



**AGENDA**  
**EXECUTIVE COMMITTEE MEETING**  
**FRIDAY, FEBRUARY 1, 2019 – 9:00 A.M.**  
**OMNITRANS**  
**1700 WEST FIFTH STREET**  
**SAN BERNARDINO, CA 92411**

The meeting facility is accessible to persons with disabilities. If assistive listening devices or other auxiliary aids or Limited English Proficiency services are needed in order to participate in the public meeting, requests should be made through the Board Secretary at least three (3) business days prior to the Committee Meeting. The Board Secretary’s telephone number is 909-379-7110 (voice) or 909-384-9351 (TTY). If you have comments about items on the agenda or other general concerns and are not able to attend the meeting, please mail them to Omnitrans at 1700 West Fifth Street, San Bernardino, California, Attention Board Secretary. Comments may also be submitted by email to [BoardSecretary@omnitrans.org](mailto:BoardSecretary@omnitrans.org).

**THIS MEETING IS AVAILABLE BY TELECONFERENCE AT THE FOLLOWING LOCATION AND WILL BE CONDUCTED IN ACCORDANCE WITH GOVERNMENT CODE SECTION 54953(B).  
 ELEMENT LAS VEGAS SUMMERLIN, 10555 DISCOVERY DRIVE, LAS VEGAS, NV 89135  
 THIS LOCATION IS ACCESSIBLE TO THE PUBLIC AND MEMBERS OF THE PUBLIC MAY ADDRESS THE COMMITTEE FROM THIS TELECONFERENCE LOCATION**

**A. CALL TO ORDER**

**B. ANNOUNCEMENTS/PRESENTATIONS**

1. Next Committee Meeting: March 1, 2019 – 9:00 a.m.  
Omnitrans Metro Facility

**C. COMMUNICATIONS FROM THE PUBLIC**

This is the time and place for the general public to address the Board for items that are not on the agenda. In accordance with rules applicable to meetings of the Executive Committee, comments on items not on the agenda and on items on the agenda are to be limited to a total of three (3) minutes per individual.

**D. POSSIBLE CONFLICT OF INTEREST ISSUES**

N/A

**E. DISCUSSION ITEMS**

1. Approve Executive Committee Minutes – January 11, 2019 2
2. Receive and Forward Report to the Board of Directors and Recommend Formation of a Joint SBCTA and Omnitrans Ad Hoc Committee to Discuss Funding Alternatives - P. Scott Graham 5

**F. BOARD BUSINESS**

There is no Closed Session Scheduled

**G. REMARKS AND ANNOUNCEMENTS**

**H. ADJOURNMENT**



## **E. DISCUSSION ITEMS**

### 1. Approve Executive Committee Minutes – December 7, 2018

M/S (Spagnolo/Lilburn) that approved the Executive Committee Minutes of December 7, 2018. Roll call vote was taken and the motion was passed unanimously by Members present.

Chair Dailey asked for a status update on the proposed staff reorganization mentioned at the last Executive Committee meeting. CEO/General Manager, P. Scott Graham provided information about the proposed changes and stated with the Committee's consent, staff would like to begin the restructuring process due to various upcoming plans & projects the Agency will be preparing. He stated that an item will be presented to the Board in the coming months.

### 2. Receive and File Development of the Fiscal Year 2020 Management Plan and Strategic Plan Update

CEO/General Manager, P. Scott Graham provided a brief background on this item as detailed in the staff report.

The Committee engaged in a robust discussion regarding the proposed schedule of activities listed on page 6, which include a Board Workshop tentatively scheduled for March 13 or 14. The Committee discussed the purpose of the workshop and other items such as the electrification, micro transit and the West Valley Connector project. SBCTA Director of Fund Administration, Andrea Zureick participated in the discussion and provided information about the WVC project budget and schedule delays.

Member Spagnolo requested that a meeting be scheduled to review the WVC project status. He suggested that the meeting include all interested parties who attended the meeting held last year related to the project. Ms. Zureick stated that she would take the Committee's request for a meeting back to SBCTA.

Member Lilburn asked that staff keep the Board apprised of the cities participation in the Adopt-A-Stop program.

## **F. BOARD BUSINESS**

There were no closed session items.

## **G. REMARKS AND ANNOUNCEMENTS**

There were no remarks and announcements.

## **H. ADJOURNMENT**

The Committee adjourned at 10:08 a.m. The next Executive Committee Meeting is scheduled Friday, February 1, 2019, at 9:00 a.m., with location posted on the Omnitrans website and at the Omnitrans San Bernardino Metro Facility.

Prepared by:

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Araceli Barajas, Sr. Executive Asst. to the CEO  
Clerk of the Board

ITEM #           E2          

**DATE:** February 1, 2019

**TO:** Board Chair Ron Dailey and Members of the Executive Committee

**FROM:** P. Scott Graham, CEO/General Manager

**SUBJECT: UPDATED FINANCIAL FORECAST**

**FORM MOTION**

Receive and forward this report to the Board of Directors and recommend formation of a joint SBCTA and Omnitrans *ad hoc* committee to discuss funding alternatives.

