

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

Caryn Champine, PDT Director
Kaley Zeisel, Director, Transfort
Annabelle Phillips, Assistant Director, Transfort
Monica Martinez, Manager, FP&A

SUBJECT FOR DISCUSSION

Advancing Transit Initiatives.

EXECUTIVE SUMMARY

The purpose of this item is to provide Council updates on current transit initiatives, the state of the Transfort budget, the Funding and Fare Free Study completed in 2023 and the status of Transfort advertising on buses, benches and shelter.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What additional information do councilmembers need to determine if Transfort should remain fare free?
2. Do Councilmembers support a permanent fare free system?
3. Do Councilmembers have any questions or feedback about returning to commercial advertising?

BACKGROUND / DISCUSSION

Staffing & Service Levels

Transfort has operated partial service levels since the pandemic due to staffing shortages. Fully staffed, Transfort has 112 bus operator positions. At the end of 2022, Transfort bus operator staffing had declined significantly and Transfort employed only 78 bus operators.

Transfort has analyzed national data as well as data from Transfort's annual retention survey to determine primary causes of recruitment and retention challenges. Staff found that there are four primary areas to focus improvements to assist with recruitment and retention. These include training and onboarding, safety and wellbeing, pay and benefits, and work schedules. As a result, Transfort has made adjustments to provide more consistent schedules, hired an onboarding and training specialist, developed and implemented an annual continuing education program for bus operators, added an additional Transit Supervisor position, increased contracted security staff, added mid-shift breaks for longer, more rigorous routes, increased bus operator wages, added additional classified positions, implemented hiring and

referral incentives, and offers free on-site counseling to staff. These adjustments have yielded positive results, and today, Transfort is maintaining a count of approximately 100 bus operators.

The increase in staffing levels have allowed Transfort to return the following previously suspended routes and/or frequencies: Route 19, MAX evenings, Holiday service, route 6, 7, and HORN Saturday service, route 2 and 8 evening service, and 10-minute frequency on HORN.

The following services are still suspended or reduced: frequency on routes 7, 16, 19, and MAX, evening service on routes 6, 7, 16, late night (post 10:00 pm) service on MAX, and Sunday Service.

System Optimization

The City is developing a comprehensive plan to optimize transit services, aiming to increase ridership and implement new services outlined in the Transit Master Plan. The plan will support the concept of 15-minute cities, where essential services are accessible within a short walk or bike ride. City staff, in collaboration with community members, will focus on transit service development, funding, operations, scheduling, micro-transit, fleet electrification, and equity. The project will assess available resources and identify the most effective strategies for delivering high-quality transit services to the community.

Operational Budget Update

Due to the pandemic, the last year of full-service operations for Transfort was 2019. In order to build the 2025 and 2026 budget, staff used 2019 as a baseline for expectations around the budget's composition, revenue projections, and expense projections.

In 2019, Transfort's yearly operational expenses totaled just under \$17.6M. This total expense can be explained by four main categories: personnel, vehicle repair services and fuel, transportation services, and other expenses. Personnel and vehicle repair services are the two largest components of actual expenses and represent approximately 55% and 22% of 2019's costs. Transportation Services, which includes Dial-A-Ride, Dial-A-Taxi, and fixed route contracted services, represents 11% of expenses with Other Expenses representing almost 13%. While the category Other Expenses represents a larger percentage of the budget in comparison to Transportation Services, it is a more varied category that includes all other operational expenses such as technology, land and building maintenance, insurance, and wireless services. The composition of Transfort's budget, which relies on three to four main levers for almost 90% of the budget makes it highly susceptible to increases in cost in these areas.

As demonstrated by the table below, external Transfort revenue sources are projected to increase in comparison to 2019's revenue budget. This projected increase of just under \$1M is driven by an increased estimate for revenue from Transfort's intergovernmental agreements such as FLEX partnerships. The 2025 projected revenue budget currently assumes a loss of revenue due to fare suspension. Advertising revenue amounts are represented in 2025 budget projections at an estimated number from prior years. Both fares/fees & advertising revenue amounts may be updated pending council discussion. Notably, while operational grant amounts did increase during the pandemic, the projection for 2025 is comparable to the amount projected for the 2019 budget. As Transfort looks to return to full-service levels, it does so with minimal projected revenue growth from 2019 to 2025.

Year	2019 Projected Revenue	2025 Projected Revenue
Fares & Fees	\$271,000	\$0
Advertising	\$284,878	\$300,000*
CSU Contract	\$2,054,335	\$2,593,659*
Intergovernmental Agreements (<i>FLEX</i>)	\$684,921	\$1,300,000
Grants	\$4,502,314	\$4,514,534
Total	\$7,761,448	\$8,708,193

**Current collection is partial or suspended*

In comparison to its projected revenue growth, Transfort’s projected expense growth for 2025 is spread across multiple areas. The items outlined below represent the most significant and impactful areas of these projected cost increases. These areas of growth are key operational pieces with costs that are largely driven by factors outside of Transfort’s direct control. Known cost pressures include increases in labor and supply costs which are then reflected in fee charges or in contract increases. The increases in cost are largely being experienced in Transfort’s main expense categories. Snow & Security Services fall within Other Expenses and in 2019 were not budgeted as individual line items or, for security, are new expenses.

