SUPPLEMENTAL
LEGISLATIVE AND FISCAL REPORT

Southern California Rapid Transit District

April 7, 1980

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FISCAL AND LEGISLATIVE ISSUES FACING THE DISTRICT

The financial security of public transit is currently being threatened with skyrocketing inflation rates, Federal inflation ceilings, budget cutbacks and tax revolts. Any one or a combination of these could result in severe budget cuts to the District and other transit properties.

Even without direct budget cuts, the District is facing a $3.5 million deficit for the remainder of FY 80 and a projected $32.7 million shortfall in FY 81. These deficits are due primarily to an unexpectedly high inflation rate in Los Angeles County and a drastic increase in the cost of the seven critical items make up 90% of the District's current operating expense. The impact of inflation on the District was further discussed in the earlier section of this report dealing with the national economy.

In addition to the very real deficits with which the District must contend, there are a number of local, State and Federal issues which, while still undecided, could have an even greater negative impact on the District than the inflation rate. At the State level, these include:

- Proposition 9 ("Jarvis II")
- Proposition to remove the sales tax on gasoline
- Companion bills to the gasoline sales tax removal:
  - SB 1630 (Repeal of TDA)
  - ACA 74 Restructure of gas sales tax
- Effect of Jarvis II on Proposition 11 (California State Windfall Profits Tax)

Major issues at the Federal level are:

- The "balanced budget"
- 7% limitation on program budget growth
- Proposed new UMTA operating subsidy formulas
- Windfall Profits Tax

Presented below is a discussion of each of these issues or proposals and their potential impact on the District.

PROPOSITION 9 - "JARVIS II"

Summary

Proposition 9, also known as "Jarvis II", is scheduled to go to the voters on June, 1980 ballot. Although Proposition 9 contains three elements, the only element with real impact is the requirement that the State of California reduce State income tax brackets by 50%. Due to the structure of those brackets, State income from those taxes would be reduced by more than 50%. Estimates of the fiscal impact of Proposition 9 would have on the State General Fund are constantly fluctuating. Projections have ranged from $600 million (3%) to $6 billion (30%) in cuts.

Impact on Government

The State Legislative Analyst originally estimated that passage of Proposition 9 would result in a loss to the State General Fund of approximately $5 billion (out of a total budget of $20 billion) in FY 81. Since $5 billion is more than the amount California spends on all State operations (including universities, prisons, the Courts and hospitals), it is expected that these and other State-funded programs will experience severe cutbacks.

In addition, it is anticipated that cities will be seen as more able to be self-supporting than State programs. As a result, there will be drastic cutbacks in State aid to the cities and Proposition 13 "bailout" funds be discontinued.

Impact on Transit

There will be no direct impact on transit since the major State funding source for transit, the Transportation Development Act, is not part of the General Fund. However, cutbacks will be so severe that legislation may be introduced to eliminate special funds such as TDA or SB 620.

Severe reductions in State funding and in aid to the cities, if they occur, may encourage the cities to seek legislation making TDA a part of the General Fund to increase flexibility in deciding on expenditure of those funds.

Possible Impact on the District

- No immediate impact

- The Transportation Committee of the California League of Cities has taken the position that they would oppose diversion of TDA or SB 620 from transportation. However, if legislation is introduced eliminating TDA and/or SB 620, the District may experience a loss in

the range of $21.2 - $103.8 million. (It is unlikely, however, that all $103.8 million in State aid to SCRTD would be eliminated).

PROPOSITION TO REMOVE THE SALES TAX ON GASOLINE

Summary

The California Service Station Owners Association is currently circulating petitions for a proposed November ballot initiative supporting a constitutional amendment to eliminate the 6% California State Sales tax on gasoline.

Impact on Government Finances

Repeal of the sales tax on gasoline would result in an annual loss to the State of California of $800 million to $1 billion. A number of legislators are of the opinion that if the California Windfall Profits Tax (see below) passes, the sales tax cut on fuel will be likely to pass.

Impact on the District

- Would result in an estimated loss of $21.2 million in SB 620 (gasoline sales tax "spillover funds"). This is equivalent to 20% of all State funds received by the District.
- As a result of decrease in total sales tax collected, $45 million in TDA revenues would also be lost at the State level. This translates into an approximate $10.8 million loss to RTD.
- If SB 1630 (see below) were to pass, it would remove an additional $82.6 million in TDA funds to the District (or 80% of current State funding).
- Elimination of the TDA local match would require a base fare increase in the range of $1.60 - $1.80 to meet UMTA local match requirements. It is unlikely that the District would be able to attract enough passengers at the higher fare to recoup its losses. As a result, Federal funding might be discontinued.

COMPANION LEGISLATION TO PROPOSITION ON REMOVAL OF STATE SALES TAX ON GASOLINE

Two pieces of legislation have recently been introduced in the State Legislature as a reaction to the proposal to remove the State sales tax on gasoline. SB 1630 (Mills) would negatively impact the District since it would repeal TDA and eliminate SB 620.

ACA 74 (Ingalls) would place a Gann-type limitation on the amount of sales tax collected on gasoline but would allocate the entire proceeds of the sales tax on gasoline to transit.

SB 1630: REPEAL OF TDA

Summary

SB 1630 would repeal the Transportation Development Act of 1974. It is Senator Mills' reasoning that, since the removal of the sales tax on motor fuels would result in a loss to the State's General Fund of between $800 million and $1 billion, it would be illogical to continue a special fund (TDA) which had originally been tied to the sales tax on gasoline.

Impact on the District

- Passage of SB 1630 would specifically eliminate the gasoline sales tax "spillover" fund (SB 620). District's share of this for FY 81 is $21.2 million, which is over 20% of District's State sales tax funding.
- Elimination of TDA would eliminate local match for UMTA funds (as mentioned above) and reduce overall District funding by $82.6 million (or 80% of State sales tax funding.)

ACA 74: LIMITATION ON GASOLINE SALES TAX

Summary

Assemblyman Ingalls has proposed ACA 74 as an alternative measure to be placed on the November ballot if the gasoline station owners' initiative receives sufficient signatures to go before the voters. ACA 74 would place a Gann-type limitation on collection of the sales tax on fuel and would direct that all sales taxes collected on fuel be spent for transportation purposes.

Impact on Government Finances

ACA 74 would divert $800 million to $1 billion from State General Fund to transit. Because it proposes diversion from the State General Fund at a time when this fund may also be facing cutbacks from Jarvis II, Ingalls feels that his proposal may experience difficulty in gathering sufficient votes to be placed on the ballot. However, he argues that the voters may look favorably upon the gasoline station owners' bill if Proposition 11 (the California Windfall Profits Tax) passes. He feels that his measure presents the only viable alternative to the voters in the face of the Service Station Owners' Association initiative.

