



**BOARD OF DIRECTORS  
MAY 26, 2017**

**ACTION REQUESTED – APPROVE**

**FY 2018 TRANSPORTATION DEVELOPMENT ACT  
PRODUCTIVITY IMPROVEMENT PROGRAM**

File Number 3320100

**Introduction**

The Transportation Development Act (TDA) provides one-quarter percent of the state sales tax for operating and capital support of public transportation systems and non-motorized transportation projects. SANDAG, as the designated Regional Transportation Planning Agency, is responsible for the allocation of TDA funds to the region’s cities, county, and transit operators.

Pursuant to California Public Utilities Code Section 99244, a transit operator can be allocated no more in FY 2018 than it was allocated in FY 2017, unless the region’s transportation planning agency determines that the operator made a reasonable effort to show productivity and implement the productivity improvement recommendations adopted after the last triennial TDA audit (completed in June 2016). This reasonable effort is determined through the evaluation of three-year trend data and an annual review of actions taken by each operator to address recommendations received during the triennial audit.

The Transportation Committee reviewed the TDA productivity improvement recommendations on May 19, 2017, and recommends the Board of Directors make the required findings and approve continuing the program.

**Discussion**

***Productivity Improvement Measures***

The TDA Productivity Improvement Program includes all of the performance measures included in the state TDA Guidebook Section 99246(d). Additionally, SANDAG tracks multiyear trend analysis since it is recognized that steps taken by the transit agencies to improve system performance often take several years to be fully realized. The Productivity Improvement Program for FY 2017 included an evaluation of the following six TDA performance measures over a three-year period (Quarter 2 FY 2014 to Quarter 2 FY 2017):

- Operating Cost Per Passenger (adjusted for annual inflation) – measures cost-effectiveness
- Operating Cost Per Revenue Hour (adjusted for annual inflation) – measures cost-efficiency

**Recommendation**

The Transportation Committee recommends that the Board of Directors: (1) find that the Metropolitan Transit System and North County Transit District made a reasonable effort to implement productivity improvements during FY 2017; and (2) approve the Transportation Development Act (TDA) Productivity Improvement Program in FY 2018, which fulfills the requirements outlined in Section 99244 of the TDA

- Passengers Per Revenue Hour – measures service productivity
- Passengers Per Revenue Mile – measures service productivity
- Revenue Hours Per Employee – measures labor productivity
- Farebox Recovery Ratio – measures cost-efficiency

These performance indicators are measured separately for fixed-route services (Metropolitan Transit System [MTS] Trolley, MTS Bus, MTS *Rapid*, North County Transit District [NCTD] SPRINTER, NCTD COASTER, and NCTD BREEZE Bus) and Americans with Disabilities Act of 1990 (ADA) Paratransit services (MTS ADA and NCTD ADA).

The indicators, which are reviewed quarterly by the Regional Short-Range Transit Planning Task Force, help determine if the agency is obtaining the desired results from the system and if overall performance is improving based on updated regional strategies or service operation plans. These indicators also help the transit agencies determine where improvements can be made. Improvements can then be incorporated into each operator's Service Implementation Plan, which are included in the Coordinated Public Transit – Human Services Transportation Plan prepared by SANDAG.

Performance trends were evaluated in FY 2017 to determine whether the transit agencies improved their performance considering external circumstances (e.g., fuel prices and reduced state funding levels for transit). The six TDA performance measures are reported for each individual service (MTS Bus, MTS *Rapid*, MTS ADA, MTS Trolley, NCTD BREEZE, NCTD COASTER, NCTD SPRINTER, and NCTD ADA). With the implementation of *Rapid* services in calendar year 2014, the report has been revised to separate SANDAG *TransNet* supported routes into a new *Rapid* category. *Rapid* services include *SuperLoop* (Routes 201, 202, and 204), Mid-City (Route 215), and Interstate 15 corridor (Routes 235 and 237).

Attachment 1 includes a chart of the six performance indicators of each service from Quarter 2 of FY 2014 to Quarter 2 of FY 2017, which includes a period of recent downward trends in ridership, revenue, and productivity. It is important to note that the transit operators are proactively working to mitigate these trends. Studies are underway to review market demographics, analyze service trends, and respond to ridership needs and changes. In addition, the transit operators are looking to increase ridership and revenue by reinvesting resources from underutilized services into more productive areas and routes with high demand. Significant public outreach efforts are ongoing to assess various options to address the latest trends. Both transit operators are participating with SANDAG to update the Regional Fare Ordinance to help both ridership and revenues.

It also is worth noting that the recent downward trends in performance metrics are not unique to the San Diego region. The majority of large and medium-sized transit agencies in California have lost ridership in 2017 compared to 2016. This same trend is prevalent across the nation as well. Given that the trends are very recent, it is difficult to definitively identify the causes of reduced ridership, but there is some evidence that issues such as low gasoline prices, low cost of automobile financing and ownership, changing demographics, and app-based ride-hailing transportation services are contributing to the decline. Therefore, despite these challenges that are being faced throughout the transit industry, the operators in the San Diego region are actively working to maintain their productivity measures at their highest level possible.

### **MTS FY 2017 Performance**

The results of the Quarter 2 FY 2014 to Quarter 2 FY 2017 MTS performance trend analysis indicate that during the last year:

- MTS Trolley has seen a 16.5 percent increase in the operating cost per passenger, a 7.9 percent increase in the operating cost per revenue hour, a 7.4 percent decrease in passengers per revenue hour, and a 6.2 percent decrease in passengers per revenue mile since Quarter 2 in FY 2016.
- MTS Bus has seen a 15.9 percent increase in the operating cost per passenger, a 7.5 percent increase in the operating cost per revenue hour, a 7.3 percent decrease in passengers per revenue hour, and a 6.8 percent decrease in passengers per revenue mile since Quarter 2 in FY 2016.
- MTS ADA has seen a 16.8 percent increase in the operating cost per passenger, a 12.4 percent increase in the operating cost per revenue hour, a 3.7 percent decrease in passengers per revenue hour, and a 5.1 percent decrease in passengers per revenue mile since Quarter 2 in FY 2016.
- MTS *Rapid* has seen a 2 percent increase in the operating cost per passenger, a 6.5 percent increase in the operating cost per revenue hour, a 4.4 percent increase in passengers per revenue hour, and a 5.4 percent increase in passengers per revenue mile since Quarter 2 in FY 2016.
- MTS farebox recovery rate for fixed-route services has remained strong throughout the three-year period, with an average of 42 percent. This is above the 31.9 percent TDA minimum threshold requirement. For ADA services, the farebox recovery rate has averaged 13.6 percent over this period, and is also above the TDA minimum threshold of 10 percent.