**EXECUTIVE SUMMARY**

As described in the May 2018 Financial White Paper, beginning in FY2021 (July 2020-June 2021), Omnitrans will begin to face an operating budget deficit. This has been further compounded by a capital deficit due to newly enacted electric bus regulations.

While Omnitrans will deliver a balanced operating budget for FY2020, policy level decisions will be needed to move Omnitrans through the upcoming strategic planning process. This discussion will occur at a Board of Directors workshop in March and will impact the development of the FY2020 Management Plan, Service Plan and Budget. Priorities established will influence development of a new multi-year Strategic Plan and the FY2021-27 Short Range Transit Plan.

This report provides background and a high-level overview of the key discussion items and decisions that the Board, Board Committees and potentially an *ad hoc* committee may need to make in the coming months. Key issues include, but are not limited to:

1. Creation of a joint SBCTA and Omnitrans Board *ad hoc* committee to provide policy guidance related to funding allocations and project delivery
2. Review the future operational and capital requirements in a constrained financial environment to ensure that Omnitrans can meet current and future customer needs
3. The future of the West Valley Connector project and the use of Measure I Bus Rapid Transit (BRT)/Express Bus funds
4. Reaffirming the vital role of Omnitrans in a valley-wide multi-modal transportation network that must offer multiple transportation options to residents to resolve transportation and traffic congestion issues

Further direction and policy decisions related to these issues will create the strategic framework for the Agency as it plans the services to be delivered during the next 5-7 years. A key goal ahead is to adapt to the changing needs of our customers and the communities we serve in this constrained fiscal environment. In doing this, we must be cautious in our approach to avoid impacting the viability of the transit system and ultimately causing further ridership decline.

This report does not attempt to answer these questions, but to lay the groundwork for the policy level discussions in several upcoming meetings.

## **BACKGROUND**

In May 2018, Omnitrans staff alerted the Board of Directors of the potential for a long-term operating deficit in the Financial White Paper (Attachment A). The White Paper showed that Omnitrans can maintain a balanced operating budget through Fiscal Year 2020 (FY2020) with operating deficits beginning in FY2021 as estimated cost growth exceeds projected revenue growth.

The White Paper also identified approximately \$4.5 million in annual savings initiatives and revenue generating measures that Omnitrans had utilized to maintain a balanced budget over the previous five years. Significant savings were achieved by switching fuel types, administrative restructuring, and changes to wages and benefits which required employees to contribute more towards their benefits. Through these efforts, Omnitrans maximized cost efficiencies. As such, there are limited opportunities to further reduce operating costs with additional efficiencies.

Additional revenue streams were derived from billing the state for Medi-Cal reimbursements for Access trips and participating in the Federal Alternate Fuel Tax Credits. Recent actions at the state level have eliminated the Medi-Cal reimbursement program, which removes a \$1.5 million per year in the budgeted revenue stream. The Federal Alternate Fuel Tax Credit remains in flux being reauthorized in annual increments tied to federal budget adoption. The elimination of and uncertainty around these two funding streams exacerbate the long-term funding uncertainty identified in the May 2018 White Paper.

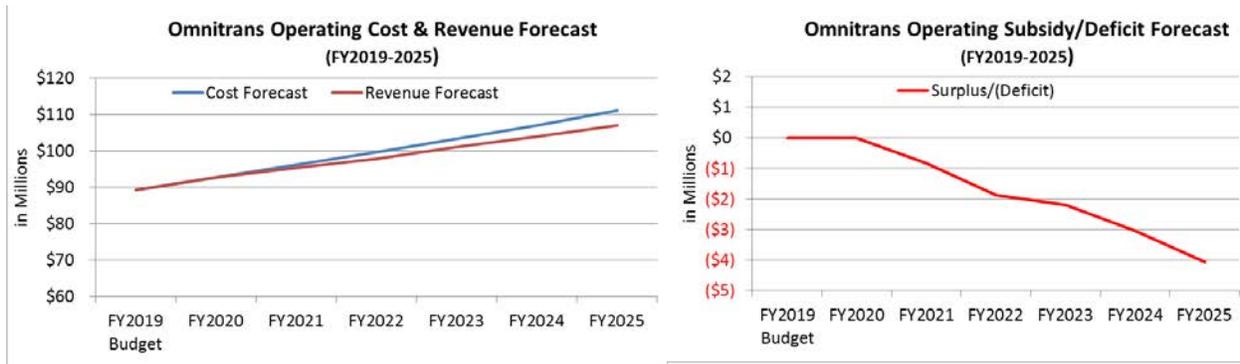
Other factors that have impacted operating costs since the White Paper include escalation in Safety and Security costs of 12.5% per year since 2011 adding \$900,000 in annual cost and Casualty and Liability costs have increased by 7.7% per year and now total \$7.8M annually. Omnitrans continues to identify additional revenue opportunities with Go Smart program and advertising revenue totaling approximately \$1.6M in FY2019.