Impact on the District

- ACA 74 would result in a $800 million to $1 billion increase in State funding to transit. Based on current TDA allocation formulas, SCRTD's share would be approximately $190 - $240 million.

- If Jarvis II and the ACA 74 were to pass, there would be pressure at the State level to return TDA and SB 620 to the General Fund. This would offset the projected $190 - $240 million gain by approximately $103.8 million.

- It is unlikely that the legislature will place the proposition on the ballot.

PROPOSITION 11: CALIFORNIA WINDFALL PROFITS TAX

Summary

Proposition 11 will be on the June, 1980 ballot. It proposes that a 10% surtax be placed on the business profits of major oil companies operating within the State of California. According to the terms of Proposition 11, the proceeds of this surtax must be used to increase bus and rail service and for the development of alternative fuels.

Impact on Government Finances

Various analysts place anticipated revenues after certain exemptions in the range of $150 - $210 million per year. Substantial loss of general funds at the State level resulting from passage of Jarvis II or the proposal to repeal the sales tax on gasoline could spur legislation to divert part or all of the Windfall Profits Tax proceeds to the General Fund for use on other programs.

Impact on the District

- Although the split between transit and alternative fuels has not been discussed, SCRTD's share could range from $35 - $50 million/year. The proceeds could be greater if oil companies did not take full advantage of available exemptions.

- At present, the State plans to channel 50% of Proposition 11 proceeds directly to the Transportation Planning Accounts. This would probably be allocated in much the same was as TDA monies are now. Method of distribution of the remaining 50% of the funds is as yet undetermined.

- If passed, the Windfall Profits Tax may be seen as a substitute for other State transit financing. If TDA and SB 620 were repealed, the District could lose up to $103.8 million/year starting in FY 82. If this occurred, the District's loss under Windfall Profits Tax would be approximately $54 - $66 million/year, or a 52% - 66% loss of the current TDA/SB 620 allocation.

LOCAL LEVEL ISSUE

1/2 Cent Sales Tax

The Los Angeles County Transportation Commission (LACTC) is currently planning to go to Los Angeles County voters in November with a proposition to levy an additional 1/2 cent sales tax to support public transportation in the County. At present, LACTC plans to allocate the estimated $210 million yearly proceeds as follows:

	Per Year (in millions)
Bus Improvements	$ 90
TSM and Ridesharing Projects	20
Expanded Rapid Transit System	100

Impact on the District

- It is estimated that the District would receive approximately $77 million of the money earmarked for bus improvements. If this money were added to the operational fund, it would represent a 46% increase over the projected FY 81 operating subsidy of $167.67 million.

- It is uncertain whether the LACTC would choose to allocate the total $77 million to SCRTD or allow SCRTD to spend all of its allocation for bus operations.

- In keeping with the Gann initiative, LACTC is required to get approval of either 2/3 of the voters when the initiative goes on the ballot or to obtain prior approval of the State legislature so that approval is required of only a simple majority of the voters.

- There is presently some question over whether, (1) the LACTC will be able to get the 2/3 support required from the legislature and (2) whether any legislator is willing to carry the bill in the legislature.

ISSUES AT THE FEDERAL LEVEL

THE BALANCED BUDGET AND TRANSIT APPROPRIATIONS

Summary

The President recently unveiled a revised FY 81 budget calling for $15 billion in spending cuts. Although the Administration is seeking full congressional support, this support has not been totally forthcoming. The eventual impact on transit is, as of yet, uncertain.

Impact on the District

- Various FY 81-85 appropriation levels have been discussed for transit. In the forefront are the Howard (HR 6417) and the Williams (S.2296) bills. These propose amounts of $18.9 billion and $21.8 billion for transit over the next five years, respectively.

- Transit may experience a nationwide cutback of $420 million in capital projects in the FY 81 budget.

- Far more serious in its impact is the 7%/year growth rate limitation placed by the Office of Management and Budget (OMB) on appropriations. This results in a gap of 5%-11% (depending upon inflation rate used) between year-to-year increases in Federal dollar allocations and the local cost increases. Since State funding cannot be increased to cover the shortfall, any discrepancy between inflation and built-in Federal increases must either be made up through service cuts or fare increases.

NEW UMTA FORMULAS

Summary

The Surface Transportation Assistance Act passed in 1978 called for allocation of UMTA Section 5 formula grants to be made to urbanized areas according to their population/population density. Tiers I and II of Section 5 are used by RTD and other major properties for operating expenses. Of particular interest to the District is Tier II, which was established to provide a greater proportion of assistance to the larger urbanized areas to assist them in meeting their unique transit needs.

Impact on the District

- If the new formula were to be established, the Los Angeles/ Long Beach urbanized area would stand to lose approximately $18.7 million in Section 5 funds in the next fiscal year.

- Any such formula change would be extremely detrimental to those transit operators in large urbanized areas.

- The proposal would also add 100 new cities to the existing list of 279 eligible urbanized areas. Since fewer funds are available overall, a lesser amount of money would have to be spent among an increased number of cities, some of whom do not presently have transit systems.

FEDERAL WINDFALL PROFITS TAX

Summary

A Windfall Profits Tax on petroleum products companies was proposed by the President in April, 1979. The basic structure was agreed upon by the Senate and House conferees on February 27, 1980. The bill was passed by both Houses of Congress and is awaiting the President's signature.

Impact on the District

- The tax would provide approximately $227 billion in revenues over 10 years. Of the $227 billion, only $16 billion is earmarked for transit.

- Presently, it is the Administration's intention to reserve the transit portion of Windfall Profits proceeds for capital projects only. The District has a greater immediate need for operating assistance than capital assistance, although such additional capital funds would allow UMTA to more readily approve any new rapid transit starts.

- The total transit proceeds from the Windfall Profits Tax are limited by law to the $16 billion total, regardless of increases to the Windfall Profits Tax fund because of a rise in oil prices, or in the inflation rate. This could, however, be changed by future Congresses.

RECAPITULATION

The District has a promising outlook for funding from such measures as the California and Federal Windfall Profits Tax proposals. However, our expectations of the benefits to be derived from these measures are marred by a number of issues that threaten to, either singly or in concert, eliminate substantial portions of our subsidy base.

The District faces its most immediate threat from inflation- a point which is graphically brought out by the fact that we face a $3.5 million deficit for the remainder of FY 1980. The effects of the other measures discussed in this section (such as Jarvis II or the repeal of the State sales tax on gasoline) might not be felt until FY 1982. This is approximately the length of time it would take for the State surplus to be eliminated and administration processes established.

In summary, the following issues and measures pose the greatest potential for having a significant impact on the District's operation:

- Jarvis II: Although there may be no immediate impact on transit due to the "special fund" nature of TDA, it is projected that the massive impact on the State budget will force reconsideration, if not total elimination, of special funds such as TDA and SB 620.