### **NCTD FY 2017 Performance**

The results of the Quarter 2 FY 2014 to Quarter 2 FY 2017 NCTD performance trend analysis indicate that:

- NCTD COASTER has seen a 31.6 percent increase in the operating cost per passenger, a 27.1 percent increase in the operating cost per revenue hour, a 3.4 percent decrease in passengers per revenue hour, and a 2.9 percent decrease in passengers per revenue mile since Quarter 2 in FY 2016. These figures (and for SPRINTER as well) include a capital component which are explained in greater detail in Attachment 2.
- NCTD SPRINTER has seen a 37.3 percent increase in the operating cost per passenger, a 30.1 percent increase in the operating cost per revenue hour, a 5.3 percent decrease in passengers per revenue hour, and a 4.4 percent decrease in passengers per revenue mile since Quarter 2 in FY 2016.
- NCTD BREEZE has seen a 15.3 percent increase in the operating cost per passenger, a 1.9 percent decrease in the operating cost per revenue hour, a 14.9 percent decrease in passengers per revenue hour, and a 11.6 percent decrease in passengers per revenue mile since Quarter 2 in FY 2016.

- NCTD ADA has seen a 0.15 percent increase in the operating cost per passenger, a 4.9 percent increase in the operating cost per revenue hour, a 4.8 percent increase in passengers per revenue hour, and a 3.6 percent increase in passengers per revenue mile since Quarter 2 in FY 2016. On July 1, 2011, NCTD commenced LIFT paratransit services under a Coordinated Transportation Services (Brokerage) model. While this change lowered costs and improved productivity through the 3rd quarter of FY 2014, the contracted operator, due to legal and financial reasons, could no longer commit to its contractual obligations. On April 1, 2014, NCTD transitioned back to the previous service delivery approach using a dedicated fleet of vehicles and operators. This service model is more costly to operate, and as a result, costs have increased over the three-year period. Staff will continue to monitor NCTD's ADA paratransit program over the next year and will explore opportunities to further increase performance.
- NCTD farebox recovery rate for fixed-route services has remained steady over the three-year period at 22.4 percent, which is above the 18.8 percent TDA minimum threshold requirement. For ADA services, the farebox recovery rate has averaged 9.39 percent for the same three-year period, which is just below the TDA minimum threshold of 10 percent. However, the farebox recovery ratio for the service has declined since the service model has changed from a brokerage model to a contracted service. For the last quarter (Quarter 2 of FY 2017), the farebox recovery ratio was 8.7 percent. To improve the farebox recovery ratio, NCTD is proposing to implement changes to the Regional Fare Ordinance in FY 2018 that would become effective FY 2019 along with significant operational changes to include introduction of new technologies that will improve scheduling efficiency, a more robust eligibility certification program, and increased usage of brokered trips using taxicabs and other providers.

### ***TDA Triennial Audit Recommendations***

In addition to the three-year performance monitoring associated with the annual TDA claim, the triennial performance audit included the development of improvement recommendations for the transit agencies. The most recent performance audit completed in June 2016 included some recommendations on possible strategies to improve efficiency and effectiveness for NCTD. There were no recommendations for MTS. These recommendations have been addressed by NCTD: action plans, the progress made to date to implement them, and updated responses (from Form B of the 2017 TDA Claim) are included in Attachment 3. MTS provided a statement of effort to address declining performance (included in Attachment 4).

### ***FY 2017 Productivity Improvement Program***

Based on the results discussed above, the conclusion of the performance analysis is that both MTS and NCTD have made reasonable efforts toward achieving their FY 2017 productivity improvements. As mentioned above, the farebox recovery ratio for NCTD ADA services is below the required minimum TDA threshold. However, NCTD is working to improve the operating efficiency of the ADA service, as evidenced in their response in Attachment 2. SANDAG staff will continue to monitor this performance indicator in future reporting.

GARY L. GALLEGOS  
Executive Director

- Attachments:
1. FY 2017 Productivity Improvement Results
  2. Memo from NCTD
  3. NCTD Annual TDA Claim Form (Form B)
  4. MTS Annual TDA Claim Form (Form B)

Key Staff Contact: Lisa Madsen, (619) 595-1432, [lisa.madsen@sandag.org](mailto:lisa.madsen@sandag.org)