Year	2019 Budget	2025 Projected Budget
Personnel	\$10,027,873	\$12,971,522*
Transportation Svcs	\$2,243,000	\$2,588,172
Vehicle Repair Svcs	\$2,928,146	\$3,053,094
Snow & Security Services	\$100,000	\$400,000
Total	\$15,299,019	\$19,012,788

**Does not include increases to personnel costs approved during the mini-BFO process for the 2050 Tax.*

As is evidenced by the above, Transfort’s projected operational budget has experienced slow revenue growth and significant expense increase since 2019. This has led Transfort to include an analysis of Transfort’s current operational system in the Optimization Study.

Fort Collins Transit Funding Study

In 2019, Council adopted the Transit Master Plan (TMP). The TMP recommended exploring a conversion to a fare free system. In 2021, Council prioritized Advancing Transit Initiatives that Remove Barriers to

Transit. In 2021, Transfort launched a Funding Study which evaluated the cost to build out the TMP, as well as environmental, financial, and social impacts of a fare free system. The study concluded in 2023.

Fare Free Analysis: Environmental Impact

The study found that agencies that moved to a permanent fare free system saw an increase in ridership of between 10% and 30%. Of the increased riders, approximately 20% would have otherwise driven a vehicle. Assuming each trip in a vehicle is about 5 miles, this increase in transit ridership would reduce vehicle miles traveled by 900,000. This equates to an emissions reduction of 338.22 metric tons of carbon dioxide equivalent (CO₂e), or 80 gasoline passenger vehicles driven for one year. The study concluded that a conversion to fare free will reduce vehicle miles traveled and greenhouse gas emissions.

The study also found that transit speed and reliability increase with a fare free system, as less time is spent boarding and through the transactional process of collecting a fare. This increase in speed and reliability further supports goals to improve the quality of service identified in the transit master plan.

Fare Free Analysis: Financial Impact

The study investigated the annual revenue from fare collection as well as the cost to collect fares. In 2019, the collection of passes and tickets produced annual gross revenue of \$508,000. Based on current ridership, that amount is estimated to be \$304,800 in today's dollars. The study evaluated multiple fare collection options and found that the most cost-effective method is to sell passes through a point-of-sale system and collect cash fares through fareboxes on buses. This method requires both one-time and annual technology expenses, as well as staff time to count and deposit fares. The one-time, up-front cost to implement the fareboxes and point-of-sale technology is estimated at \$929,000, as a new point-of-sale system is needed, and the existing fareboxes are past their useful life. The annual cost for vendor fees is \$113,000, and the annual fare collection labor is estimated at \$82,000. If the one-time, up-front cost is annualized over the useful life of 10 years, the accumulated revenue after the cost of fare collection over a 10-year period is \$185,900. This calculation does assume that fares remain consistent. An American Public Transit Association (APTA) study shows that for every 10% increase in fares, transit agencies can expect a 4% decrease in ridership, so as fares increase, ridership decreases.

The study assessed partner contributions and how a potential loss of revenue from partner contributions may impact revenue. In addition to fares and passes, annual revenue from Colorado State University for system access accounts for ~\$650,000 in revenue. Bohemian Foundation previously contributed \$75,000 annually for youth to ride free. Colorado State University (CSU) has agreed to continue their contribution regardless of a shift to a fare free system, as these fees go directly toward operation of routes that support CSU. Bohemian Foundation has not contributed any revenue since 2022 because the system is currently fare free. Bohemian has asked to revisit a contribution after a decision has been made on whether to permanently remain fare free.

Another financial consideration is the potential increase in paratransit ridership. Paratransit service is a door-to-door service for individuals with a disability that prevents them from using the fixed route bus system. Federal regulations require that a paratransit fare be no more than 2x that of the fixed route fare. Therefore, if there is no fare on fixed route, there cannot be a fare on paratransit. Transfort/Dial-A-Ride is also prohibited from limiting the number paratransit trips available. Currently, each paratransit trip averages \$40. Transfort/Dial-A-Ride provided 28,611 trips in 2023. Trips in 2024 are projected to increase to 34,322, up by 11% compared to trips in 2019, and up 7% from 2023. The fare free and funding study recommends a few mitigation strategies to assist with potential increases in paratransit expenses, including additional travel training to ensure that individuals who can use fixed route have the tools and training to do so, and enforcing stricter eligibility for the service. Transfort offers a robust travel training program that is available

to residents, visitors, individuals, groups, seniors, and individuals with a disability. Staff is not recommending any adjustments to eligibility at this time, but it is an option to consider if ridership increases dramatically.