## **CURRENT STATUS**

Omnitrans and the San Bernardino County Transportation Authority (SBCTA) have developed revised cost and revenue forecasts through FY2025 to be used for Omnitrans' Short-Range Transit Plan. Exact details of these forecasts related to escalation rates, grant assumptions and fund sources and uses are still being refined; however, the overall theme remains as described in the White Paper. This financial discussion relates to Omnitrans' core transit services and does not include Arrow Rail as it has its own separate funding plan with funding sources dedicated solely to rail.

As shown in Exhibit 1, Omnitrans is facing an operating deficit of \$0.8 million starting in FY2021 and growing to \$4.0 million in FY2025. Built into this estimate is a proposed 14.3% fare increase in FY2020 bringing the base fare from \$1.75 to \$2.00, which is tentatively slated for public hearings in March and moved to the Board for consideration in the FY2020 Service Plan in May 2019.

### Exhibit 1: Omnitrans Operating Cost & Revenue Forecast and Projected Deficit



The projected deficit averages \$2.4 million per year between FY2021 and FY2025. If Omnitrans were to close this deficit with service cuts alone, approximately 34,200 hours of service would need to be eliminated, equivalent to approximately 5.3% of Omnitrans regular bus service. This would directly impact 570,000 passenger trips and initially reduce fare revenue by \$700,000, requiring even further service cuts or fare increases. In addition, such service cuts would directly impact staffing levels in the Operations and Maintenance departments by approximately 25-30 individuals. This would start a condition wherein service cuts and fare increases make the service less attractive and could result in further ridership declines.

### Measure I BRT/Express Bus Funds and the West Valley Connector

The ongoing annual deficit shown above does not include adding services such as West Valley Connector (WVC) bus rapid transit (BRT) service. Delivery of the WVC as a full BRT (a 10-15 minute frequency with capital improvements such as dedicated bus lanes, transit signal priority, and station improvements) requires SBCTA and Omnitrans to successfully receive an FTA Small Starts Grant. An agency's local financial commitment is worth 50% of the points for evaluation of the project for funding. Local financial commitment includes the financial capacity of an agency. It is a requirement of Small Starts funding that the agency not reduce other services in order to fund the operations of the new service being added with the Small Starts grant. Thus, an agency with an ongoing operating deficit will not score well. Nor will an agency with recent service cuts. The current condition will make delivering the WVC as a full BRT in the near future challenging at best.

In FY2020, the Measure I BRT/Express Bus Fund increases from 2% to 5% of the measure's receipts. In FY2021, the Measure I BRT/Express Fund will generate approximately \$7.3 million per year in revenue, growing at a forecasted rate over 3% per year between FY2020 and FY2040. A portion of the Measure I BRT/Express Bus funds generated could be used to pay for existing sbX Greenline service or freeway express service. Using approximately one-third of this funding to support sbX Greenline service would allow Omnitrans to maintain service levels throughout

2025, while setting aside the remainder of Measure I BRT/Express Bus funding for WVC or other future projects.

Three possible alternatives for consideration with WVC and Measure I BRT/Express Bus Funding are:

1. **Dedicate All Measure I BRT/Express Bus Funding to WVC (Current Status).**

Pro: All funds remain available to support the future WVC as planned.

Con: The project rating for the Small Starts grant application could be negatively impacted; due to the likelihood of service reductions unless additional funding sources or non-service cost reductions can be identified.

2. **Utilize All Measure I BRT/Express Bus Funding to Provide Existing Service.**

Pro: This would solve Omnitrans projected deficit for several years to come and would provide funding for additional services. If these funds were made available to fund existing sbX operations, other funds could be used to increase frequency on selected local routes and/or fund microtransit operations. This alternative would allow Omnitrans to operate outside a constrained environment and ensure viability and relevancy of the regional transit system.

Con: This would eliminate the required local match needed to secure a Small Starts grant and future capital and operating funding for the WVC.

3. **Utilize Some Measure I BRT/Express Bus Funding for Existing Service and Set Aside Some for Future WVC or other Projects.**

Pro: This would allow for the potential to maintain existing service levels and provide the required local match for the WVC.

Con: This would require an undetermined project delay. Additionally, this would provide less local match for the WVC making it harder to compete for a Small Starts grant.

Exhibit 2 illustrates the three scenarios described above. Omnitrans' operating deficit (red line) per year can be compared to the remaining Measure I BRT/Express Bus funds (purple line) that would be available for the WVC or other projects in each of the three scenarios described above.

**Exhibit 2: Omnitrans Operating Cost & Revenue Forecast and Projected Deficit**



**CAPITAL COSTS AND REVENUE**

Omnitrans’ current capital funding condition reflects increased costs associated with the California Air Resources Board’s (CARB’s) Innovative Clean Transit regulation, and constrained funding availability due to multiple regional transportation projects competing for limited funds.