### FY 2017 Productivity Improvement Results

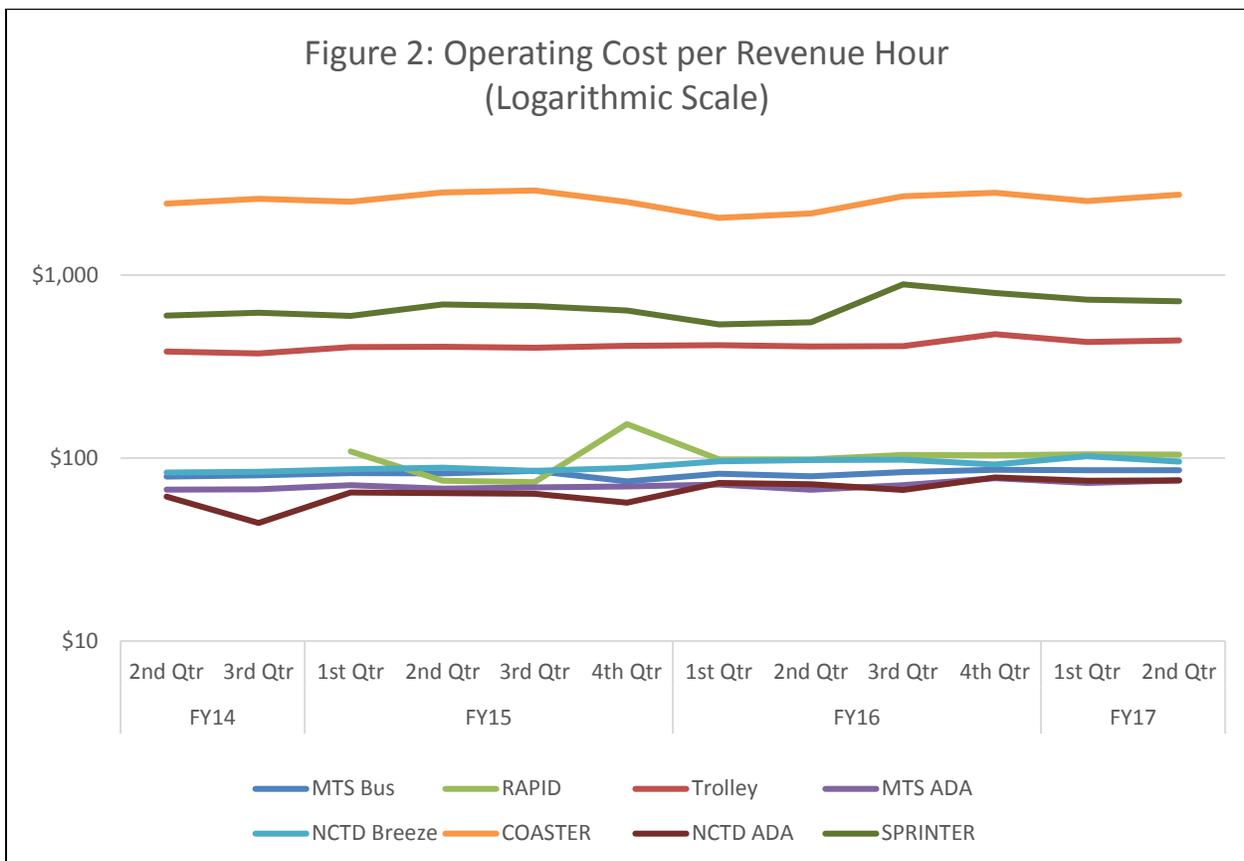
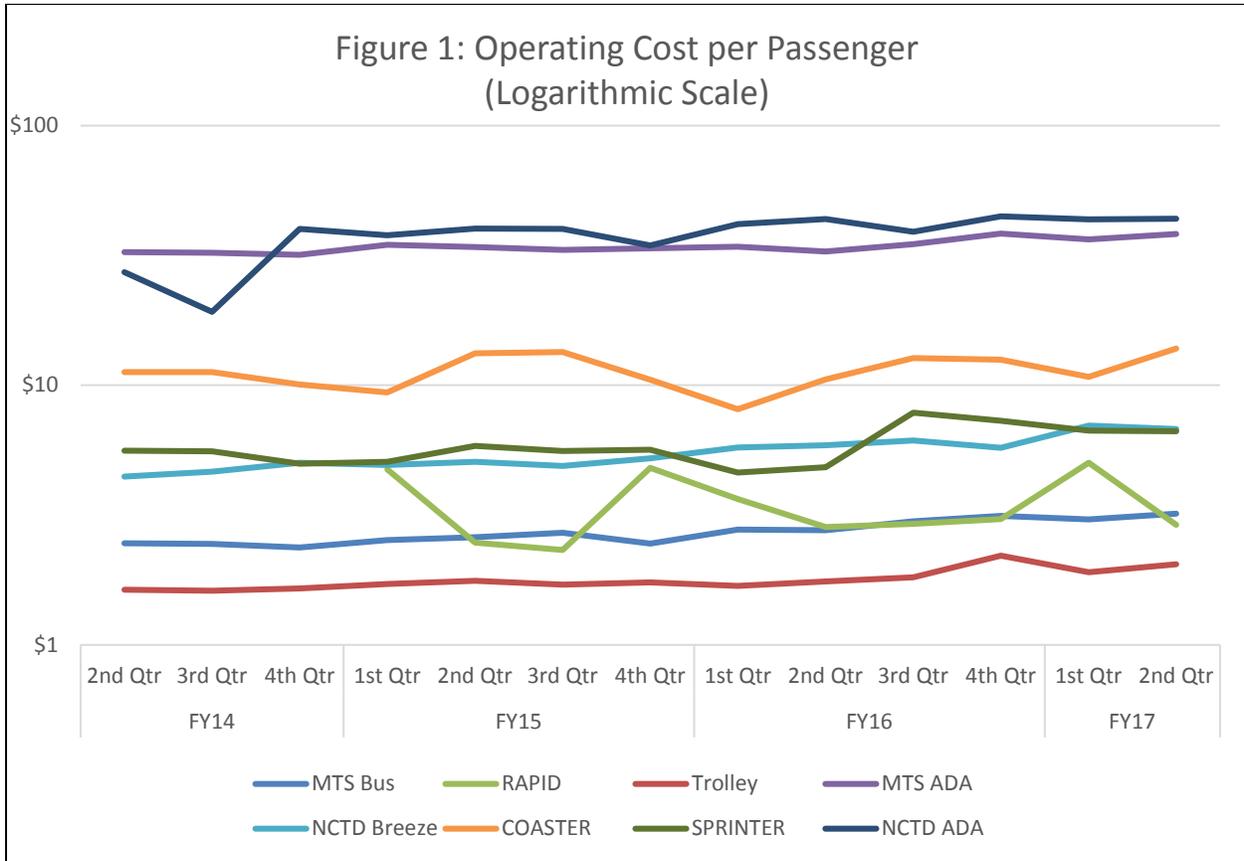


