorities and Key Tactical Initiatives will be used to prioritize the ongoing METRO 10-Year Unfunded Capital Project List.

Staff would include these Strategic Priorities and Key Tactical Initiatives as the basis of future budget proposals and departmental workplans.

IV. FINANCIAL CONSIDERATIONS/IMPACT

Although the 10-Year Strategic Business Plan does not direct specific budget related items in the near term, it does identify key tactical initiatives METRO staff will endeavor to implement within this timeframe. Specific financial considerations/impacts will be identified as individual initiatives move forward.

V. ALTERNATIVES CONSIDERED

The 10-Year Strategic Business Plan and its priorities are intended to provide context and direction to the METRO Board and staff when considering new initiatives. The clarity and focus provided by the seven Strategic Priorities will support efficient decision making processes at METRO.

Not pursuing development of a Strategic Business Plan is not recommended.

VI. ATTACHMENTS

Attachment A: METRO Strategic Priorities

Attachment B: Key Tactical Initiatives

Prepared by: Barrow Emerson, Planning & Development Director

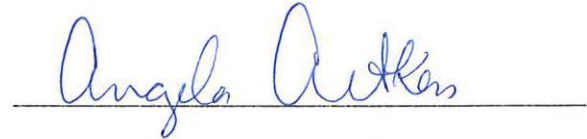
VII. APPROVALS:

Barrow Emerson,
Planning & Development Director



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Approved as to fiscal impact:
Angela Aitken, CFO



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Alex Clifford, CEO/General Manager



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Santa Cruz METRO Strategic Business Plan Priorities

1. Safety First Culture
2. Financial Responsibility, Stability, Stewardship, Accountability
3. Service Quality and Delivery
4. Internal and External Technology
5. Employee Engagement: Attract, Retain, Develop
6. State of Good Repair
7. Strategic Alliances and Community Outreach

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Key Tactical Initiatives in Support of the METRO 10-Year Strategic Business Plan Priorities

The following Key Tactical Initiatives are assumed as 10-year priorities for implementation and are the primary candidates for commitment of financial and staff resources. These are generally issues with either significant annual operating costs and/or large one-time capital costs.

1. Safety First Culture

- a. Implement policies, procedures, and security and safety training agency-wide in order to:
 - i. Reduce workers' compensation claims
 - ii. Reduce accident claims
- b. Secure METRO facilities as required by law
- c. Enhance security force
- d. Continuously monitor workplace injuries and actively engage the Safety & Risk Department in retraining following incidents
- e. Regular review of all facilities for safe working conditions
- f. Complete the installation of surveillance equipment on the remainder of the fleet

2. Financial Responsibility: Stability, Stewardship, Accountability

- a. Adopt balanced budgets without the use of reserves
- b. Develop balanced 5-year budget plans
- c. Enforce the Reserve Policy and funding levels of the "buckets" to provide a buffer against any impacts of revenue levels, including ebbs and flows of economy or changes in funding levels from revenue providers
- d. Within the context of the available budget, reinvest in the "bricks" of the company to support cost-effective, efficient and quality customer service
- e. Implement a Fare Restructure during 2019 which could increase revenue by \$500,000 - \$1.5 million and provides improved customer fare payment amenities
- f. Manage future labor costs so as to maintain the capacity to provide at least the current service level without impacting the integrity of long term budgets
- g. When applicable, use carryover funds from a previous fiscal year only for one-time expenditures rather than for recurring costs

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- i. Following the annual audit (August – October each year), present to the Board Finance Committee a recommendation for appropriation of any carryover funds, if available, from the previous fiscal year
 - ii. If recurring surplus revenues are identified, engage the Service Planning Review Committee (SPRC) early to develop a priority list of service needs and then present such service needs to the Board Finance Committee (January - March each year)
- h. Continue to develop strategies to reduce absenteeism and unscheduled overtime
- i. Complete purchase and installation of a new Financial Information System (FIS) by June 2021
- j. Strive to leverage local funds with state and federal grants

