

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 9/25/2019

Staff Report No. 16-106c

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Broadway Shuttle Contract Renewal

ACTION ITEM

RECOMMENDED ACTION(S):

Consider authorizing the General Manager to execute a contract renewal with the City of Oakland (City) for operation of the Broadway Shuttle.

BUDGETARY/FISCAL IMPACT:

The fully allocated cost of the Broadway Shuttle service for FY 2019-20 is approximately \$2.1 million, of which the City of Oakland will reimburse the District approximately \$900,000. This results in a District funded operating subsidy (the difference of operation and expense revenue) of \$1.3 million. These calculations are based on the District's fully allocated service rate of \$199 per revenue hour and the City of Oakland reimbursement rate of \$86 per service hour under the current shuttle contract. Under the terms of the renewal of the draft Transit Service Agreement, the reimbursement rate would increase to \$92 per service hour for the remainder of FY2019-20, to \$95 in FY2020-21, and to \$98 in FY2021-22.

BACKGROUND/RATIONALE:

AC Transit has operated the Broadway Shuttle under contract with the City of Oakland since 2010, with the current contract set to expire December 31st, 2019. Service runs along Broadway Monday to Friday from 7 AM to 7 PM between Embarcadero West (Jack London Square) and Grand Avenue, and from 7 PM to 10 PM between Embarcadero West and 27th Street. With an average of 2,000 daily boardings along the one-mile route, the service is one of the most productive in terms of passengers per revenue hour in the AC Transit system.

The Broadway Shuttle is funded in part by the San Francisco Bay Ferry, the Downtown Oakland Association, the Jack London Square Business Improvement District, the Bay Area Air Quality Management District (BAAQMD), and the Alameda County Transportation Commission (ACTC). The City of Oakland collects funds from these organizations, which it uses to reimburse the District for a portion of Shuttle operating costs. The City currently reimburses the District at a rate of \$86 per service hour, which funds slightly over 40% of the Shuttle's current \$2.1 million annual operating cost. This revenue is more than two times higher than average District farebox recovery, which helps support the rationale for operation of a fare-free service that is duplicative of other AC Transit service.

In April 2019, staff requested the Board of Directors consider extending the District's contract with the City of

Oakland for six months so that staff from both agencies could consider future service options and funding mechanisms (Staff Report 16-106b). At the time, there was concern among both parties about future funding availability.

Since then, staff has met with the City of Oakland and its funding partners, who have all expressed commitment to continued operation of the Broadway Shuttle and to seeking additional funding, either from expanding the service to cover new development with shuttle requirements (e.g. Brooklyn Basin) or through the establishment of a Transit Management Association (TMA) or Transit Business Improvement District (TBID).

Currently, most of the funding the City receives for the Broadway Shuttle is voluntary and/or competitively awarded (committed shuttle funds include a Measure BB grant and a required contribution from Jack London Square). However, the City and its funding partners are committed to using discretionary funds for the Broadway Shuttle for reasons related to:

- **Economic Development:** The Shuttle connects residents, employees, and visitors to businesses and destinations throughout many Oakland neighborhoods and Business Improvement Districts. Ridership is strongest during the midday, supporting the notion that the shuttle is used for trips to area businesses.
- **Regional Transportation Connection:** The Shuttle provides a free connection to the Jack London Ferry and Amtrak terminals, the 12th and 19th Street BART stations, and numerous AC Transit lines. A City of Oakland survey from 2018 found that 40% of shuttle users transfer to/from another mode of public transportation, while 24% of shuttle users would drive alone if the shuttle were not available.

For these reasons, the City and its partners have indicated they would seek a private shuttle operator with their available funds should AC Transit cease to operate the Broadway Shuttle.

Staff recommends the Board of Directors consider extending the Transit Service Agreement with the City of Oakland for operation of the Broadway Shuttle through FY2021-22. The draft Transit Service Agreement would increase the reimbursement rate to \$92 per service hour for the remainder of FY2019-20, to \$95 in FY2020-2021, and to \$98 in FY2021-22. The length of this term gives staff time to study alternatives while aligning the contract to the District's fiscal year.

Because District funds are being used, the District will need to take ownership of the service for Federal Transit Administration (FTA) compliance purposes. Therefore, whether the Broadway Shuttle is extended or discontinued, the service and the free fare policy would be subject to a Title VI analysis and public hearing per Board policies 110 and 518.

Potential Short- and Long-term Alternatives

Staff recognizes that the decision to continue operation of the Broadway Shuttle has trade-offs, advantages and disadvantages. Therefore, below is a list of alternatives for the Board to also consider either as an alternative to Staff's recommendation or at some point in the future.

The Board may choose to amend the terms of the draft Transit Service Agreement.