- Elimination of Sales Tax on Gasoline would result in total elimination of over $20 million a year in SB 620 and loss of approximately $10.8 million in TDA funds to the District. In addition, if SB 1630 (Mills) were to pass, TDA would also be repealed, resulting in an additional loss of approximately $83 million in TDA funds to the District. If TDA were lost, it is unlikely that even a drastic fare increase (upwards of $1.60) could generate sufficient emergency local match for Federal funds.

- If ACA 74 (Ingalls) were to be placed on the ballot and approved by the voters, the District might gain between $190 and $240 million/year. However, it is likely that TDA and SB 620 funds (District share: $103.8 million) would be transferred back to the General Fund.

- Proposition 11 - California Windfall Profits Tax. Proposition 11 could generate statewide revenues

of $150 to $210 million. The projected SCRTD share would be $35 to $50 million. Again, if Jarvis II were to pass, the substantial loss of State General Fund revenues might either force legislation to return part or all of the Windfall Profits Tax to the General Fund or repeal TDA.

- Federal Allocations and Inflation. The major problem with Federal funding is the built-in escalator clause. This limits growth of allocations under a given bill to an estimated 7% annually. Given the Los Angeles area's current inflation rate, the District will be getting 5%-11% less each year in Federal funds. This loss must then be made up out of the farebox, resulting in the need for fare increases in excess of the inflation rate.

- Proposed UMTA Formula Change: If an UMTA formula change were made, it could result in an $18.7 million loss of Section 5 funds for the Los Angeles/Long Beach urbanized area.

- Federal Windfall Profits Tax: The share of the Proposed Windfall Profits Tax dedicated to transportation and transit purposes has dwindled to 7% ($16 billion out of a proposed $227 billion 10-year total). Since the fund is discretionary, the exact amount that would accrue to the District is unknown. In addition, expenditure of Windfall Profits Tax proceeds is limited to capital items. No funds are earmarked for operation of capital equipment once it is procured.

SUMMARY OF INITIATIVES AN_ ISSUES FACING SCRTD

ISSUE	LIKELIHOOD OF PASSAGE	IMPACT ON DISTRICT (DIRECT/ INDIRECT)	POTENTIAL LOSS (GAIN)	DECISION DATE	POSSIBLE DATE OF FIRST OUTFLOW OR INFLOW OF FUNDS
Proposition 9 (Jarvis II)	Public opinion:* Yes: 25% No: 19% Undec.: 38% Unaware: 18%	Indirect	Loss: To State: $600 million to 6 billion Possible loss of TDA/SB 620 to SCRTD: $103.8 million	June 1980	FY 1981
Remove Gas Sales Tax	Unknown	Direct	Passage of Proposition may trigger SB 1630	Sept. 1980	FY 1982 (July 1981)
SB 1630 (Repeal TDA)	Unknown	Direct	Loss of: State TDA: $350 million State SB 620: $110 million RTD TDA: $82.6 million RTD SB 620: $21.2 million	Sept. 1980	FY 1982
ACA 74 (Ingalls)	Highly Unlikely	Direct	Gain: State: $800 million to $1 billion SCRTD: $190-240 million Possible Loss: State TDA: $350 million SCRTD TDA: $82.6 SCRTD SB620: $21.2 million	Legislature approval needed before proposition is placed on the November, 1980 ballot	FY 1982
Proposition 11 *KABC-TV Poll March 19, 1980	Likely	Direct	Gain: State: $150-210 million/yr SCRTD: $35-50 million/yr	June 1980	FY 1981 or FY 1982

SUMMARY OF INITIATIVES AN ISSUES FACING SCRTD

ISSUE	LIKELIHOOD OF PASSAGE	IMPACT ON DISTRICT (DIRECT/ INDIRECT)	POTENTIAL LOSS (GAIN)	DECISION DATE	POSSIBLE DATE OF FIRST OUTFLOW OR INFLOW OF FUNDS
Balanced Budget	Likely	Direct	Loss of $420 million nationwide in capital projects	May 1980	October 1980
UMTA Formula Change	Unlikely	Direct	$18.7 million to L.A./ Long Beach $13.7 million to SCRTD	Unknown	Unknown
Federal Windfall Profits Tax	Passed	Direct	Gain of $16 million nationwide to be allocated on a discretionary basis for capital projects only.	April 1980	1980-1990

CONCEPTUAL FARE AND SERVICE ADJUSTMENTS

SERVICE ADJUSTMENTS

Due to inflation and various uncertainties in the fiscal and legislative areas, the District will face increasing funding shortfalls in the near and medium-term (1-5 years). We know that these shortfalls are coming - the only question is the level and duration of the funding crunch.

In order to meet the projected deficit, it will be necessary for the District to take one (or both) of two actions: cut service or increase fares. The following two sections discuss (1) possible service adjustments (cutbacks), and (2) the viability of various fare scenarios at five different "cutback levels". For discussion purposes, the levels of cutback (or additional farebox return needed) used are: $10 million (approximately our current shortfall), $25 million, $50 million and capital subsidy only (the "go-it-alone" scenario).

SIX SERVICE CUT STRATEGIES

There are six strategies which might be considered when considering possible cuts to District service. Each of these individual approaches is open-ended, allowing additions or reductions to the District's services. The attached chart addresses the system impact, public comprehension, implementation lead time and estimated cost cut covered by each strategy.

1. Productivity by Line reductions are based on the ranking list issued by Service Analysis based on passengers per vehicle hour. Productivity is measured by dividing the vehicle hours of a line into the total daily boarding passengers. Express and park/ride services have the greatest potential for severe cuts because freeway operation limits boarding and alighting opportunities. Cancellation of these expedited services would disproportionately impact commuters trying to save costs associated with driving. Serious reductions based on productivity would leave several cities without bus service, including those in Pomona Valley, East San Gabriel Valley and parts of the South Bay and Mid-Cities areas.

2. Total Ridership by Line places emphasis on total boarding passengers. Lines with infrequent service and/or service operated only during peak hours would be impacted more heavily than frequent service lines. Suburban locals and all peak-hour express services could be eliminated, leaving several cities without bus service including those in Pomona Valley, East San Gabriel Valley and parts of the South Bay and Mid-Cities areas. This approach might be difficult for the

public to comprehend, especially when patrons on park/ride services that are presently operating over capacity are told that their line will be cancelled because of low ridership.

3. <u>Proportionate Reduction by Sector</u> spreads economies throughout the thirteen sectors in Los Angeles County. With this approach, equal percentages or actual dollar amounts of service would be removed from each sector. Service would be retained in all areas (and some sectors are considered to be too small for equitable reductions). For example, a 10% reduction in West Los Angeles may require removal of 50 buses while the same percentage would require only 10 buses be removed in the Mid-Cities area and only one bus in the Long Beach sector. Such an approach would perhaps be the most equitable.