3. Service Quality and Delivery

- a. Within financial capacity, increase service levels on existing routes including daily span of service and frequency
- b. In the allocation of fixed-route services, over time, increase the percentage of resources committed to ridership generating services versus coverage-oriented services
- c. Within financial capacity beyond the current annual cost of \$4 million, increase the Highway 17 Express service level to provide a more attractive alternative to driving alone
- d. Within financial capacity, increase the level of Customer Service staffing and marketing services to achieve excellence in Customer Service to attract new riders and meet the needs of exiting ones
- e. Within financial capacity, pursue initiatives which contribute to general community mobility rather than exclusively mass transit solutions
 - i. Monitor information and, within financial capacity, pursue implementation of alternative service models, such as Transportation Network Companies (TNCs), Microtransit, other on-demand services, and autonomous vehicles; particularly where they may be cost effective
- f. In order to increase reliability and reduce unscheduled overtime (\$2 million annually), increase the percentage of extra board Operators in support of scheduled shift assignments
- g. In response to Countywide decisions made relative to the Unified Corridor Investment Study, develop implementation plans and operating cost estimates for services in the following corridors; Soquel/Freedom Bus Rapid Transit (BRT)

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Lite services, Highway 1 Bus On Shoulders service, and mass transit in the Rail Corridor

4. Internal and External Technology

a. External (Customer Facing)

- i. Automatic Vehicle Location (AVL) is scheduled to be implemented during 2019. AVL is also a valuable internal tool to support efficient bus scheduling by providing comprehensive data about on-time performance and average travel times on all segments of the system
- ii. A Highway 17 Express mobile ticketing pilot project will be implemented in 2019 to determine its attractiveness to users of this service. Pending results of this pilot, consideration will be given to implementing mobile ticketing system-wide
- iii. Pending the effectiveness of the mobile ticketing pilot project, implement an account based fare payment system which improves customer convenience by allowing purchasing and reloading of passes on-line

b. Internal

- i. Investigate upgrade or replacement of the current fare collection and reporting system as it is not dependable and prone to error, resulting in excessive staff time spent maintaining equipment and reconciling data.
- ii. Automatic Passenger Counting (APC) is a tool which would allow METRO to have complete system-wide data of passenger on/off by location, which allows for more effective service and stop planning, and removes the need for manual random field surveys which provide less data and are cost-inefficient to conduct
- iii. Develop new data tools for Key Performance Indicators (KPI) and Dashboards by continuing progress on creation of the data warehouse
- iv. Implement new Financial Information System (FIS).
 1. An eEarly CY2019 milestone will be the development of the scope of work for an FIS consultant to be hired to help review the existing systems and processes and to help develop the specifications and scope of work for a competitive bid for a new FIS system.

5. Employee Engagement: Attract, Retain, Develop

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- a. Staffing Levels
 - i. Although the scheduled level of ParaCruz service is appropriate, the difficulty in maintaining a full staff of drivers impacts the effective delivery of this service. Continue to identify creative and innovative methods to recruit employees
 - ii. Difficulty in attracting fixed-route operators puts stress on existing staff and increases operating costs through unscheduled overtime. Continue to identify creative and innovative methods to recruit employees
 - iii. As many support functions at METRO are staffed at minimal levels, investigate typical staffing level ratios for comparable functions at peer agencies
- b. Attracting employees is often difficult because of the high local cost of living in Santa Cruz County. Recent Classification and Compensation studies may help address this situation.
- c. The ability to retain employees involves the opportunity to enhance one's career path with advancement opportunities which can be difficult at a small agency.
- d. Developing employee's skills, knowledge and abilities requires training which can be costly and time consuming; another difficulty at a small and minimally staffed agency.