Figure 3: Passengers per Revenue Hour

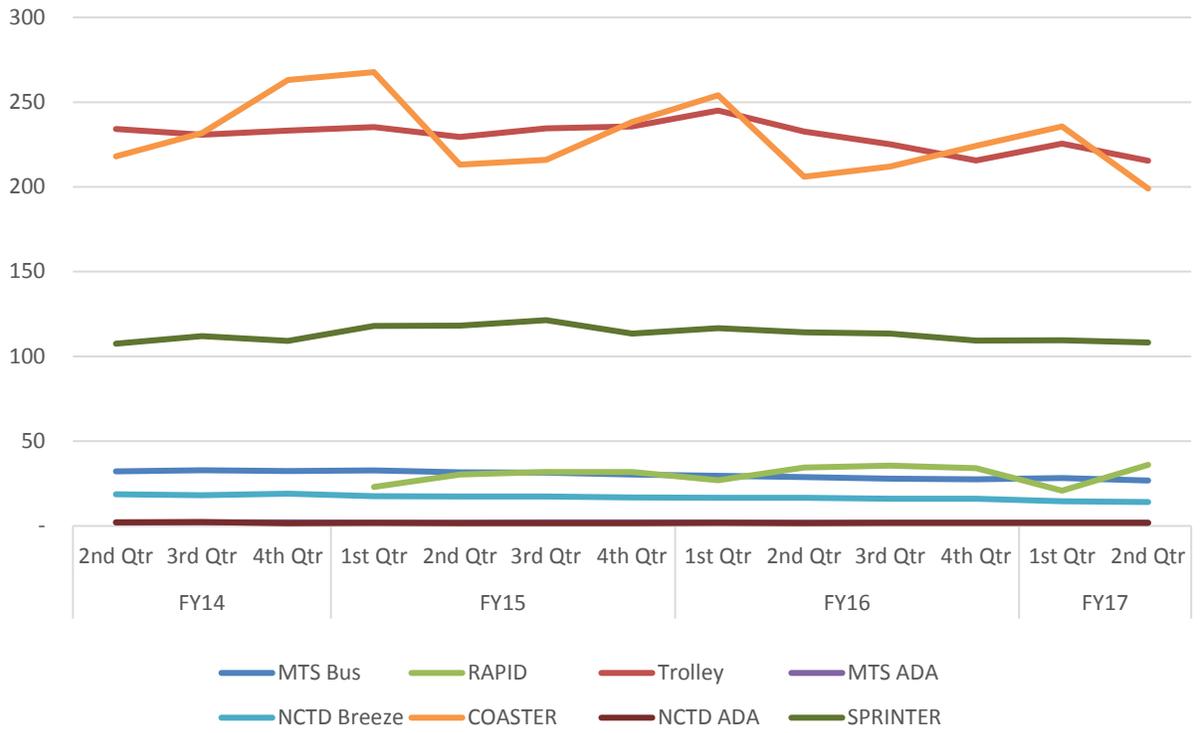


Figure 4: Passengers per Revenue Mile

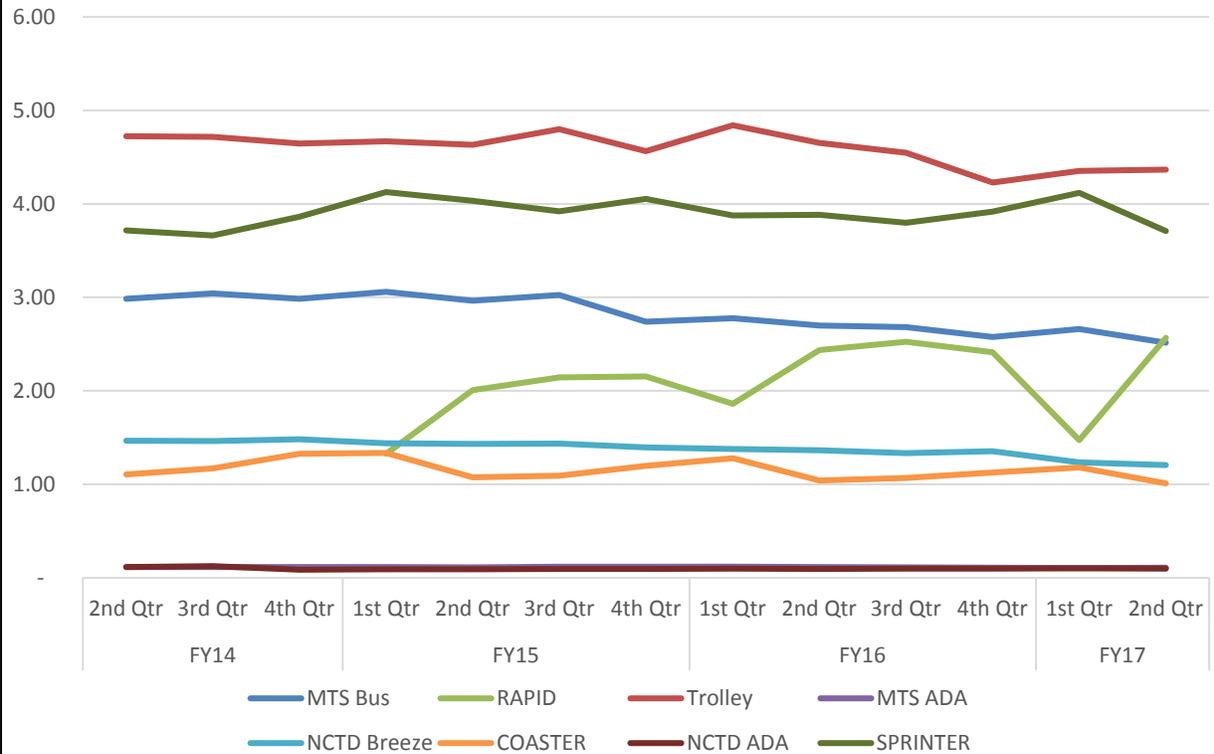


Figure 5: Revenue Hours per Employee  
(Logarithmic Scale)