4. <u>Period of Operation</u> considers reduction or eliminations of days and/or hours of service. Real dollar value can be attached to this approach with minimal difficulty. When confronted with this approach, the District would announce, for example, that no Sunday service would be provided system-wide. This may have far greater negative impact in the central parts of the city than the suburban areas. Weekday peak-hour services, which provide for home-to-work travel, would be retained at present levels.

5. <u>System Rescheduling</u> might be the most widely accepted approach because of its ability to tailor the service through elimination of certain trips on given lines. This approach takes the longest amount of lead-time and has a minimal impact on costs in the short-term. Besides requiring extensive passenger data, cutting trips or buses throughout the system on a line-by-line basis necessitates complete rebuilding of schedules and re-cutting of work assignments. Also, it discourages further growth in system patronage.

6. <u>Maximize Operating Ratio</u> uses the revenue/cost ratio as the primary basis for reducing service. Premium-fare services may benefit from this approach over local and suburban lines. This approach requires careful allocation of system revenues to each line to avoid problems regarding various crosstown, feeder and shuttle services that are necessary to fill gaps in the grid route network and thereby carry many transfer passengers. A minimum revenue/cost would be established and lines would be eliminated or reduced or fares increased accordingly.

From the discussion above, it is apparent that even small service cuts - at a 5% level - could have a significant negative impact upon the bus riding public. Service cuts would be an especially severe blow in light of the large number of new

TABLE 3

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Planning Department Analysis of Strategies for Cutting Costs or Raising Revenues

Strategy	System Impact	Public Comprehension	Implementation Lead Time	Annualized Estimated Cost Savings
1. Productivity by line	Cancel suburban locals. Cancel most peak hour express Cancel Park/Ride.	Why-Low What-High	Short. Interlines & Relief Runs must be redone.	5% = $14,000,000 10% = 28,000,000 15% = 42,000,000 20% = 56,000,000
2. Total ridership by line	Cancel suburban locals Cancel most peak hour express. Cancel Park/Ride Biased against peak hour only & wide frequency lines.	Why-Low What-High	Short. Interlines & Relief Runs must be redone.	5% = $14,000,000 10% = 28,000,000 15% = 42,000,000 20% = 56,000,000
3. Proportionate reduction by sector	Retains some service in all sectors			Same % as above according to requirements.
A. Lines		Why-Moderate What-High	Short	
B. Frequency		Why-High What-Low	Long	
4. Period of Operation				
A. No Sunday	6 day service	Why-High What-High	Short	$23,200,000
B. No Saturday/Sunday	5 day service	Why-High What-High	Short	$51,200,000
C. DXSS No Nights	5 day , no night service	Why-High What-High	Long	$63,600,000
D. DXSS Base & Full peak hour only lines	Cancel local & all day express trippers	Why-Moderate What-Low	Long	$98,100,000

5. System rescheduling to remove: A. Fixed % trips B. Fixed % buses C. Service by Period	Inadequate system capacity inhibits growth. Retains coverage throughout system.	A. Why-High What-Low	Very Long	Same % as #1 above according to requirements.
6. Maximize operating ratio (Revenue/Cost) A. Lines B. Sector C. Type of service	Establish minimum revenue/ cost ratio or maximum subsidy per passenger for all services	High	Long	Depends on rescheduling or repricing. May be no cost savings but higher revenues.

riders SCRTD gained during the May energy shortage. In addition, studies by the District's Market Research Department have demonstrated that the public prefers fare increases over service cuts.

The following section discusses possible fare structure changes the District might be able to consider in lieu of service cuts.

ALTERNATIVES FOR FARE STRUCTURE CHANGE

If a serious budget shortfall occurs, or if State or Federal funds are suddenly lost, a wide range of fare revision alternatives should be carefully considered in lieu of service cuts. Four alternative fare structures and the implications of each are discussed below. Fare structure alternatives include:

(1) Current fare structure (simplified)
(2) Plan 1 with a 20¢ peak-period surcharge
(3) Plan 1 with no passes
(4) Plan 1 with no passes or transfers

Figure A summarizes the effect that each of the four conceptual fare structures would have on revenues and passenger boardings at different levels of base fare. Figures B, C, D and E demonstrate the approximate base fare the District would have to charge under each fare structure to meet theoretical budget shortfalls or sudden funding losses of (A) $10 million, (B) $25 million and (C) $50 million.

ALTERNATIVE 1 - CURRENT FARE STRUCTURE (SIMPLIFIED)

Under Alternative 1, the District's base fare structure would be retained. A base fare would be charged and transfers issued (for an additional fee); monthly passes would be sold; trips made by freeway bus would be assessed an express "step" charge based on number of miles traveled in an express mode. Fare discounts would be available for the elderly and handicapped. Some simplifications would be made to the present system:

- base fare is variable
- student discounts are eliminated
- the elderly and handicapped fare is set at 50% of the base fare (and is subject to the 20¢ peak-period surcharge under Alternative 2).
- each express step is 50% of the base fare

Advantages

- Alternative 1 would be easy to administer since it retains many of the features of the District's current fare structure.

- Highest retention of passengers at higher levels of base fare.

Disadvantages

- Third lowest (out of four) in total annual revenue at both high and low base fare level.
- Most costly in terms of base fare needed in each shortfall alternative.

ALTERNATIVE 2 - CURRENT STRUCTURE WITH PEAK PERIOD SURCHARGE

Alternative 2 would retain all of the features of Alternative 1. In addition, it would contain 20¢ peak-period surcharge. This surcharge would be assessed on all users of the system during the peak periods.

Advantages

- Highest-yield alternative in terms of annual revenue while remaining second (out of four) in passenger retention.
- Would help eliminate peak-hour congestion by encouraging patrons to defer trips to the off-peak period whenever possible.
- Requires lowest base fare under $25 million shortfall scenario and second-lowest base fare under $10 million and $50 million shortfalls.

Disadvantage

- May pose collection problems for operators.

ALTERNATIVE 3 - ELIMINATION OF MONTHLY PASS

Alternative 3 would be very similar to Alternative 1. The only difference would be the elimination of the monthly pass.

Advantages

- Second-highest in annual revenue at the middle range of base fares.
- Would eliminate some fraud problems associated with the monthly pass.
- Requires second-lowest base fare under $10 million shortfall.

Disadvantages

- Presents a major inconvenience to patrons.
- Second lowest in passenger retention.
- Requires second highest base fare under all shortfall scenarios.
- Increases operating cost by slowing passenger loading.