6. State of Good Repair

- a. METRO's highest priority is to identify funds to replace the 62 fixed-route buses that have reached or surpassed the end of their useful life.
 - i. The Bus Replacement Program is funded to a level of \$3M annually. This will allow METRO to almost eliminate buses beyond their useful life by 2023. However, as existing newer buses start to reach the end of their useful life and California Air Resources Board (CARB) requirements to introduce electric buses begin in 2026, this financial challenge will re-appear and will require ongoing financial resources. The electric bus requirements will also require significant investment in charging infrastructure.
 - ii. Integrate Zero Emissions Buses (ZEBs) into the METRO fleet consistent with Board policy and comply with the impending CARB Regulation. Once the Regulation is adopted, return to the METRO Board with appropriate revisions to the METRO ZEB 2040 Plan that will make it compliant with CARB's Regulation
 - iii. To the greatest extent possible:

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1. Provide METRO sufficient time to test its initial new ZEBs before committing to additional purchases, subject to thresholds in the impending CARB Regulation.
2. Subject to the thresholds in the impending CARB Regulation, avoid purchasing additional ZEBs until battery energy density improves sufficiently for the “end of life” range of the ZEB to run on all METRO routes (nearly 300 mile daily range)
 - iv. Design and construct the yard ZEB recharging infrastructure before the first ZEBs arrive in the second quarter of 2019
- b. Pacific Station is in need of significant rehabilitation in the near term for which METRO has approximately \$2 million available. Discussions with the City of Santa Cruz about the potential for a major redevelopment have resulted in an estimated \$10 million shortfall to implement. Subject to the results of studies currently underway, the current condition of the structure may require METRO to invest more than \$2 million in rehabilitation funds in the near future.
- c. There is a need for a METRO-owned ParaCruz facility as the current lease arrangement is financially inefficient (\$180,000 annual lease through 2021) and the landlord may not renew the lease after 2021.
- d. Create a strategy for addressing METRO’s 10-year Unfunded Capital Projects List for all equipment and facilities, which currently has a price tag approaching \$200M, including buses. Items include;
 - i. Capital maintenance and upgrades of our four Transit Centers;
 - ii. Operations, maintenance, administrative facilities, and bus stops; and
 - iii. Vehicle state-of-good-repair, and technology improvements.Some expenses associated with ongoing maintenance are treated as an operating expense.
- e. In response to Countywide decisions made relative to the Unified Corridor Investment Study, METRO may need to explore funding for facilities and equipment in the Soquel/Freedom (BRT Line), Highway 1 (Bus On Shoulders), and service to or on the Rail Corridor.

7. Strategic Alliances and Community Outreach

- a. Over half of METRO ridership is UCSC students, faculty, and staff with the University providing METRO almost \$4.5 million annually, which supported the retention of eight operators in 2016. This alliance is an important strategic and financial issue as UCSC continues to grow and draw riders from origins further from the campus than in prior years.

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- b. Cabrillo College has been a financial partner for three school years, funding eight operators at an annual cost of approximately \$950,000, as a result of a student approved and funded bus pass program in 2016 and again in 2017, which is always subject to reconsideration by students. METRO will continue to work to meet Cabrillo needs, including improved access to its Watsonville campus.
- c. Maintain and enhance METRO's \$500,000 annual partnership with the Santa Clara County Valley Transportation Authority (VTA), AMTRAK, the Capital Corridor Joint Powers Authority (JPA), the San Joaquin JPA, and the San Joaquin Regional Rail commission (ACE) in support of the Highway 17 Express service.
- d. Enhance relationships with the Association of Monterey Bay Area Governments (AMBAG), the Santa Cruz County Regional Transportation Commission (RTC), and Caltrans who are partner transportation planning agencies involved in legislation, policy, and funding advocacy.
- e. Continue to participate in and support the Santa Cruz Chamber of Commerce and the Monterey Bay Economic Partnership (MBEP).
- f. Within the upcoming requirement to have an all electric bus fleet by 2040 METRO will explore a business relationship with Monterey Bay Community Power and PG&E.
- g. With the recent history of strong public support in Santa Cruz County for transportation funding, METRO will analyze the financial capacity and public appetite for revenue enhancing measures to address capital needs and allow for an increased level of transit service, especially focusing on frequency and span of service.
- h. Work with local jurisdictions to influence their land use strategies to encourage more transit oriented development patterns and road networks which can be efficiently serviced by public transit. Densification of nodes along existing bus trunk lines should be encouraged.
- i. Establish a Marketing & Communications function to promote services, retain customers and attract new ridership. Once the Marketing Director is aboard, pursue:
 - i. Developing communication tools and social media to educate the public on the benefits of public transportation.
 - ii. Educating the riding and non-riding residents of Santa Cruz County about how METRO uses the resources they have granted METRO and the air quality/sustainability/GHG reductions to the region
 - iii. Promoting, when appropriate, alternative service models as discussed in Item 3.e.