Between FY2020 and FY2025, Omnitrans estimates approximately \$140 million in capital funding needs. Of that, \$48 million or 34% is associated with early estimates of electric bus costs, charging infrastructure or equipment designed to reduce ongoing electrical costs. SBCTA is beginning a countywide study on the impact, options, funding sources and recommendations to implement zero emission buses. The results of that study may significantly change the cost estimates or funding sources available.

Examining the remainder of the capital costs including bus replacement, facility maintenance, passenger amenities, etc, but excluding electric bus and related infrastructure, Omnitrans forecasts capital needs of \$92 million in FY2020-FY2025 with associated identified capital revenue of \$60 million, representing a \$32 million deficit over this period.

Internally, Omnitrans is planning on extending the life of buses from the federally required minimum of 12 years to 14 years to reduce capital expenses. Additionally, Omnitrans is evaluating all of the needs to determine what capital programs must be completed, which are discretionary and which can be deferred.

### **CONCLUSION**

The topics discussed will be central themes of the upcoming Board workshop scheduled for mid-March, which will set the priorities in the FY2020 Management Plan, Service Plan and Budget and influence development of a new multi-year Strategic Plan and FY2021-27 Short Range Transit Plan.

Staff recommends the Executive Committee receive and forward this report to the Board of Directors and recommend formation of a joint SBCTA and Omnitrans *ad hoc* committee to discuss funding alternatives utilizing Measure I BRT/Express Bus service. Such an *ad hoc* committee may be the ideal forum to discuss how to fund transit service so that it can fulfill its vital role in the growth of the region, including reducing traffic congestion, supporting local transit-oriented development and mitigating greenhouse gas emissions.

PSG

Attachment A: Financial White Paper

ITEM #         F2        

**DATE:** May 2, 2018  
**TO:** Board Chair Ron Dailey and Members of the Omnitrans Board of Directors  
**FROM:** P. Scott Graham, CEO/General Manager  
**SUBJECT: FINANCIAL WHITE PAPER**

**FORM MOTION**

Receive and forward to the Board of Directors as an information item.

*This item was reviewed by the Executive Committee at its April 6, 2018 meeting, and recommended to the Board of Directors to receive and file as an information item.*

**BACKGROUND**

On March 2, 2018 the draft Financial White Paper was presented to the Executive Committee for review and discussion. In addition, the draft document was also reviewed with San Bernardino County Transportation Authority (SBCTA) staff. This final draft reflects the agreed upon changes and considerations from these discussions.

**EXECUTIVE SUMMARY**

Omnitrans is in receipt of the Fiscal Year 2018-2027 revenue forecast from San Bernardino County Transportation Authority (SBCTA). The level of Omnitrans Local Transportation Fund allocation from SBCTA has been capped at a 3 percent growth rate between 2014 and 2020. SBCTA's most recent revenue forecast continues this 3 percent growth rate through FY2027. The SBCTA allocation to Omnitrans accounts for almost 70 percent of the revenue available to Valley-area operators.

SBCTA has indicated that continuing this 3 percent growth in LTF operating subsidy may not be sustainable if current revenue projections are realized. Therefore, Omnitrans will be working with SBCTA on funding strategies to bring funding projections in line with future operational needs prior to bringing the revised 2025 Short Range Transit Plan (SRTP) before the Omnitrans Board in late 2018.

The Agency is aware of the revenue uncertainties from State mandates and the changing economic environment. However, Omnitrans has continued to adapt to these conditions by significantly reducing costs through capital improvements and operational efficiencies to avoid service reductions. The information contained in this "white paper" provides detail regarding cost

efficiencies implemented, rising operational costs, and an initial look at potential sources of revenue and funding strategies that may be considered and have been discussed with SBCTA staff.

As you know, Omnitrans is funded through a variety of local, state and federal funds, most of these revenues flow through, and are allocated by, SBCTA, including Measure I funds, Federal Transit Administration (FTA) 5307, State Transit Assistance Funds (STAF), and Local Transportation Funds (LTF); of these funding sources, the LTF accounts for approximately forty-three percent of operating funds. (Attachment A).

Different types of funds at both the federal, state and local levels make up both operating and capital funding plans; however, regulations for each funding source generally dictate if the funding can be used for capital or operating purposes. Within transit, the industry generally calls this “color of money”. In today’s funding environment, capital dollars are more readily available than operating dollars. Additionally, many of the “newly available” sources, such as the Low Carbon Transit Operating Program (LCTOP), are to provide new services rather than to support operating existing services and are available only for operating an initial start-up period, which has been fluctuating but is currently at five years. With these color of money factors in mind, there is limited flexibility in moving funding from capital to operating.