ALTERNATIVE 4 - ELIMINATION OF TRANSFERS AND MONTHLY PASSES

Alternative 4 is again, essentially similar to Alternative 1 with the major exception that it does away with all monthly passes and transfers.

Advantages

- Is highest-yield alternative at very low base fare.
- Requires lowest base fare of all alternatives.

Disadvantages

- Can be extremely costly to passengers in a "grid" system such as SCRTD's.
- Large passenger deflection caused by slight increases in fare.
- Boardings lowest of all alternatives at all base fare levels.
- Revenues lowest of all alternatives after mid-range base fare is reached.
- Increases operating cost by slowing passenger loading.

"GO IT ALONE" SCENARIO

It is unlikely that the District's local share will ever decrease to the point where it is necessary for SCRTD to recoup all of its operating costs through the farebox. However, it is helpful when considering possible service cutbacks or fare increases to also analyze the possible effect such an event would have on the District.

For FY 81, it is projected that the District will receive approximately $168 million from State and Federal subsidy sources. If the subsidies were discontinued, the District would have to operate at the break-even point of operating

costs and farebox revenues. As Figures B through E show, the only alternative where a break-even point is reached is Alternative 4 - elimination of passes and transfers. If a no subsidy strategy were adopted under this alternative, the base fare would be over $1.00 and patronage would be halved. Alternative 2 shows potential for reaching a break-even point but this is only after a $1.60 base fare is adopted and a 43% decline in ridership is experienced.

THE ZONE ALTERNATIVE FOR MEETING NO-SUBSIDY

A strategy that is difficult to quantify (and therefore not represented in the graphs) but has potential for allowing the District to operate at a break-even level is the Small Zone Scenario. This scenario could possibly generate sufficient revenue while retaining a significant amount of existing patronage.

In the Small Zone Scenario, the District would be divided into a large central zone (about a 4-mile radius) and a set of small zones averaging 2 miles by 2 miles. In figuring fares, two factors would be applied: (1) cost of operating the line, and (2) zone charges. Cost of riding the line would be figured based on total operating cost for a particular line divided by the number of boardings on that line. On lines carrying long trips, the zone charges would reduce the required bus fare so that short distance riders would not need to pay the higher fares paid by longer distance riders. It is estimated that this element of the fare would range from 30¢ to $2.50. Most lines would have a base fare of $1.50 or less. Zone charges would be added to the base fare depending on the length of ride.

Advantages

- Has potential for break-even operation.
- Minimizes patronage loss compared with a uniform base fare.
- Passengers taking short trips don't subsidize those taking longer trips - true cost of providing the trip is reflected in the fare.

Disadvantages

- Difficult to administer but less difficult than Pre-1974 zone system because there are no passes or transfers.
- Fares on some lines are much higher than subsidized fares.

EXPRESS SERVICE ADJUSTMENTS

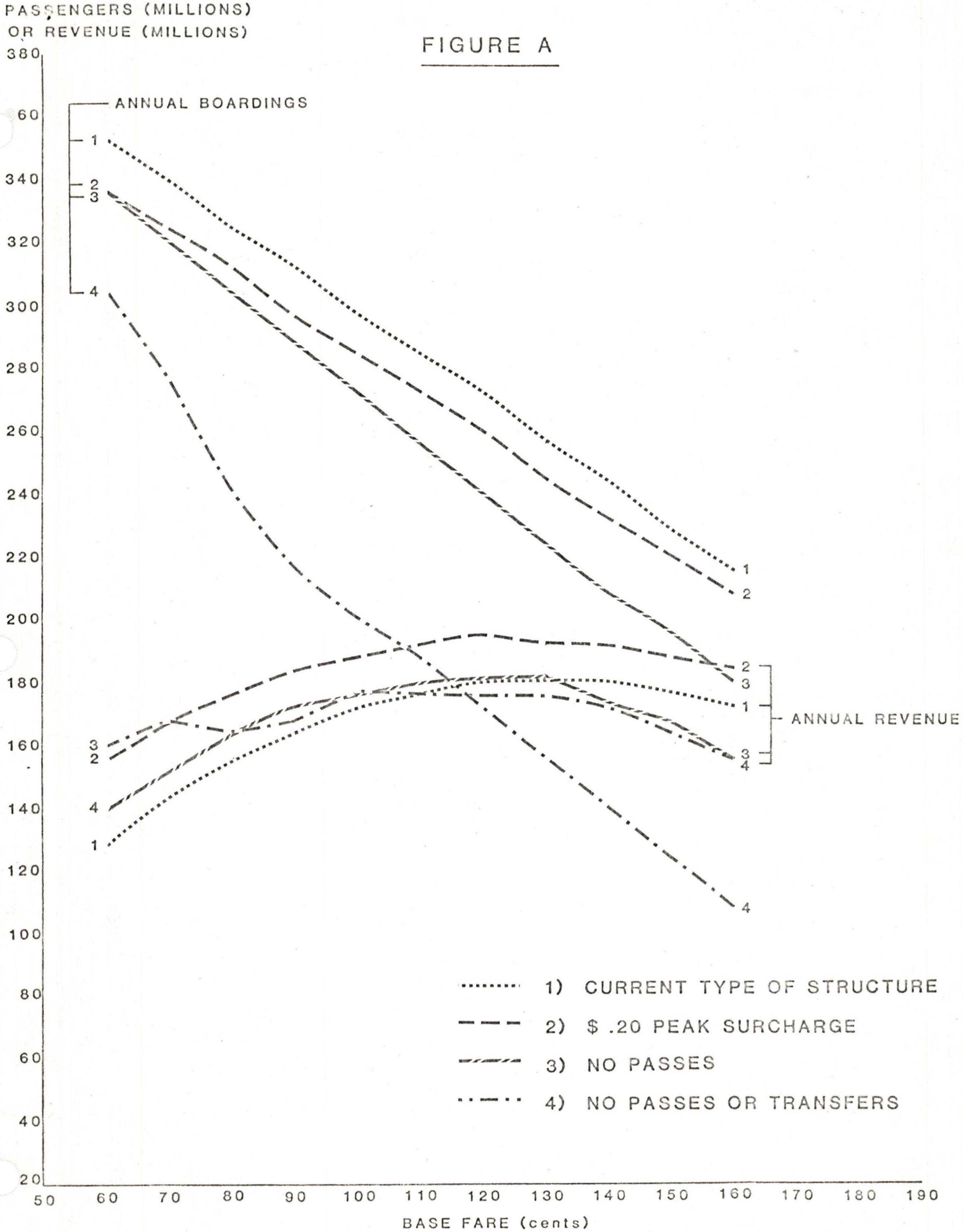
In any alternative, the District will have to carefully consider modifications to the fare structure of express services, including subscription and park/ride lines. The District may, for the first time, have to make significant fare adjustments, perhaps requiring such services to become pay-as-you-go operations.

