SUBJECT: Consider Receiving an Update Regarding the Dumbarton Express (DBX) Service and the Potential Use of Regional Measure Two (RM2) Funding for Operations

RECOMMENDED ACTION:

☐ Information Only  ☑ Briefing Item  ☐ Recommended Motion

Consider Receiving Report

Fiscal Impact:
Final impact to be determined.

Background/Discussion:
This memorandum will provide an update to activities surrounding the continuation of the Dumbarton Express (DBX) route. There are two main issues requiring discussion:

1. Continuing Operations and Maintenance of the Service
2. Use of Regional Measure Two (RM 2) Funding Currently Dedicated to the Dumbarton Rail Operations to Fund an Interim Dumbarton Corridor Bus System

Continuing Operations and Maintenance of the Service
On April 28, 2010, the Planning Committee considered a staff request to release a Request for Proposals (RFP) for the Operations and Maintenance of the DBX service. GM Memo 10-109 outlined the rationale and project timeline for completion of the solicitation. Feedback from the Planning Committee provided instruction to staff that the District should plan on participating as a bidder for this service, which would preclude AC Transit from being the responsible purchasing agency. Staff has been working with representatives from the San Mateo Transit District (SamTrans) and the Metropolitan Transportation Commission (MTC) to find a replacement agency who could conduct the procurement.

SamTrans has agreed to administer the procurement process, and it is anticipated that they would commence work on the procurement immediately and that District staff will offer guidance and support by providing operating information for inclusion in the solicitation. Given that the District is expected to submit a proposal for continued operations of the service, District staff support for the procurement activities will conclude when the solicitation is released to maintain the integrity of the process.
Ultimately, SamTrans will have final authority over the procurement timeline activities; however, given the delay associated with finding an alternate procurement agency, staff would anticipate a timeline similar to the following:

- July 2010 – Solicitation Release
- September 2010 – Solicitations Due
- October 2010 – Contract Award
- January 2011 – Service Start

Given the above timeline, a further extension to the Operating Agreement with the Dumbarton Consortium will be required.

**Interim Express Bus RM 2 Funding**

The Dumbarton Rail Corridor Project (DB Rail), upon completion, is intended to extend commuter rail service across the southern portion of the San Francisco Bay between the Peninsula and the East Bay. When the service starts, the rail corridor will link Caltrain, the Altamont Express, Amtrak’s Capitol Corridor and BART, as well as East Bay bus systems, at a multi-modal transit center in Union City. The DB Rail project is currently in the environmental stage of project development, and given its funding shortfall, will likely not be operational for a period of time.

The DB Rail project has committed subsidies from RM 2 of $5.5 Million on an annual basis. Currently, these funds can only be used for rail service operations along the corridor, and do not accrue for future use if they remain unused. Given the amount of District support required for the DBX service and the current fiscal situation of all transit operators in the region, District staff has been advocating for consideration of use of the RM 2 operating funds to underwrite current DBX operating costs. To provide clarity regarding operating subsidies for the DBX service, in November 2009 the District issued a letter (Attachment A) to Consortium members informing them of the imbalance of costs versus operating revenues and suggesting alternative approaches that will ultimately lead to a sustainable service.

In May 2010, the Dumbarton Consortium unanimously voted to support efforts to use RM 2 funding to underwrite the existing DBX service. Accordingly, both District staff and Board members have attended Dumbarton Rail Policy Advisory Committee (PAC) meetings to advocate for this position and on May 7, 2010 provided a conceptual proposal (Attachment B) to the DB Rail PAC that would subsidize the operating costs for the service, minus fare revenues. Staff was attempting to be mindful about the RM 2 allocation and purposefully structured the request to only subsidize current operations of the DBX service. However, upon receiving direction from the PAC Chair, staff plans to return to the Rail PAC in October with a broader proposal that will include subsidizing the existing DBX service, as well as the inclusion of other “feeder” services that could act as ridership incubators for the future DB Rail service.
The Dumbarton Consortium will be meeting prior to October to determine other markets for service in the corridor and will ultimately be responsible for completion of a final package of routes for Rail PAC consideration. Information from studies by other transit operators in the area, as well as MTC will be used in market determination. Additionally, the Consortium will be responsible for the preparation of responses to questions related to continued governance, marketing and related issues.