### **Cost Efficiencies Implemented**

In 2013, following the completion of the Comprehensive Operational Analysis (COA) and prior to adoption of the OmniConnects 2015-2020 Short-Range Transit Plan (SRTP), Omnitrans was facing a \$2.4 million per year operating deficit. The primary driver of the deficit was that LTF revenues were estimated to grow at only 3% per year which was below the Agency’s projected cost escalation rates.

In order to close the deficit without impacting customers with an overall reduction in service, Omnitrans staff implemented a wide variety of cost cutting strategies, listed below. This was a challenge given that Omnitrans was already operating efficiently at 19% below the average hourly cost of peers within the American Bus Benchmarking Group (ABBG).

Cost efficiencies that were developed and implemented include:

- **Consolidation of four administrative departments** - combining Human Resources and Safety & Security; and, Marketing and Planning into two departments instead of four
- **Restructuring the Senior Leadership Team** - eliminating of the Chief Financial Officer, Director of Planning and Director of Safety and Security positions
- **Wages and Benefits** – administrative staff was placed on a four-year wage freeze and began paying 10% of the health care premium

- **Medi-Cal Reimbursement Program** - Omnitrans staff initiated a process to bill the state for the trips made by Medi-Cal eligible Access customers, generating approximately \$1.8 million annually
- **Change in Fuel Type for Access Vehicles** - transitioning the Access fleet from gasoline to lower cost Compressed Natural Gas (CNG)
- **Transition from trucked in Liquefied Natural Gas (LNG) to pipeline CNG** - savings generated by elimination of transportation costs of LNG and the inefficiency of converting LNG into CNG prior to dispensing
- **Participate in Low Carbon Standard Fuel (LCSF) Program** - Omnitrans purchases Renewable Natural Gas (RNG) in the CNG pipeline which allows for the sale of Cap and Trade credits, this generates approximately \$1.5 million annually
- **Federal Alternative Fuel Tax Credits** - Omnitrans was able to utilize four years of tax credits for LNG/CNG purchases during this time period that had since expired; in February 2018 this credit was retroactively extended with the Bipartisan Budget Act of 2018, this will generate approximately \$1.5 million annually
- **ATU and Teamsters Contract Negotiations** - both contracts were negotiated with average annual increased below 3% and both contracts require employees paying for a larger share of health care costs

Collectively these initiatives have saved approximately \$4.5 million per year. The additional savings offset the loss of fare revenue as ridership declined; driving fare revenue approximately \$1 million lower than originally anticipated. Additionally, in light of declining ridership and because the savings generated allowed for it, Omnitrans did not implement a planned fare increase in FY2017. Omnitrans current fare per boarding is \$1.75, which is above the average in the region. There was a concern that raising fares in the environment of declining ridership would result in further ridership decline.

This strategy may not be sustainable, as the Transportation Development Act (TDA) requires transit operators meet efficiency standards, such as 20 percent fare box recovery ratio, to remain eligible to receive funding. Senate Bill 508 amended these standards to allow transit operators to use local funding sources in this calculation. Absent this change, Omnitrans was falling below the 20 percent fare box recovery ratio, at 17.6 percent for FY 17 and 17.3 percent for the first six months of FY18. Using the amended standard for calculation, fare box recovery ratio for FY 17 and year to date for FY18 is approximately 26 percent.

In addition, Omnitrans also implemented cost neutral service changes that redistributed agency resources into more productive services. These include:

- **Eliminated OmniLink Service and redirected operating funds to Freeway Express Service** - The elimination of OmniLink, a low productivity general public dial-a-ride service that was duplicative with OmniGo and had flat ridership for several years, allowed

for the seed funding for the development of Route 290 Freeway Express service between San Bernardino and Montclair, which has been Omnitrans second fastest-growing route over the last three years.

- **Reduced Route 2 service, the underlying local route of sbX, and moved operating resources to serve San Manuel Casino** - Shifting resources from the Route 2 to Route 1 allowed for an extension of the route to San Manuel Casino, which within a year became a top 20 Omnitrans bus stop in terms of ridership.
- **Straight-lined Routes in West Valley** - Omnitrans eliminated route duplication and straight-lined routes allowing for faster service and expansion of service in West Valley.
- **Ontario International Airport Service** - Omnitrans shifted Route 80 service into the airport with no additional operating cost coinciding with local control of the airport. Omnitrans also shifted Route 61 service into the airport, which was funded by an increased LTF allocation by SBCTA.

These changes have delivered some of the only areas of ridership growth within Omnitrans services over the last three years. Following the implementation of the cost controls and service changes, Omnitrans is now in the lowest cost quartile for operating cost per hour within ABBG and operates with costs 24% below the peer group average.