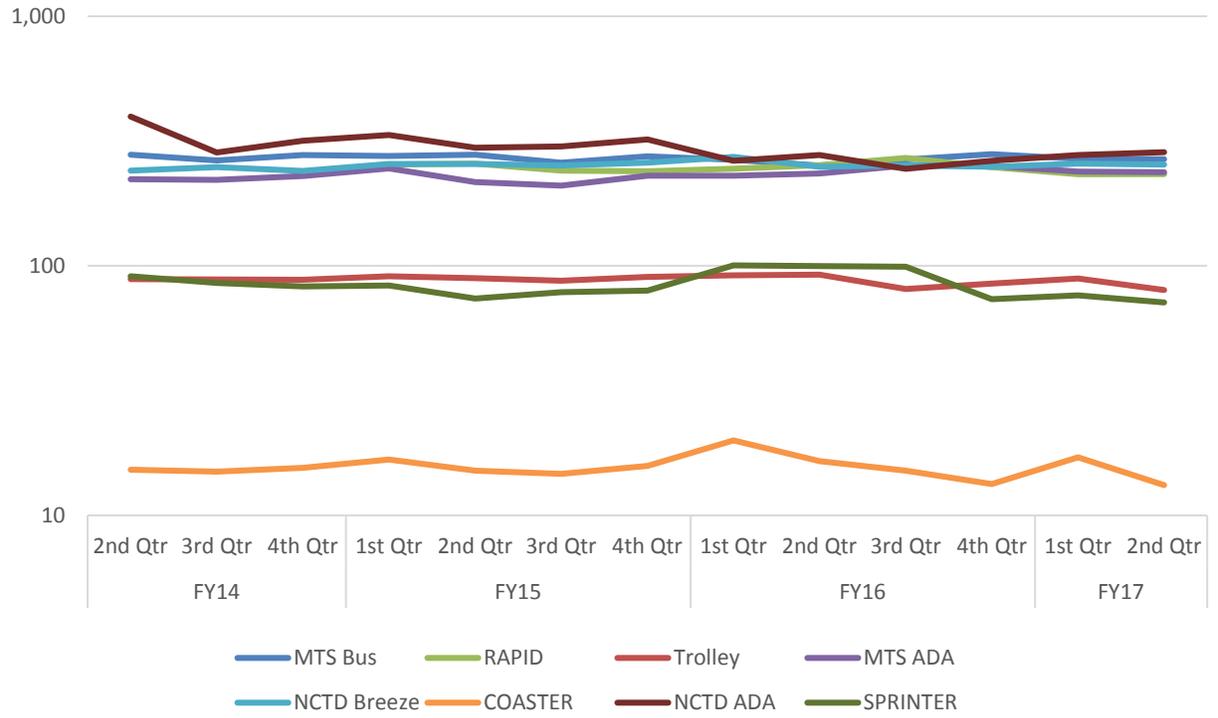
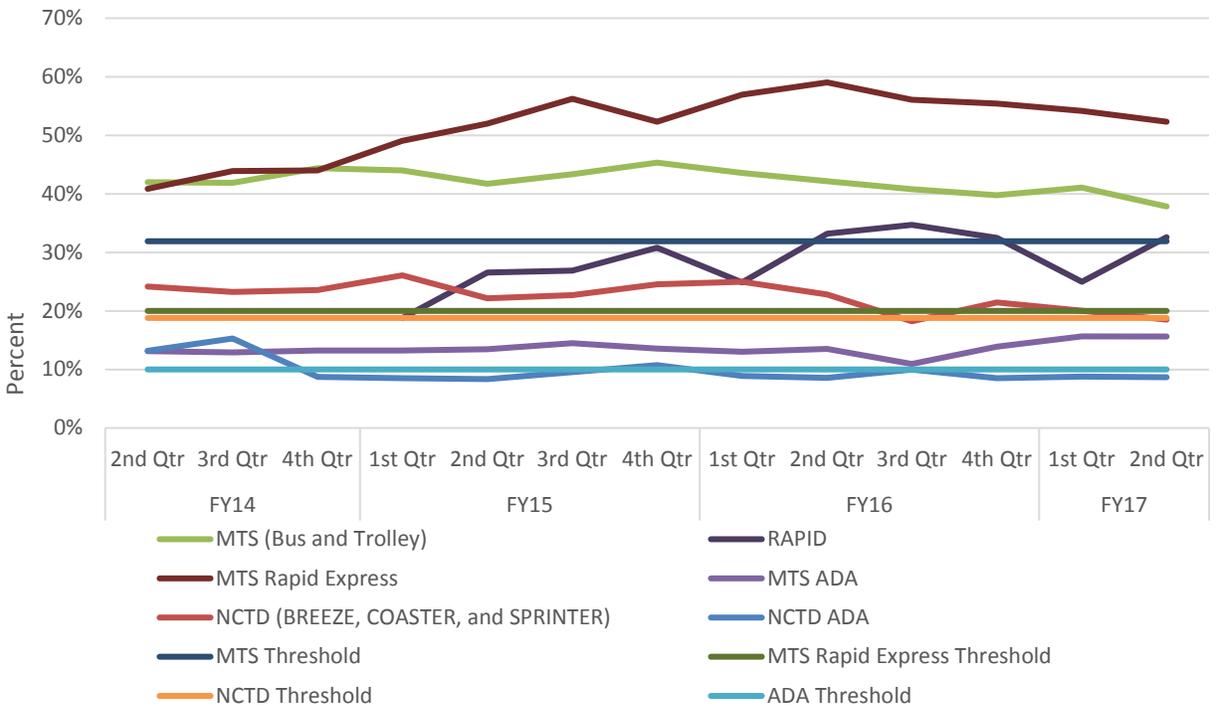