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j. Legislation

- i. Provide ongoing education via the Headways, media press releases, and other mediums on legislative issues vital to METRO.
- ii. Support favorable electricity rate legislation/regulation for transit properties operating ZEBs.
- iii. Continue ongoing work with the CTA via the Executive and Legislative Committees
- iv. Continue to assert METRO's legislative agenda through APTA Committees, the Bus Coalition, and the services of the federal advocate to support various initiatives including:
 1. Increased federal formula funding including increasing the Small Transit Intensive Cities (STIC) funds to 3%;
 2. Federal transit reauthorization funded by stable and recurring funding sources and that grow formula funds to transit agencies; and
 3. Stabilizing the Highway Trust Fund - e.g., increase the federal gas tax.

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METRO 2019 Major Areas of Staff Effort in Support of Strategic Priorities

1. Safety First Culture

Implement Safety First initiatives

Secure all METRO facilities

Complete outfitting entire fleet with security cameras

Outfit JKS Fueling facility with security cameras

Maintain facilities to reduce accident risks

Continuously implement security enhancements

Minimize Traffic Accidents

Reduce workplace injuries

2. Financial Responsibility, Stability, Stewardship, Accountability

Pursue creation of new ParaCruz facility

Investigate repurposing of Soquel Park Ride

Manage/reduce ParaCruz operating cost per trip

Reduce unscheduled overtime

Reduce absenteeism

Solicit retail tenants to maximize lease revenue from retail sites at transit centers

Collaborate with the RTC to protect METRO revenues

Participate in TDA Reform Task Force

Monitor Federal funding bills

Enhance UCSC & Cabrillo partnerships

Maintain compliance with Disadvantaged Business Enterprise (DBE) program

Pursue State & Federal Grants

Maintain compliance with State & Federal regulations

Monitor and influence State & Federal legislation

Comply with new California Air Resources Board (CARB) Regulations

Conduct Labor Memorandum Of Understanding (MOU) negotiations

Reconcile budget/expenses

Pay our bills on time

Maximize cost-effective Parts Dept. stocking by maintaining efficient minimum/maximum supply levels

Provide mandated reporting to the National Transit Database (NTD)

Grow Revenues

Find best balance of bus operator extra board to minimize unscheduled overtime

Procure new FIS & Procurement Module

Facilitate competitive Procurements

Participate in Federal Transit Administration (FTA) Triennial Review

Participate in CHP Terminal Inspection

Monitor and achieve Key Performance Indicators (KPIs) (dashboard & scorecards)

Make data-driven decisions

Present 10-Year Strategic Plan to Board for adoption

Maintain Payroll reliability

Conduct mandated annual financial audit

Maintain a 2-year balanced budget and maintain a 5-year balanced budget plan

Carefully manage expenses

Comply with board reserve policy

Pursue new vinyl advertising

Increasing advertising sales

Comply with Brown Act by timely posting of board agendas and packet mail out

Resolve PERSable issues

3. Service Quality and Delivery

Deliver 39,000 hours of ParaCruz Service

Deliver 450,000 miles of ParaCruz service

Provide over 72,000 ParaCruz rides

Deliver 207,000 hours of fixed-route Revenue Service

Deliver 2.9 million fixed-route revenue service miles

Provide over 5 million fixed-route rides

Retain current customers

Grow fixed-route ridership

Grow Hwy 17 ridership

Incorporate 4 new articulated buses from VTA into METRO fleet

Move Bus on Shoulders project forward with Caltrans

Continuously pursue more efficient bus routes

On-board new fixed-route bus operator & ParaCruz driver classes

Conduct onboard Survey

Conduct Countywide non-rider survey

Implement fare restructuring process

Introduce improved fare payment technologies including electronic fare media with online fare loading features (smart card expansion)