SBCTA has recognized Omnitrans' cost effectiveness through two key structural changes. In 2015, SBCTA designated Omnitrans the Consolidated Transportation Services Agency redirecting the designation from Valley Transportation Services (VTrans). This shift occurred because SBCTA believed that Omnitrans could deliver more service through cost efficiency. Following the consolidation of VTrans and Omnitrans, Omnitrans has proven this to be true saving approximately \$500,000 in the first year. Similarly, SBCTA has designated Omnitrans as the operator of Redlands Rail/Arrow as SBCTA studies indicated that Omnitrans would deliver the operations of the project more cost effectively than other alternatives considered and would ensure a seamless connectivity between transit modes.

### **Rising Operational Costs and Upcoming Challenges**

While Omnitrans has effectively managed operating costs the last several years with a tightly constrained budget, it will become increasingly difficult to keep cost growth at this rate through 2027.

Some of the cost drivers that Omnitrans anticipates in the upcoming years include:

- **Benefit Costs** - Premiums have been increasing 6-8% per year. Omnitrans has mitigated cost increases by negotiating employees pay a higher share.
- **Wages** - Omnitrans neighboring transit agencies have issued contracts offering 4% wage increases per year, while Omnitrans has negotiated between 2.75% and 3% per year following a three-year contract with 0% increases for all three years. This challenge is

exacerbated by the ongoing increases in the state minimum wage, which puts significant pressure on wages for the contracted paratransit drivers under the Access contract.

- **Coach Operator Shortages** - As a result of the low unemployment rate in San Bernardino County (3.9% as of December 2017 according to the State of California Employment Development Department), wage pressure will continue to grow. This has been evidenced by difficulty attracting, hiring and retaining Coach Operators.
- **Attracting and Keeping High Quality Managers and Directors** - 80 percent of Omnitrans Senior Leadership Team is anticipated to retire within the next five years. Recent and open recruitments have clearly demonstrated that Omnitrans salary ranges for higher level management positions are below peers. Historically, Omnitrans was able to hire qualified staff within from the minimum to mid-point in the salary range. In trying to recruit for department directors, qualified candidates are demanding top of scale or above scale. With the turnover expected, Omnitrans must attract top talent in order to deliver continuity of service. Omnitrans is trying to mitigate these costs by implementing a new succession planning strategy with the Leadership Development Academy.
- **Proposed Innovative Clean Transit Regulation (Zero Emission Bus Rule)** - Proposed state regulations will require 25% of new bus purchases after 2020 meet zero emission requirements. This will have significant capital, facility and electric costs. Omnitrans will evaluate the use of solar energy and solar storage solutions to mitigate some of these cost increases.
- **Access Contract** - Measure I provides a dedicated funding source (Senior and Disabled) for Access Paratransit service costs. However, between FY2015-2020 Access costs were \$2.1 million to \$3.0 million in excess of this funding allocation. As a result, LTF funding was used to fund the shortfall. The Access contract is currently in the procurement process and the bids received indicate that costs will rise in the range of \$1.5 to \$3 million per year, primarily due to the changes in the State minimum wage laws. SBCTA is recommending passing through 100 percent of the Senior and Disabled funding available, this will increase Omnitrans future allocation by approximately \$2 million per year, however there will still be a funding shortfall requiring continued use of LTF money to cover the full cost of the program.
- **Low Carbon Transit Operations Program (LCTOP) Funding/Express Bus Service** - Omnitrans launched new Express Bus Service in 2015 with LCTOP funding. This funding is intended to serve as “start-up” funding for new or expanded services that demonstrate Green House Gas (GHG) reductions. As these projects become part of the baseline transportation network, other funding sources must be identified to replace the LCTOP funds as over time the services no longer represent a net GHG reduction. As a result, an alternate funding source must be identified to sustain these services.

## Future Service Demand

Based on SCAG population forecasts, the Omnitrans service area population will grow at a rate of approximately 1% per year. Since much of this growth is occurring in open fields rather than in fill development, Omnitrans resources will be stretched. Routine requests for additional services have come to extend service to outlying areas of Highland, Redlands, Rialto, Fontana, Rancho Cucamonga, Ontario, Chino and Chino Hills. Omnitrans also receives regular requests for more frequent service on existing routes to help promote Transit Oriented Development (TOD) growth opportunities and encourage higher density development, particularly in the West Valley. This population growth and business development may generate demands for additional service, not just a restructuring of service.

While the cost to operate Redlands Rail/Arrow and West Valley Connector will be funded by SBCTA out of Measure I programs dedicated to rail and BRT expansion, in order to maximize the transit investment being planned, Omnitrans will need to evaluate strategies to provide feeder service. Whether Omnitrans delivers this potential service with traditional bus service, innovative microtransit solutions or partnerships with private providers, there is a cost associated with the feeder service. Additionally, two SCAG led studies (the Intercounty Study and Customer-Based Ride Sharing Study) have identified the need for higher frequency service on core north-south services in West Valley. Customer feedback as well as general public feedback continues to support this with the focus on higher frequency and higher quality service as the most important improvement to retain current and attract new riders.