Next Steps:
Staff will continue to participate in this process and will provide periodic reports to the Board at key milestone events

Prior Relevant Board Actions/Policies:
GM Memo 10-036: Consider Authorizing the Interim General Manager to Enter into a Six Month Extension of the Dumbarton Bridge Express Service Cooperative Agreement
GM Memo 10-109: Release of a Request for Proposals (RFP) for the Operations and Maintenance of the Dumbarton Express Service

Attachments:
Attachment A: November 23, 2009 AC Transit Correspondence
Attachment B: Dumbarton Express Service At-a-Glance

Approved by: Mary V. King, Interim General Manager

Prepared by: Cory LaVigne, Director of Service Development and Planning

Date Prepared: June 16, 2010
November 23, 2009

Dumbarton Bridge Regional Operations Committee Members

Re: DBROC Operating Agreement

DBROC Partners:

Since AC Transit assumed operations responsibility for the Dumbarton Express (DBX) service in 2005, ridership has risen 27%; 16% in FY 2009 alone. This service provides connectivity to a key market that has come to rely on its existence. The current financial realities facing transit and that the Agreement for the operations of the DBX terminates on December 31, 2009, has prompted us to consider service expectations and to evaluate opportunities with regard to continued service along the Dumbarton Bridge.

By its nature, the line is costly due to the peak-direction nature of the service and the resulting non-revenue hours and miles required for operations. While the revenues provided by the partners help to off-set the costs, AC Transit continues to subsidize the service for a considerable sum on an annual basis. Unaudited FY 2009 expenses for the operations of the line total just over $2.1 Million. This marginal amount is strictly for labor, parts/supplies and fuel; no administrative overhead costs have been included. The recently adopted budget for the service shows expenses totaling just over $1.3 Million, which leaves an operating deficit of $800,000. Given the fact that that AC Transit is proposing an 8.4% service reduction for March 2010, this financial gap presents us all with an immediate sustainability issue.

That said, we feel that there are opportunities that require some serious consideration and continued discussion. The Dumbarton Rail project is currently midway through its environmental process and, upon start-up, has access to an annual Regional Measure 2 (RM2) operating subsidy of $5.5 Million. At the September 9, 2009 Dumbarton Rail Policy Action Committee (PAC) meeting, staff presented options for continued direction of the project. One of these options included initiating an "interim bus service" to begin ridership development along the corridor that would transfer to the rail project upon its commencement. The PAC directed staff to assess the feasibility to use the RM 2 funds for an "interim bus service" along the corridor. MTC has generated a memorandum (attached), addressing eligibility questions as well as a process for completion, should the concerned parties agree to shifting the funds.

About a year ago, the DBROC and Dumbarton Rail staff participated in a joint exercise designed to provide interim bus services to the corridor that would complement eventual ridership transition to the Rail. The group reviewed at current routing for the Lines DB, DB 1, DB 3, and U and received routing proposals that were designed to coordinate all of these lines into a cohesive service package for the corridor. One of the key attributes to the interim bus proposal is its scalability. Service frequencies can be increased to respond to future demand,
with no appreciable change needed to the route structure. Marginal costs for this service package, incorporating all of the AC Transit lines listed above, and including the creation of a new direct transit line to NASA Ames/Moffett Field in Mountain View are estimated to be approximately $3.4 Million annually. There are also opportunities for private contributions (Stanford University, Google, etc) to help off-set a portion of the cost, but that ultimately this service aligns well with the spirit of the RM 2 program's Dumbarton Rail program as a ridership-builder. An issue previously identified as an impediment to implementation of this plan related to vehicle availability. Proposed AC Transit service reductions anticipated to be implemented in March is likely to result in available vehicles for this service, therefore, additional revenue vehicles to run the augmented service may not be necessary.