Figure 6: Farebox Recovery Ratio



**MEMO****Date:** May 18, 2017**To:** North County Transit District Board of Directors**Through:** Matthew Tucker, Executive Director810 Mission Avenue  
Oceanside, CA 92054**From:** Luz Cofresí-Howe, Chief Financial Officer 

www.GoNCTD.com

**cc:** SANDAG Transportation Committee**Re:** SANDAG Transportation Committee Meeting on May 19, 2007  
Committee Agenda Item No. 8 – FY2018 Transportation Development  
Productivity Improvement PlanBACKGROUND

The purpose of this memorandum is to provide context to the aforementioned item. Agenda Item No. 8 provides an analysis of the North County Transit District (NCTD) BREEZE, COASTER, SPRINTER and LIFT/ADA transit services by comparing certain performance indicators for Quarter 2 for FY2016 against Quarter 2 for FY2017. NCTD has developed the table below to provide better context in discussing the performance. It is important to note that the NCTD financial numbers do not apply a Consumer Price Index (CPI) retroactive adjustment as SANDAG does. Additionally, please note that the FY2017 financial data is not yet audited and will be affected by certain reclassifications to be performed in the 4<sup>th</sup> fiscal quarter of FY2017.

In summary, the table below indicates:

- declining ridership trends consistent with regional and national trends;
- costs for COASTER operations have increased by 22.7% (not adjusted for CPI), while ridership has declined by 3.2%;
- costs for SPRINTER operations have increased by 23.7% (not adjusted for CPI), while ridership has declined by 5.1%; and
- costs for BREEZE bus operations have declined by 3.6% (not adjusted for CPI) while ridership has declined by 11.9%.

May 18, 2017

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<b>North County Transit District FY 2017 Performance</b>			
	<b>FY 16 2nd Quarter</b>	<b>FY 17 2nd Quarter</b>	<b>% Variance</b>
<b>COASTER</b>			
Cost	\$3,714,832	\$4,556,440	22.66%
Ridership	339,828	329,047	(3.17%)
<b>SPRINTER</b>			
Cost	\$3,439,037	\$4,256,405	23.77%
Ridership	675,060	640,611	(5.10%)
<b>BREEZE</b>			
Cost	\$11,820,973	\$11,400,600	(3.56%)
Ridership	1,910,110	1,682,343	(11.92%)

ANALYSIS

**Rail Operations**

In December 2015, NCTD awarded a new contract to Bombardier Transportation for combined SPRINTER and COASTER operations and maintenance. Revenue operations by Bombardier commenced operations with an early start in mid-June 2016, three weeks before the beginning of FY2017. The Bombardier contract with NCTD included a more robust capital project program approximating \$5 million annually compared to the prior rail operations and maintenance contract in effect during 2<sup>nd</sup> Quarter FY2016. In the 4<sup>th</sup> Quarter of FY2017, NCTD will be reclassifying those capital costs from operating costs to better represent actual cost performance for the rail modes. For example, the combined operating costs for SPRINTER and COASTER for 2<sup>nd</sup> Quarter FY2016 was \$7,153,869; for 2<sup>nd</sup> Quarter FY2017 it was \$8,812,845, an increase of \$1,658,976. Based on the estimated \$5 million of capital eligible activity in the Bombardier contract, a reclassification of capital costs of up to \$1,250,000 will be made to the FY2017 total expenditures for SPRINTER and COASTER operations. As a result of this adjustment, costs will increase by \$408,976 or 5.72%.

**Bus Operations**

The costs for BREEZE operations declined 3.56% 2<sup>nd</sup> quarter fiscal quarter over quarter. The key driver for the lower farebox recovery ratio is the significant decline in ridership at 11.9%. Staff recommended a comprehensive service adjustment that will invest resources where needed and address underutilized services, which was approved earlier today by the Board of Directors and is effective October 8, 2017.

ANNUAL TDA CLAIM FORM

Form B

**STATEMENT OF EFFORTS MADE TO IMPLEMENT  
PERFORMANCE AUDIT RECOMMENDATIONS**

SANDAG Staff Member: Lisa Madsen Date Completed: May 5, 2017

Operator: North County Transit District (NCTD)

Date of Last Performance Audit: June 24, 2016

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
44	<p><b><u>Recommendation 1</u></b> Implement strategies to minimize operating costs for LIFT paratransit service.</p>	<p>NCTD is in the process of modifying the ADA Paratransit Program by instituting the following changes:</p> <ul style="list-style-type: none"> <li>• <b>Implementation of New Technologies</b> <ul style="list-style-type: none"> <li>○ NCTD has undertaken the following activities to improve efficiency and or reduce cost.               <ol style="list-style-type: none"> <li>1. NCTD has purchased software from Trapeze that will allow passengers to book rides on-line or thru an interactive voice response system. This technology will result in operational efficiencies related to the number of schedulers and reservationists required. Previous implementation of this software at other transit agencies has resulted in up to a 40% drop in call volume.</li> <li>2. NCTD is installing mobile data terminal (MDT) on each LIFT and FLEX vehicles, which will improve scheduling efficiency for drivers which should support improving the productivity of trips completed per revenue hour. This will also allow the system to provide notifications to customers via their method of choice (text message, email, or phone call) when the vehicle is near their pick-up point to support improved on-time departures. Previous implementation of this software at other transit agencies has resulted in a cost reduction of up to 15% in some cases.</li> </ol> </li> </ul> </li> <li>• <b>Implementation of fare requirements allowed in the San Diego Regional Comprehensive Fare Ordinance</b> <ul style="list-style-type: none"> <li>○ NCTD is finalizing proposed changes to the NCTD Fare Structure. The Regional Fare Ordinance allows the fare for ADA paratransit fares to be double the fixed route fare for the same trip if taken by fixed route inclusive of transfers. Currently, NCTD is not including the cost of transfer(s) required to complete a trip. Implementation of this change directly addresses improving the farebox recovery ratio. NCTD will also be proposing to implement mitigation strategies for the economically distressed population within the LIFT program.</li> </ul> </li> <li>• <b>Implementation of Enhanced ADA Certification Program</b> <ul style="list-style-type: none"> <li>○ NCTD currently certifies passengers for the LIFT program using an on-line only process. Potential clients apply for the certification thru</li> </ul> </li> </ul>

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
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an application, supported by medical records from their doctor. The determination is made solely by the application and supporting documents. NCTD will be implementing a hybrid approach to certification beginning October 2017. Applicants will still apply on-line similar to the existing process, and will only be required to participate in an in-person interview and or functional assessment when a clear determination of eligibility (approval or denial) cannot be made based on the online application and supporting documentation. Prior transit agencies that have implemented a similar model have seen a reduction in the number of unrestricted clients from an average of 80% down to an average of 60%, and an increase in total denials from 3% to 7%. In addition, the client opportunity to participate in NCTD's travel training program that is being re-established as part of the strengthen eligibility program.