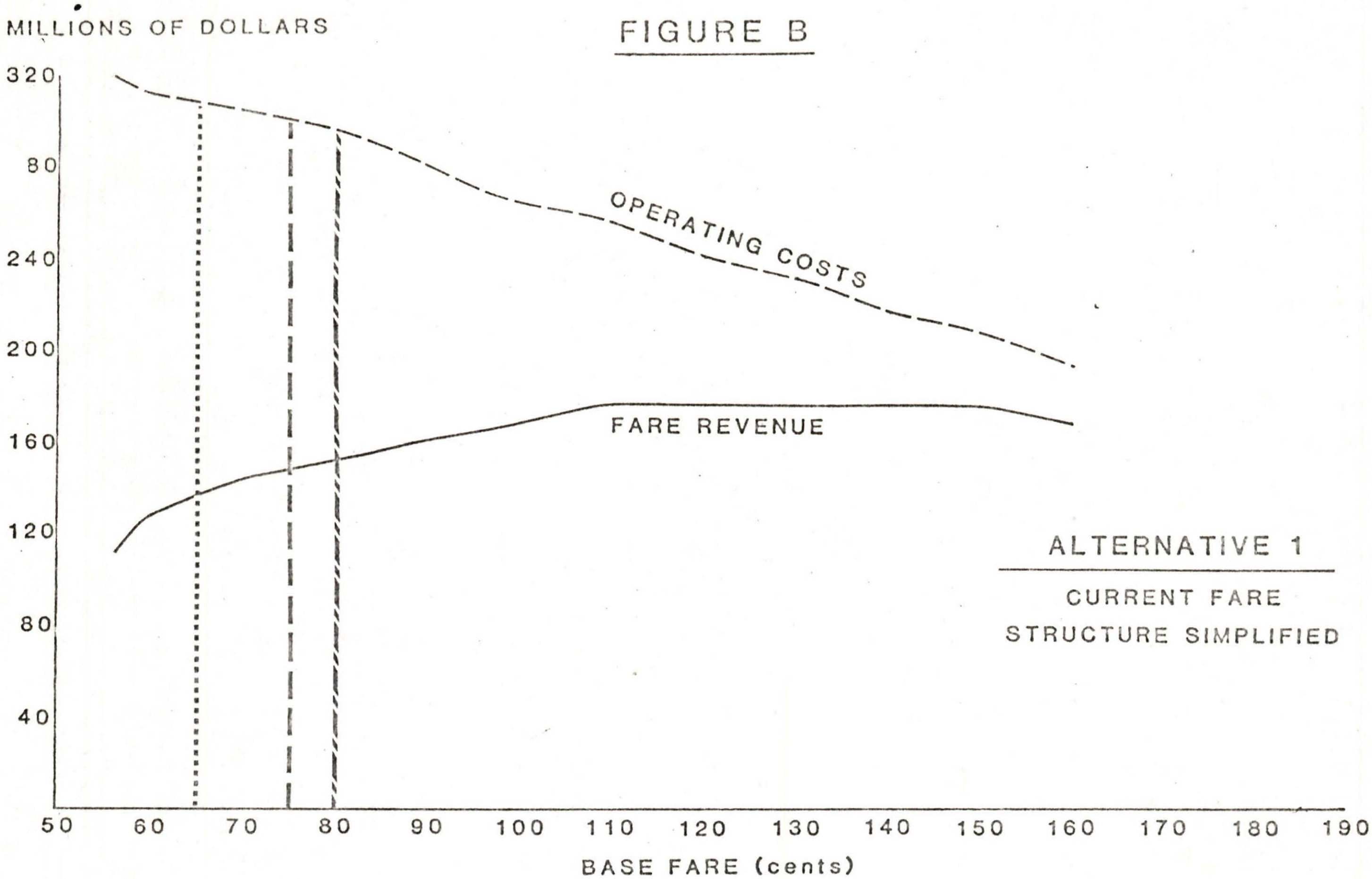
ESTIMATED BASE FARE UNDER EACH ALTERNATIVE
AT VARIOUS LEVELS OF SHORTFALL

(rounded upward to nearest 5¢)

Alternative	(A) $10 million		(B) $25 million		(C) $50 million	
	Fare	Annual Patronage Loss	Fare	Annual Patronage Loss	Fare	Annual Patronage Loss
1 (status quo)	65¢	20,000	75¢	36,000	80¢	56,000
2 (peak period surcharge)	60¢	30,000	60¢	30,000	65¢	36,000
3 (no passes)	60¢	30,000	65¢	38,000	70¢	46,000
4 (no passes or transfers)	55¢	50,000	60¢	60,000	60¢	60,000

FIGURE A


PASSENGERS (MILLIONS)
OR REVENUE (MILLIONS)
380
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
50
60
70
80
90
100
110
120
130
140
150
160
170
180
190
BASE FARE (cents)
ANNUAL BOARDINGS
1
2
3
4
ANNUAL REVENUE
1) CURRENT TYPE OF STRUCTURE
2) $ .20 PEAK SURCHARGE
3) NO PASSES
4) NO PASSES OR TRANSFERS


MILLIONS OF DOLLARS
FIGURE B
320
80
240
200
160
120
80
40
OPERATING COSTS
FARE REVENUE
ALTERNATIVE 1
CURRENT FARE
STRUCTURE SIMPLIFIED
50 60 70 80 90 100 110 120 130 140 150 160 170 180 190
BASE FARE (cents)