## Potential Funding Sources

- **SB 1 Funding:** These gas tax and related funding sources can flow to Omnitrans in the form of stabilized State Transit Assistance funds and the new State of Good Repair funding. Should these funds become available, consideration should be given to maximizing the allocation of these funds to Omnitrans. Omnitrans and SBCTA staff will coordinate on eligible and potential uses of these funds; however, the eligibility for operations is limited.
- **Local Transportation Fund (LTF):** Between 2013 and 2017, sales tax revenue in San Bernardino, which drives LTF growth, grew at 5.2% per year, exceeding the 3% LTF growth rate programmed for Omnitrans. However, over the 10-year period from 2008-2017 the average growth rate was 1.94 percent. In planning and programming for future years, Omnitrans recognizes the uncertain long term cycles of the economy and must plan accordingly. The LTF projection prepared for SBCTA by a consultant shows an average growth in LTF of 2.5 percent through 2027 and 3.4 percent through 2040; therefore, the capacity to increase LTF over the long-term is limited.
- **Federal 5307 Funds:** These funds flow from the Federal Transit Administration (FTA) and can be used for capital and certain operating costs. SBCTA receives these funds in separate apportionments for rail and bus. As established in the COA, Omnitrans regular allocation of 5307 funds from SBCTA has remained at \$16.9 million per year with a one-time additional allocation of \$3.8 million in 2017. In looking at actual 5307 apportionments for bus over that time period, this exceeds the bus apportionment by \$6.8

million as of 2018. SBCTA and Omnitrans will work together to determine short-term needs between bus and rail and to develop a plan to balance those allocations over time. Omnitrans currently maximizes the Federal funds that can be used for operating expenses such as preventive maintenance, therefore, increases in this revenue source would only support on-going capital requirements.

- **Measure I Reauthorization or Other New Sales Tax Measures:** Although Measure I does not sunset until 2040, as SBCTA works on developing a reauthorization plan, or a concurrent sales tax measure, Omnitrans suggests that consideration be given to including dedicated funding for general transit operations. A set aside would provide a reliable funding source.
- **Fares:** Omnitrans will also seek to increase fares approximately every three years between 2019 and 2025. Given that Omnitrans has the highest base fare amongst neighboring agencies, Omnitrans is not seeking to increase fares in the upcoming year.