Fare Free Analysis: Social Impact

Transfort's annual on-board survey is used to collect demographic and rider data. 47% of Transfort riders have an annual income of less than \$25,000 and 36% do not have access to a car. This data has been consistent with on-board survey results from 2021, 2022, and 2023. For riders on routes that are considered to be non-CSU prevalent routes (often ones accessing critical services), this percentage increases to 59%.

The fare free and funding study conducted a separate community survey from December 2022 to February 2023 to understand perceptions of transit and use of transit in Fort Collins following the COVID-19 pandemic and to solicit input on a permanent transition to fare-free transit in Fort Collins. The survey was open to the public and sent to specific organizations in Fort Collins with a stake in transit service. Over 1,600 respondents completed the survey, including 70 representatives of organizations. Organizations included social services agencies, Poudre School District, non-profit and for-profit organizations, City boards and commissions, North Front Range Metropolitan Planning Organization, Colorado State University, Chamber of Commerce, and medical providers.

Most respondents (nearly 80%) felt that keeping Transfort fare-free would increase their mobility or that of their clients/constituents, employees, or colleagues. Over 60% of survey respondents said they would ride Transfort *more* often if it is kept fare-free permanently. Only one percent of respondents said they would ride less often. When asked how often respondents would ride Transfort in the future if they *had to pay* a fare, 56% of respondents said they would ride less often or not at all, and only 3% said they would ride more often. Survey respondents overwhelmingly support Transfort remaining fare-free. Seventy five percent of respondents *strongly* support continuing fare-free service, and 85% overall support fare-free transit service.

As a result of the findings from the Transit Funding Study, staff recommends establishing a permanent fare free transit system.

Advertising

Prior to 2021 Transfort maintained two contracts with a third-party contractor to manage an advertising program. One contract was for interior and exterior advertising on Transfort buses. The other contract was for advertising on shelters and benches at Transfort bus stops. That vendor also supplied some bus stop amenities such as benches and shelters, emptied trash, provided snow removal, and performed general maintenance such as cleaning and graffiti abatement at stops. Under this advertising model, Transfort received approximately \$300,000 in advertising revenue annually.

The contract permitted only commercial advertising to be purchased from the contractor. A small portion (10%) of non-site-specific advertising space was reserved for Transfort-related notices.

As the contract was approaching its end Transfort advertised a Request for Proposal (RFP) for similar advertising and maintenance services; however, vendors were unwilling to provide the level of maintenance at bus stops that Transfort required, and therefore a contract agreement could not be reached. Moreover, vendors were unwilling to provide and install amenities at bus stops as part of the contracted price.

Commercial advertising was removed in 2022, and City-related ads were installed by Transfort. At that point Transfort was directed to explore alternatives to a commercial advertising program. Transfort assumed the cost and responsibility for the ongoing maintaining of bus stops, including snow removal, at approximately \$350,000 annually. Transfort also assumed responsibility for purchasing and installing amenities, which has been primarily funded through federal and state grants.

Over the last three years, Transfort has researched and vetted several advertising options, including maintaining a 'government speech' only advertising program in-house with City staff. Staff determined annual revenue from an internally managed government speech program would likely be very low, and that this model was not feasible based on the cost to administer the program. Transfort also explored returning to a commercial advertising model, and a hybrid model that allowed for both commercial advertising and government speech.

The Federal Transit Administration (FTA) generally encourages transit agencies to produce revenue that can be used to offset operational costs. Advertising on buses and at bus stops is a common way that transit agencies across the country take advantage of producing additional revenue. The Transit Cooperative Research Program (TCRP) has found that the majority of surveyed transit agencies sold or leased advertising space in some capacity. According to the Out of Home Advertising Association of America (OHAAA), transit is the fastest growing 'out of home' advertising medium, growing by 7.3% in 2023. In addition to providing additional revenue streams, advertising is a popular method for transit agencies to promote its transit services to a diverse population.

A pause in advertising on buses and at bus stops has led to a decrease in Transfort revenue streams by approximately \$300,000 annually. Staff recommends a return to a commercial advertising model, with allowances for more government speech advertising under a new contracted scope of work. Transfort is working with the City Attorney's Office to develop guidelines for a potential new contract. This would be a key change from the previous commercial advertising model, which required ads to primarily convey a commercial message. Another key change to a future contract would include limiting the size of ads at benches to a standard 2FT x 6FT ad panel.

Revenue under a new advertising program is estimated at \$265,000 to \$420,000, depending on how much advertising space is made available under a commercial rate. Revenue collected under an advertising contract would be used toward operational expenses, as required by FTA. Bus stop maintenance will continue to be provided by Transfort, including regular cleaning of stops, trash and snow removal, and graffiti abatement. Additionally, the purchase of new and replacement bus stop benches, shelters, and other amenities will continue to be the responsibility of Transfort.

ATTACHMENTS

1. Fort Collins Transit Funding Study
2. Presentation