- **Modification of certain operational rules such as pickup window**
  - In order to improve on-time performance, improve scheduling efficiency, improve the ability to dynamically re-route based on performance, and improve the customer experience, NCTD is modifying the following operational rules:
    1. On-time Pick-up Window: Currently the on-time pickup window is 20 minutes, NCTD is changing the on-time pickup window to 30 minutes to improve scheduling efficiency and to foster improved on-time performance by the Contractor.
    2. Cancellation Window: Currently the customer is allowed to cancel the trip 1 hour prior to the start of a trip, NCTD is adjusting the cancellation window to 2 hours to support improved operational efficiency.
    3. Scheduling Window: Currently customers are allowed to book a trip 2 days in advance, NCTD is expanding the scheduling window to 7 days in advance. This will provide the Contractor more time to efficiently group and offer trips to the lowest cost provider. This changes also provides customers the opportunity to call less frequently to book trips, making the service easier to use for customers and lowering the call volume making it easier for customers to call in for last minute trips and checking on trips.

**Implementation Schedule**

November 17, 2016 Board Meeting: NCTD staff briefed the Board on the changes outlined above to comply with the TDA Audit recommendations, as well as industry best practices.

January 19, 2017 Board Meeting: NCTD awarded the Bus and Paratransit Operations and Maintenance Contract to MV Transportation. Mobilization to take place from February thru June, with the Period of Performance starting July 1 2017. This contract implements the operational rule changes outlined above.

March 16, 2017 Board Meeting: Board authorized NCTD to purchase additional Trapeze software outlined above. NCTD staff met with Trapeze shortly after the

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
45	<p><b><u>Recommendation 2</u></b>            Institute robust tracking and management system for excess capital inventory at rail maintenance facilities.</p>	<p>Board meeting to discuss best practices around implementation of software and modification of policy to support the implementation and usage of the software.</p> <p>By July 1, 2017 NCTD expects to have the MDT's installed and functioning in the LIFT fleet.</p> <p>By October 31, 2017 NCTD expects to have the modified LIFT Certification process in place.</p> <p>By July 1, 2018 NCTD expects to implement the remainder of the Trapeze modules and implement fare rates as allowed by the Regional fare ordinance.</p>
		<p><b><u>Inventory Transfers Completed As of June 30 2016</u></b></p> <p>NCTD, as part of the Rail Contract Mobilization effort from January 1, 2016 to June 12, 2016, performed a joint physical count and inventory audit with the demobilizing contractors (HTI, HTSI, TASI, and Transdev) and the incoming contractor, Bombardier. An agreed-upon list was produced from this physical count and inventory audit, and is the basis for tracking all changes to inventory from July 1, 2016. A major focus for NCTD was to itemize all the capital project material previously reported under capital improvement projects. An additional focus for NCTD was to eliminate obsolete material and create additional space for new inventory coming in.</p>
		<p>Most of the capital improvement projects supplied spare parts as a part of project closeout that were reported as assets connected to the respective capital improvement. This made it difficult for NCTD to know what spares were available and if the material was usable. The inventory audit conducted by NCTD and its contractor, Bombardier, included these spare parts in the itemized listing and documented their respective condition. NCTD now has the ability to track these spares for past and future projects, ensuring that the agency is not purchasing material already on the shelf, as well as ensuring that obsolete material is disposed of properly. NCTD has also incorporated a lay down area that allows storage of bulk material in an organized fashion, so that material can be accurately tracked and utilized.</p>
		<p><b><u>Inventory Reconciliation Process, Actions, &amp; Schedule</u></b></p>
		<p>By April 30, 2017, Bombardier shall complete its reconciliation of the NCTD provided inventory and provide a report that categorizes the inventory as follows: usable inventory, excess inventory, and obsolete inventory.</p>
		<p>By May 31, 2017, NCTD shall complete its review of Bombardier's reconciliation of the NCTD provided inventory and shall provide direction to Bombardier regarding the disposition of excess inventory and disposal of obsolete inventory. The usable inventory and the associated value of such inventory shall constitute the total dollar value of the NCTD transferred inventory and the minimum value of the inventory that Bombardier shall be responsible for transferring back to NCTD at the conclusion of Contract 16043-OS.</p>
		<p>By June 30, 2017, Bombardier shall provide NCTD the initial draft of the Inventory Plan as required in Section 10.2 of Contract 16043-OS.</p>
		<p>By August 1, 2017, NCTD shall provide Bombardier its comments and convene meetings regarding the initial draft Inventory Plan to support its finalization.</p>

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
46	<p><b><u>Recommendation 3</u></b>            Work with SANDAG to develop digital database for storing NCTD right of way data</p>	<p>By September 30, 2017, Bombardier shall submit to NCTD the final Inventory Plan as required by Section 10.2 of Contract 16043-OS. Thereafter, the updated and final Inventory Plan shall be submitted annually by January 1, starting in the year 2018 for NCTD to review and approve.</p> <p>Currently, NCTD uses a variety of data sources for the research of Right-of-Way data. These sources include an NCTD GIS database that identifies right-of-way parcels and boundaries, surveys, and real property agreements. The data sources such as surveys and real property agreements are electronically stored in NCTD's document management system LaserFiche.</p> <p>Additionally, NCTD has developed and is now testing a Real Estate Module in its Enterprise System, JD Edwards that allows for the storage of its Real Estate Agreements, both revenue and non-revenue. This module will be live in July of 2017, and affords the District visibility to the various incidental uses along the Right-of-Way. The module stores information by milepost and use type, along with critical terms and conditions of the agreements.</p>