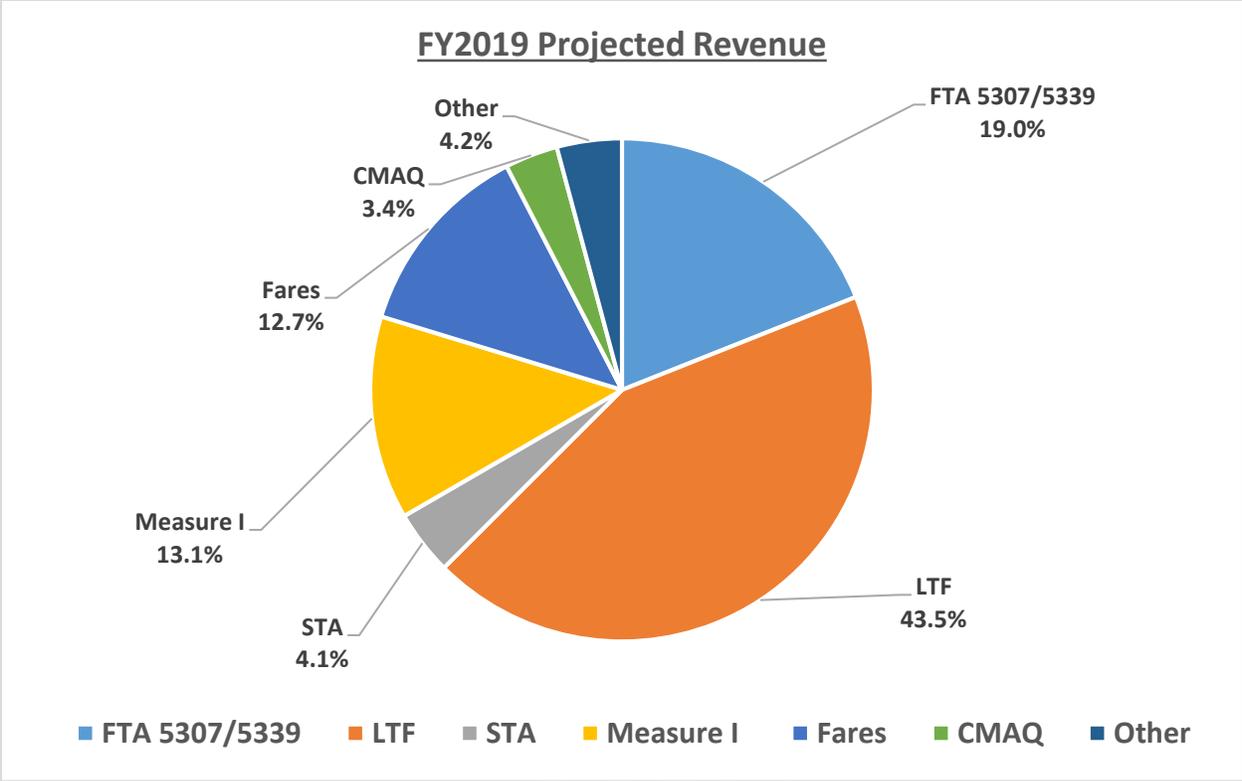
## CONCLUSION

Based on current budget assumptions, Omnitrans will deliver a balanced budget plan for Fiscal Year 2018-2019. However, the recent revenue Local Transportation Fund (LTF) forecast conducted by an independent consultant firm indicates the three percent LTF funding growth through FY2027 may be unattainable. Based on revenue and cost forecasts, it is unlikely Omnitrans will be able to continue to deliver balanced budgets without service reductions unless additional funding sources become available. Consequently, the proposed Management Plan for FY2019 continues to focus heavily on exploring/developing programs that can reduce operating costs; thereby providing funds to offset declining revenues as necessary. Omnitrans is financially sound for the short term; however, given the uncertain economic climate, it is critical for Omnitrans and SBCTA staff to work together to identify long-term, sustainable funding strategies.

PSG

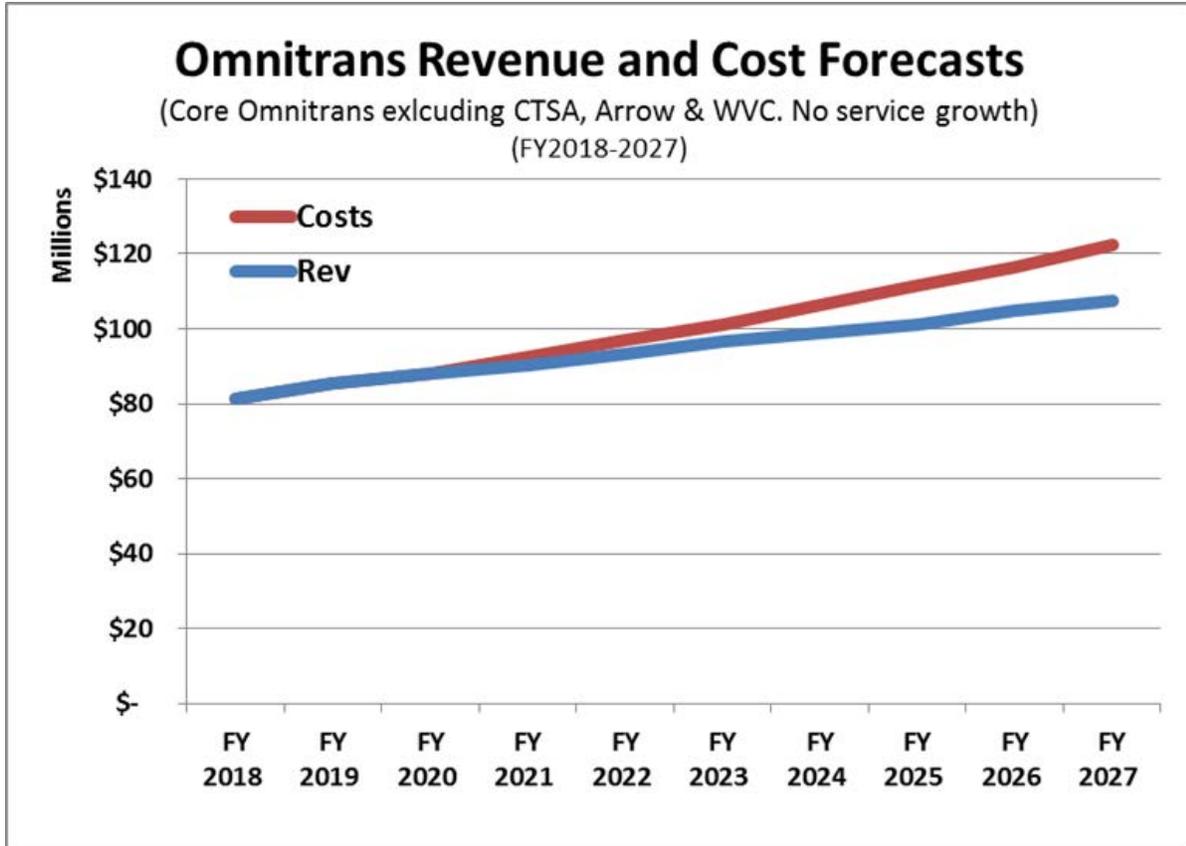
Attachments:      A:      FY2019 Projected Revenue  
                             B:      Omnitrans Revenue and Costs Forecasts  
                             C:      Power Point Presentation

**ATTACHMENT A**



ATTACHMENT A

# ATTACHMENT B



ATTACHMENT B