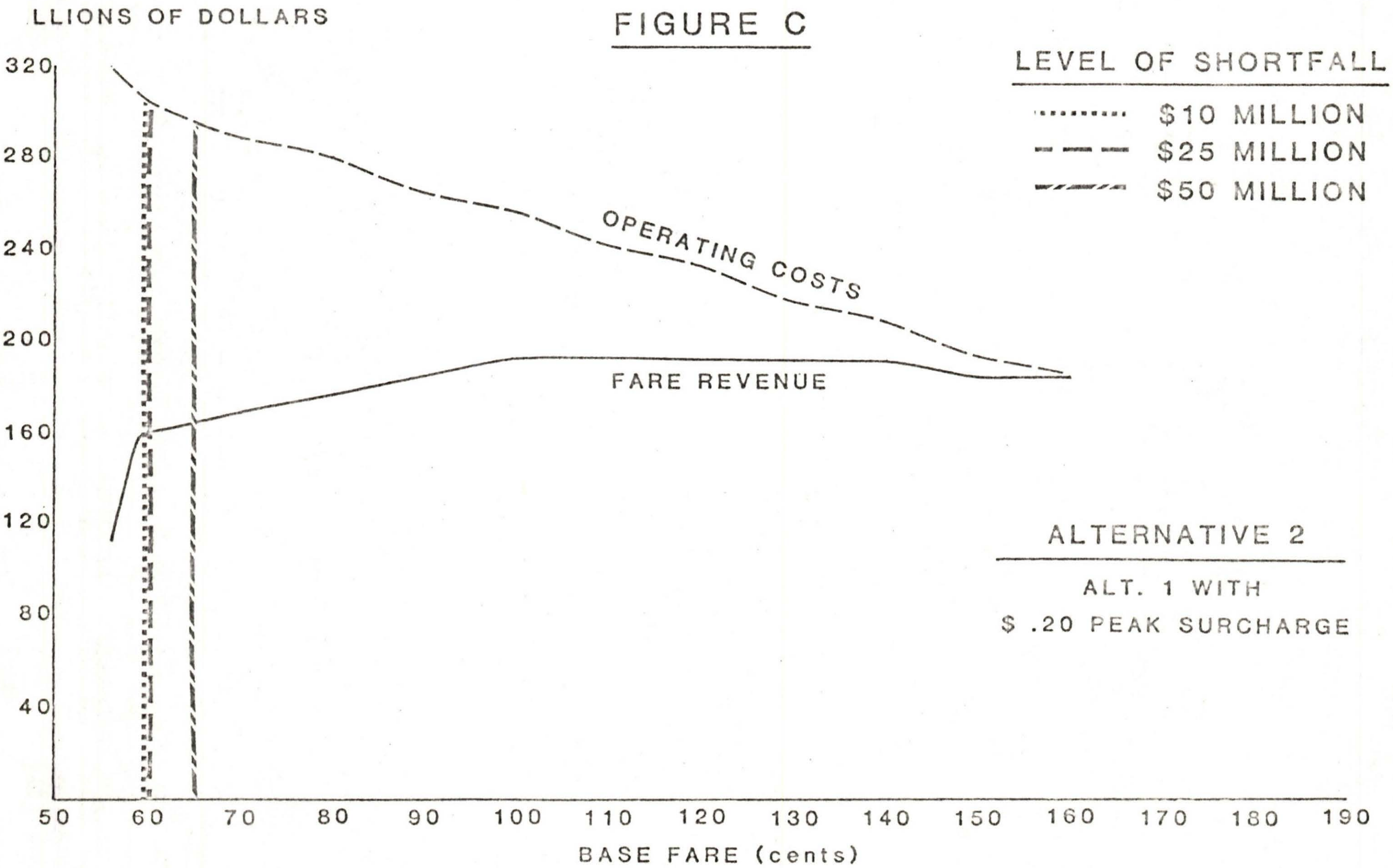

LLIONS OF DOLLARS
FIGURE C
320
280
240
200
160
120
80
40
LEVEL OF SHORTFALL
$10 MILLION
$25 MILLION
$50 MILLION
OPERATING COSTS
FARE REVENUE
ALTERNATIVE 2
ALT. 1 WITH
$ .20 PEAK SURCHARGE
50 60 70 80 90 100 110 120 130 140 150 160 170 180 190
BASE FARE (cents)