We've delineated our options below, given the current financial realities and potential opportunities identified above:

1. Approach MTC and the Dumbarton Rail PAC to present the jointly-developed Interim Express Bus Service Plan. If successful, the future of the DBROC and the overall approach to continued governance would require reassessment.

2. Should the implementation of the Interim Express Bus Service Plan prove unattainable, the DBROC members must collectively decide on a future course of action. Possibilities include:
   a. Increase in contributions from partner jurisdictions to reflect the actual costs of the service. We would encourage DBROC to complete another on-board survey to reassess the operator-split.
   b. Explore private contracting opportunities for the service.
   c. Reduce service to the DBX to produce a sustainable service.

To accommodate the time to implement any of the options above, AC Transit is proposing a six-month extension of the current terms and conditions of the Agreement.

Please let me know your thoughts and concerns regarding our proposals above and we look forward to continuing our partnership for services on the Dumbarton corridor

Sincerely,

Mary V. King
Interim General Manager
AC Transit

Attachment: November 4, 2009 MTC Correspondence.

Cc: Lewis Clinton, CFO
    Nancy Skowbo, DGM Service Development
    Kate Miller, External Affairs
    Cory LaVigne, Service and Operations Planning
    File
Memorandum

TO: Dumbarton Policy Advisory Committee

FR: Alix A. Bockelman, Director of Programming & Allocations

RE: Response to Information Request Regarding RM2 Funds

DATE: November 4, 2009

This memo responds to your request for MTC to clarify whether Regional Measure 2 Operating Funds that are currently programmed for Dumbarton Rail operations can be used for interim bus service in the same corridor prior to completion of the rail project.

Process for Potentially Redirecting Funds

According to California Streets & Highway Code Section 30914 (d), MTC may provide operating assistance for Dumbarton Rail transit services in an amount of $5.5 million annually, subject to the annual 38% limit on operating funding for the overall RM2 program.

Should the Dumbarton Policy Advisory Committee (PAC) request that MTC redirect these funds to support operations for an interim bus service instead, MTC would have the option to hold a public hearing and subsequently vote whether to reassign the funds to another project in the same bridge corridor. The process is outlined in California Streets & Highway Code Section 30914 (f):

If an operating program or project as identified in subdivision (d) cannot achieve its performance objectives described in subdivision (a) of Section 30914.5 or cannot continue due to delivery or financing obstacles making the completion or continuation of the program or project unrealistic, the commission shall consult with the program or the project sponsor. After consulting with the sponsor, the commission shall hold a public hearing concerning the program or project. After the hearing, the commission may vote to modify the program or the project's scope, decrease its level of funding, or to reassign some or all of the funds to another or an additional regional transit program or project within the same corridor.

If the Commission voted to reassign the funds to bus service on the Dumbarton Bridge, then the RM2 funds would be available for that service. Note that in order to initiate the hearing process, the PAC would need to determine that the Rail Operating project could not continue “due to delivery or financing obstacles making the completion or continuation of the program or project unrealistic.”

Once the funds were redirected, they would no longer be available for the rail service. If the Dumbarton PAC later requested that MTC redirect the funds back to a future rail service, the Commission would need to undertake another public hearing process in accordance with the statute quoted above. If so voted, the effect would be to un-fund the then-existing bus service and redirect the funds to support the rail service operations instead. There would likely be
impacts on the bus riders and operations at that point. Alternatively, it is possible that the Commission could first make the determination to provide funds for the bus service conditional on the absence of rail service, so that when rail service does begin in the corridor, the funds would revert to that without the need for a second hearing. The effects on the then-existing bus service would be the same in either case.

Considerations for Ongoing Service Provision
It is important to note that transit service funded with RM2 funds is subject to the policies and procedures for RM2, including meeting various performance measures such as a minimum farebox recovery ratio. Performance against these standards is evaluated annually, and in the past some services have experienced difficulty meeting the standards. Failure to achieve the standards has in certain cases resulted in the Commission redirecting funds to other services that could achieve the standards.