ANNUAL TDA CLAIM FORM

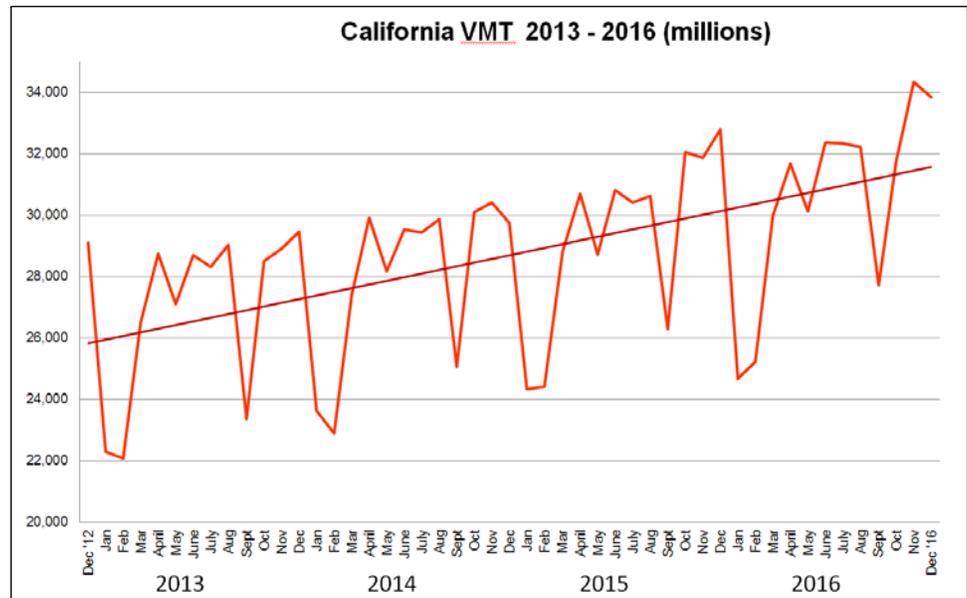
Form B

## STATEMENT OF EFFORTS MADE TO IMPLEMENT PERFORMANCE AUDIT RECOMMENDATIONS

SANDAG Staff Member: Lisa Madsen Date Completed: May 1, 2017Operator: Metropolitan Transit System (MTS)Date of Last Performance Audit: May 31, 2016

Page	Performance Audit Recommendation(s)	Actions Taken to Implement Recommendations
40	<p><b><u>Recommendations</u></b></p> <p>The auditor offered no recommendations for MTS in the May 2016 audit.</p>	<p>While no specific recommendations were made in the most recent audit, MTS is proactively working to mitigate recent downward trends in ridership, revenue, and productivity. The Transit Optimization Plan (TOP) is a one-year study that began in Summer 2016 to review market demographics, analyze service trends, and respond to ridership needs and changes. The goal is to increase ridership and revenue by reinvesting resources from underutilized services into more productive areas, routes, and segments that retain a high demand. A resulting list of over 50 proposals for improvements was offered to the public for feedback, and these will be further refined into recommendations for Board approval and implementation in late 2017 and early 2018.</p> <p>MTS is also undergoing several fare collection efforts to add new convenience and payment options, modernize the system, and review pricing levels for potential changes. A new mobile ticketing app was launched in March 2017, allowing riders to buy certain fares and passes on their smartphone, and MTS anticipates adding options for stored-value on Compass Card in mid-2017. A Concept of Operations is also in development for the next-generation fare collection system that will ultimately replace the Compass system, which will be close to 20 years old at retirement. Lastly, MTS is participating with SANDAG and NCTD on updating the regional fare ordinance with the goals of retaining and attracting ridership while protecting revenues.</p> <p>It is worth noting that the recent downward trends in performance metrics are not unique to MTS or San Diego. MTS polled 29 large and medium-sized transit agencies in California; all but four lost ridership in the first three quarters of 2017 over 2016. Nationally, of 13 peer bus agencies, eleven lost ridership in the same period. There has been much speculation in the transportation industry on why transit ridership is dropping after record years in 2013-2015; there are likely many reasons including low gasoline prices, low cost of automobile financing and ownership, longer commutes, changing demographics (gentrifying transit-rich neighborhoods and relocation of affordable housing to more remote communities), and app-based ride-hailing alternatives. These national trends are reflected in other statistics like record auto sales and significant growth in Vehicle Miles Traveled (VMT). While California has shown leadership in climate action goals, VMT has still steadily increased in the state since the recession.</p>

Figure 1. California Monthly Vehicle Miles Traveled 2013-2016



Nationally, most transit agencies whose ridership increased over the past two years had a very substantial simultaneous investment in transit, such as the opening of a new rail line or the passage of a local funding measure that provided resources to add services. This may also help MTS grow transit ridership, as it will begin service next year on the South Bay Rapid bus line between Otay Mesa and Downtown San Diego, and construction is swiftly progressing on the Mid-Coast light rail extension, with a planned start of service in 2021. Other projects in San Diego Forward, the 2050 Regional Transportation Plan, include a new light rail line on the Interstate 805 corridor, fixed guideway projects for feeder service, and several dozen potential Rapid and Express routes throughout the region. State legislation is also proposed that would enable MTS to sponsor a ballot measure that could provide additional funding for transit.

Lastly, MTS continues to actively manage costs, as recognized by the auditors. In the last year, all remaining diesel standard transit buses were retired from the MTS fleet, moving to cleaner burning and less costly compressed natural gas-powered buses. Additionally, a significant percentage of MTS' fixed-route and paratransit minibus fleet was switched from gasoline powered to buses fueled with less expensive propane.