Implement Hwy 17 Mobile Ticketing pilot project

Provide exceptional customer service

Reduce customer service complaints

Monitor Website & Ticket Vending Machines (TVMs) for ADA accessibility

Implement Marketing program

Plan for implementation of Watsonville circulator

Install of Automatic Vehicle Location (AVL) system providing real-time bus arrival information for passengers and internal operating efficiency

Pursue procurement of Automatic Passenger Counting (APC) technology

Develop quarterly service changes and implement quarterly bid process with operators

Implement Downtown Bus Pass with City of Santa Cruz

Manage balance between frequency and geographic service coverage

Maintain Americans with Disabilities Act (ADA) compliance

Improve service reliability and on-time performance

Produce quarterly HEADWAYS Riders Guide

Plan and implement alternative service model pilot projects (micro transit, taxi, UBER/Lyft)

4. Internal and External Technology

Increase server & outlook dependability

Plan for and implement charging infrastructure for electric buses including solar power and battery energy storage

Plan for upgrade of fare payment system including on-board fare boxes and off-vehicle ticket vending machines (TVMs)

Monitor and improve HASTUS scheduling and payroll software

Further develop data warehouse to provide for efficient analysis and decision making

5. Employee Engagement; Attract, Retain, Develop

Efficiently fill vacant positions

Recruit & on-board new employees in a timely manner

Implement training & professional development

On-board new Grants/Leg Analyst

Acquire replacement parking for Pacific Station employees

Continuously communicate with labor unions

Conduct interdepartmental coordination meetings

Participate in educational seminars and attend conferences

Continuously implement new & revised administrative policies and procedures

Complete Class & Compensation process for SEIU and management positions

Hire new Marketing Director

Implement new creative recruitment efforts

6. State of Good Repair

Continue effort to replace 50 + buses beyond their useful service life

Maintain and Clean 94 buses

Incorporate 10 new Diesel Electric Hybrid Buses into METRO fleet

Manage \$3 million annual bus replacement fund

Continuously reduce number of buses on daily dead list

Maintain 900 clean & safe bus stops

Upgrade ParaCruz dispatch software

Incorporate new ParaCruz vehicles into fleet

Operate and maintain Pacific Station

Plan for future of Pacific Station

Operate and maintain the Watsonville Transit Center

Operate and maintain Capitola Mall Transit Center

Operate and maintain the Scotts Valley Transit Center/Park and Ride

Conduct Mid-life overhauls & refurbishes

Complete procurement of 6 new Gillig replacement CNG buses

Install 25 new Bus Shelters from VTA

Maintain non-revenue vehicles

Maintain update the federally mandated Transit Asset Management (TAM) Plan

Keep all METRO vehicles and facilities in a State of Good Repair

Perform Periodic Maintenance Program on time

Increase mean miles between mechanical failures

7. Strategic Alliances and Community Outreach

Engage stakeholder agencies including RTC, AMBAG, Caltrans, the County and Cities,

Facilitate the METRO Advisory Committee (MAC)

Participate in annual regional transit agency meetings with MST and SLO

Nurture the Hwy 17 partnership with member agencies including increasing financial resources

Participate in First Friday events

Work with advocacy groups including APTA, CalAct, the Bus Coalition, CalTip, CSMFO, GFOA, CTE, ZEBRA, UASI, and GES

Participate in holiday parades

Participate in Santa Cruz County Fair

Process Unified Corridor study with RTC