The Board may also choose to discontinue operation of the Broadway Shuttle, which would save \$1.3 million in annual operating costs that could be reinvested in other service in the future. The City of Oakland and its partners have indicated they would seek a private operator with their available funding should the District cease operation. The introduction of an additional shuttle operator in downtown could reduce AC Transit ridership and further fragment the transportation network.

The Board could also direct staff to examine alternative service and funding options to the Broadway Shuttle as it is currently operated. This is an approach supported by the City of Oakland and its Shuttle funders to ensure that all parties are making best use of available funds. This analysis would involve the Shuttle's stakeholders and would be conducted during the term of the extended Transit Service Agreement, with the goal of implementing any service changes at the end of the agreement period. There is stakeholder interest in the following:

- **Downtown Transit Mall:** This would involve reorganizing the District's transit service on Broadway around a more frequent Broadway Shuttle. Instead of nine routes operating on the corridor between 12th and 20th Streets, some routes coming from north Oakland could terminate at the Uptown Transit Center (20th and Broadway), providing a savings the District could reinvest in increasing the frequency of the Broadway Shuttle. This could improve service legibility and increase ridership along the corridor. For example, if Lines 6, 12, and 18 terminated at 20th and Broadway, the Broadway Shuttle could be operated every six minutes between Grand Avenue and Embarcadero, compared to the 12 to 16-minute frequency today. Passengers traveling through 20th Street would have to transfer, but they would do so to a free, frequent connection operating the length of Broadway to Jack London Square. The City of Oakland has indicated a willingness to support this idea through the implementation of transit priority treatments on Broadway to ensure service is fast and reliable.

An example of this concept is the Free MallRide, operated by the Denver Regional Transportation District (RTD). This service operates in an exclusive right of way and stops at every intersection along downtown Denver's 1.42 mile-long 16th Street Mall between Union and Civic Center Stations. The service operates every traffic light cycle during peak periods and every 3 to 15 minutes at all other times, with average weekday ridership of 43,971.

- **EasyPass for Downtown Oakland Businesses and Residents.** As an alternative to operating the Broadway Shuttle, the District could encourage downtown businesses and developers to purchase passes through EasyPass for employees and residents, which would enable discounted travel on all AC Transit service. The Central Ohio Transit Authority (COTA), for example, recently implemented a version of this concept with its Downtown CPass program. Funded by property owners located within a downtown special improvement district, COTA reports that nearly 15,000 employees have taken advantage of the program in its first few months, doubling the share of those commuting by transit to downtown Columbus, OH.

Funding for either program above could come from the formation of a Transit Management Association (TMA) or Transit Business Improvement District (TBID). All members of a TMA pay a fee that can be used to cover transportation costs, which could provide sustained long-term transit funding for the downtown area. The City of Oakland is currently studying these options.

ADVANTAGES/DISADVANTAGES:

Advantages of renewing the Transit Service Agreement for operation of the Broadway Shuttle include:

- **Ridership:** The Broadway Shuttle is a popular and recognizable service that attracts 2,000 daily riders and is one of the most productive AC Transit routes in terms of passengers per service hour. Many of these riders connect to other public transit service, including AC Transit.
- **Revenue:** The Shuttle is a demonstration of a successful partnership with external funding partners, including the City of Oakland, the San Francisco Bay Ferry, the Downtown Oakland Association, the Jack London Square Business Improvement District, BAAQMD, and ACTC, producing a revenue stream that covers 43% of operating cost. If this revenue were counted as fares, the Shuttle would have one of the highest farebox recovery ratios of any AC Transit route. Extending the contract would provide an opportunity to seek additional funding, either from current or future development along the corridor.
- **Planning:** Renewing the contract would give staff an opportunity to examine alternative service and funding options for the Broadway Shuttle, as described above.

The main disadvantage of continued operation is that the Shuttle is duplicative of other AC Transit routes and obligates three peak operators and an expenditure of \$1.3 million annually that could be invested in other service. However, it is unlikely that expending those resources on other service would produce the ridership or revenue of the Broadway Shuttle given the District's average farebox recovery.

ALTERNATIVES ANALYSIS:

For the current recommended action brought before the Board, the only alternative is to discontinue the District's agreement with the City of Oakland to operate the Broadway Shuttle. For reasons previously mentioned, Staff does not recommend this action. Whether or not it is duplicative service, the Broadway Shuttle serves a transportation need that the downtown business community and City of Oakland values, to a point where they would consider contracting with a private shuttle operator to provide the service should the Broadway Shuttle cease to exist.

In addition, continuing operation of the Broadway Shuttle leaves open the potential for a more robust transit service along Broadway such as the Downtown Transit Mall concept.

PRIOR RELEVANT BOARD ACTION/POLICIES:

Staff Report 16-106b: Contract Extension for Operation of the Oakland Broadway Shuttle

ATTACHMENTS:

None

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