Additionally, if the Dumbarton Rail PAC were to request that the RM2 Dumbarton Rail operating funds be redirected, MTC staff would ask that the Dumbarton Rail project team – in cooperation with the rail project’s partners and the current public transit service providers in the corridor – provide information detailing how the service would be implemented and at what cost. This information would be needed prior to MTC initiating the public hearing process. Some of the potential options for implementing the service that we would encourage staff to consider could include the continuation of the current consortium arrangement, provision of the service by a single transit operator, establishing a contract for private provision of the service, or other options. As appropriate, MTC could help facilitate these discussions.

I hope this information is useful as you consider the options for advancing the project. Please contact me at (510) 817-5850 or abockelman@mtc.ca.gov if you have further questions.

Alix A. Bockelman

AB: AR
cc: Marian Lee, Samtrans/Caltrain
    Will Gimpel, Parsons Brinckerhoff
    Art Dao, ACTIA
    Kevin Connolly, Santa Clara VTA
    David Kutrovsky, Capitol Corridor
    Dennis Fay, Alameda County CMA
Dumbarton Express Service

At-A-Glance

Service Details

Route Alignment: Generally operates from Union City BART to Deer Creek Road in Palo Alto along two alignments:
- DB – Union City BART, Ardenwood Park and Ride, Veterans Administration in Menlo Park, Middlefield Road to Caltrain and Deer Creek Road via El Camino and Page Mill. This route operates both directions throughout the day.
- DB1/3 – Union City BART, Ardenwood Park and Ride, Highway 101 to the Veterans Hospital in Palo Alto via the Oregon Expressway and Page Mill. The DB3 basically operates in a reverse commute direction along a similar alignment, minus service to the Veterans Hospital in Palo Alto.

Hours:
- Revenue (in-service time) - ~60 per day
- Platform (all hours, including non-revenue) - ~84 per day

Average Daily Ridership (as of June 2010):

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<th>Line</th>
<th>Gross</th>
<th>Pax per Revenue Hour</th>
<th>Pax per Trip</th>
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<td>DB</td>
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<tr>
<td>DB1</td>
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<td>18.59</td>
<td>26.49</td>
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<tr>
<td>DB3</td>
<td>40</td>
<td>3.19</td>
<td>4.43</td>
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<tr>
<td>Total (exclusive of DB3)</td>
<td>946</td>
<td>13.39</td>
<td>18.19</td>
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Operating Structure

The Dumbarton Express (DBX) service is operated by AC Transit under a consortium of operators including: AC Transit, BART, SamTrans, Union City Transit, and VTA called the Dumbarton Regional Operating Committee (DBROC). Each member agency pays a portion of the costs of the revenue service, but does not currently reimburse for platform hours.

Revenues/Expenses

Based on accounting of costs for prior years, the DBX has the following cost/revenues characteristics:

Annual Expenses
- Operating Cost (Platform Hours) $2,100,000

Annual Revenues
- Fare $475,000
- Consortium Member Contributions $800,000
- Total Revenues $1,275,000

Current Operating Shortfall -$825,000
Proposal for Use of Regional Measure 2 (RM 2) Funds for the Operations of a Dumbarton Corridor Interim Bus System for both Existing and Potential Expansion Services

Revenue Impacts

RM 2 Funds Available (annual) - $5.5M
• Funding cannot be used for capital expenditures
• Funding cannot be “banked” for use on the Rail project
• DBROC Members could greatly benefit from retention of annual contributions to Consortium

Estimated Operations Cost of Existing Service, net Fares - $1.63M

Projected Timeline for Activities

• Procurement Exercise for DBX Service – May 2010 to September/October 2010

• Initial Concept Discussion with DB Rail PAC – May 7, 2010

• Interim Express Bus Proposal Development – May 2010 to October 2010

• Final Proposal Presentation to DB Rail PAC – October 2010

• MTC Commission Consideration – October/November 2010

Questions for Consideration

• Interim Express Bus System Governance
  o Continue DBROC?
  o Inclusion of Additional Parties?

• Service Restructure to Act as Ridership Generator for Rail Project?

• Additional Services to Act as Ridership Generator for Rail Project?

• Addition of AC Transit Lines DA and U that also operate along the Dumbarton Corridor?

• Others?