

Summary of Recent Bus System Cost Management Strategies

Demand for fixed-route bus service historically provided by the Orange County Transportation Authority (OCTA) has decreased around the county because of changing demographics, increasing auto ownership, and advent of new technologies. OCTA's ridership declines are not unique as transit agencies around the nation are experiencing the same issue. The drop in bus ridership, when coupled with lower than expected revenues, has presented OCTA with significant challenges over the past several years.

In response, OCTA implemented OC Bus 360°, a comprehensive service improvement initiative to curb declining ridership and provide customers a more efficient and user-friendly transit system. A primary goal of OC Bus 360° is to better match transit service delivery models with market demands. Concurrently, OCTA has taken multiple steps to address the financial realities without impacting the overall level of fixed-route bus service.

- OCTA doubled, to 40 percent, the amount of fixed-route service that is contracted. This resulted in a savings of \$14.2 million on an annual basis.
- Competitive bidding allowed OCTA to lower the cost of the contract to provide ACCESS paratransit service by \$8.5 million less in succeeding budget years when compared to the prior contract.
- OCTA required all employees to pay the full amount of the employee share of pension costs. This action was approved in a phased approach that is now fully implemented. The annual savings is estimated to be \$5.8 million annually.
- Staff negotiated a new lease for the administrative headquarters building. In addition to providing tenant improvement funds for the buildout of the new Board of Directors (Board) room and conference center and other building improvements at no cost to OCTA, the lease approved by the Board saves \$1.3 million annually. Most of those savings accrue to the bus program.
- The Board approved a new contract for the purchase of renewable natural gas at a lower cost. In addition, OCTA has been able to monetize both state and federal credits, which generates a new revenue stream for OCTA. Through these actions, OCTA expects to save the bus program \$3.4 million annually.
- A major portion of the costs associated with running a countywide bus system is the purchase of rolling stock. The most recent OCTA bus order was reduced by 40 buses, which provided immediate cash savings of \$23.2 million. Since the long-term fleet plan was reduced by 40 buses, annual sinking fund contributions have been reduced by approximately \$2 million. These funds are being used to help offset lower ongoing revenues.

- In 2016, OCTA implemented several additional changes to align the budget with lower revenues. Changes included the cancellation of an order of 12 40-foot buses, lower fuel and lubricant costs, lower contracted-services costs, and savings related to insurances, professional services, and parts costs. Ongoing savings realized by these adjustments total \$6.7 million, and annual sinking fund contributions have been reduced by approximately \$600,000.

All the aforementioned actions have saved a total of \$42.5 million for the bus system on an annualized basis as compared to what costs would have been incurred had no action been taken. The current fiscal year transit operations budget is \$290 million. These proactive changes have allowed OCTA to maintain service levels despite lower-than-expected sales tax receipts. Additionally, a planned fare increase in 2017 was cancelled. In fact, there have been no fare increases to the base fare since February 2013.