FIGURE D

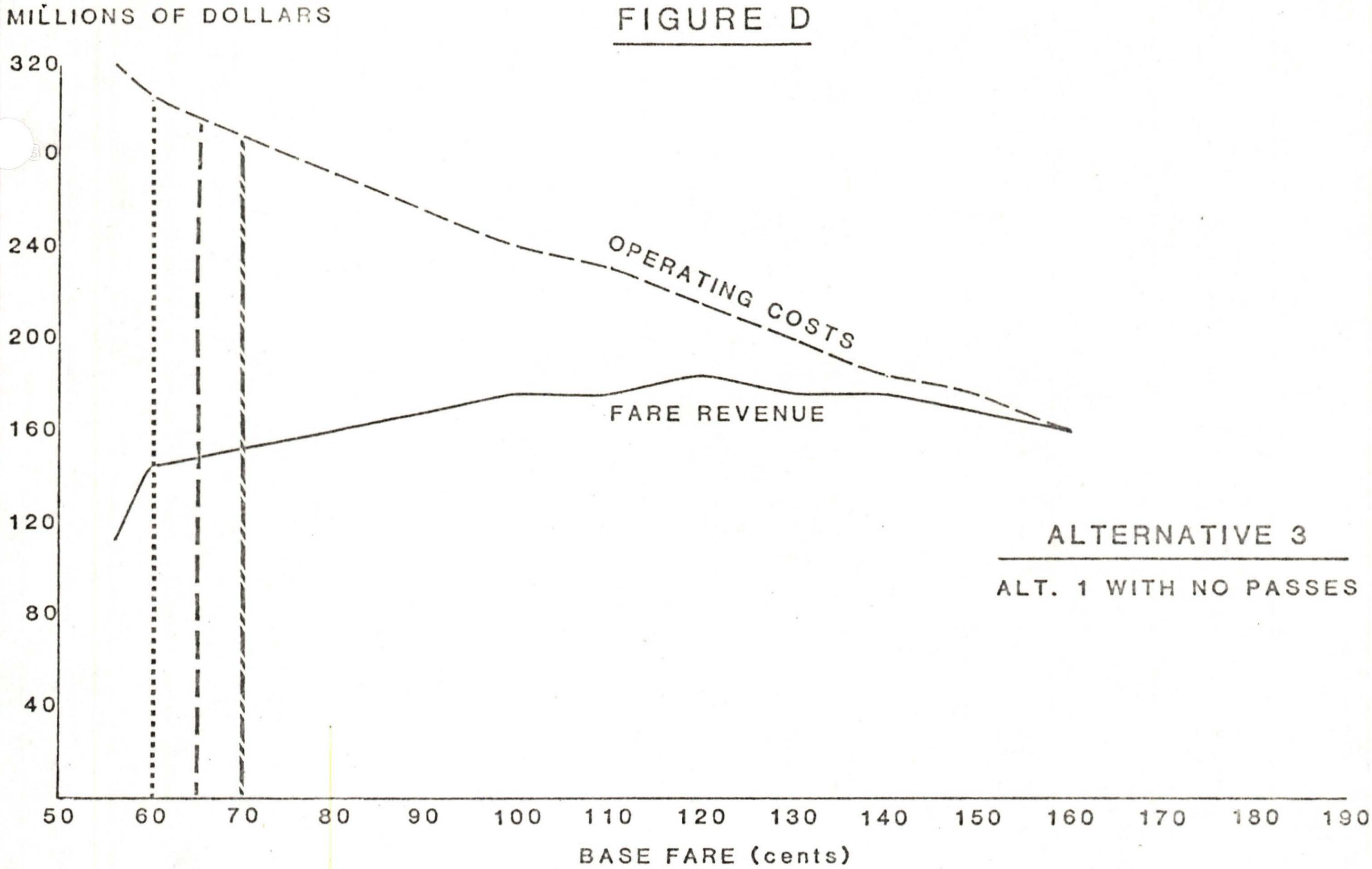
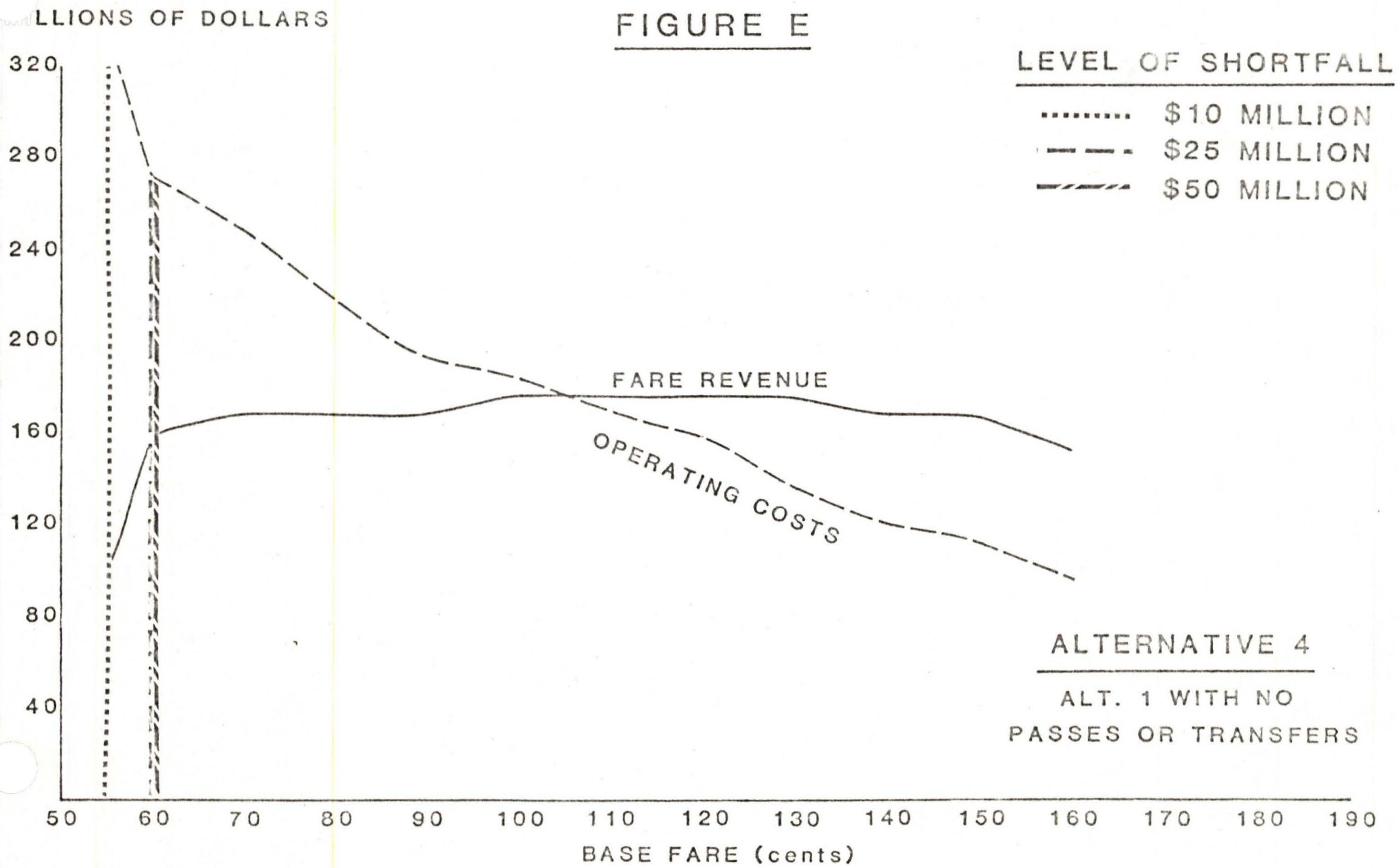


FIGURE E



CURRENT PATRONAGE TREND AND PROJECTIONS

Current Patronage Growth

R.T.D.'s ridership is still increasing. Our average weekday boardings for March 1980 are 1,210,000. This is 90,000 (or 7%) over the same month a year ago. Some days have been as high as 1,340,000 estimated boardings. Saturday and Sunday ridership shows a similar increase. The average Saturday in March had 680,000 boardings. This is 60,000 boardings (9%) higher than a year ago. March, Sunday boardings are estimated at 430,000 per day - this is 35,000 boardings or roughly 9% higher then a year ago.

Patronage on the Park-N-Ride lines is up even more. The total ridership of all Park-N-Ride lines in February was 52% higher then the year before. The range of growth varies from about 15% to 150%.

It is clear that higher gasoline prices are causing more people to use transit - especially those who travel long distances.

Demand Projections

In the paper "Patronage Demand Estimates" presented to the Board of Directors in January 1980, we forecast a demand growth rate of 8% - if service were expanded to meet the demand. To handle this additional patronage would require a 6% increase in service. However, in preparing the Five Year Plan it was determined that we could not afford such a service expansion. In fact, we could not afford even a more modest 2% service expansion. Because of this, the currently proposed budget for fiscal 1981 assumes that we will continue to operate the current service levels.

With patronage now running 7-9% above last year, we will soon be handling 1.3 million boardings per day. In the height of the gasoline shortage last May we averaged 1.37 million boardings a day.

Many lines are extremely crowded now. Capacity is primarily in the off-peak periods. We will have trouble handling the number of patrons that will try to use our service next year if our current growth rate continues. Many will find the buses too crowded. We will only be able to adequately carry additional off-peak riders.

Faced with this demand, we should not be reducing service, rather we should be expanding it, where needed, as fast as we can afford to do so.

Attachment

TABLE I

AVERAGE WEEKDAY BOARDINGS

MILLIONS

	FISCAL 1978	FISCAL 1979	FISCAL 1980	FISCAL 1980 PROJECTIONS	FISCAL 1981 PROJECTION
JULY	1.00	1.06	1.26		
AUGUST	.97	1.06	1.23		
SEPTEMBER	1.04	1.15	1.01*		
OCTOBER	1.07	1.15	1.22		
NOVEMBER	1.04	1.08	1.16		
DECEMBER	1.00	1.08	1.16		
JANUARY	1.00	1.09	1.15		
FEBRUARY	1.03	1.09	1.14		
MARCH	1.05	1.12	1.21		
APRIL	1.08	1.19		1.25	
MAY	1.10	1.37		1.28	
JUNE	1.09	1.27		1.27	1.35

Note: * - Indicates Strike