

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 9/22/2021

Staff Report No. 21-412

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Cost of Service Trend

BRIEFING ITEM

RECOMMENDED ACTION(S):

Consider receiving a report on the trend of hourly cost of service. [Requested by Director Shaw - 8/11/2021].

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

Having metrics for service costs allow the District to compare its performance over time and to other agencies.

BUDGETARY/FISCAL IMPACT:

There is no budgetary impact from this report.

BACKGROUND/RATIONALE:

Transit agencies use a selection of cost metrics to measure the performance and efficiency of service. The most common measures look at variations of cost per hour and cost per mile. By looking at costs based on standard units, the measures allow for comparisons over time, and with some consideration, between agencies. In addition, the District uses these measures as a basis for what it charges to other entities for contracted service.

Costs per Hour

Attachment 1 shows the past several years of a selection of cost per hour metrics on the first page, and overall revenues for comparison. Some definitions to go along with the metrics:

- Fully Loaded Cost - all expenses for District-operated bus service divided by hours.
- Marginal Cost - Attempts to measure just the cost of service on the street without administrative burden. Expenses included are: operator labor and fringe (except for new bus operators in training), maintenance labor and fringe, bus parts, diesel, hydrogen, electricity for bus charging, and lubricants. A second marginal cost adds in the cost of service supervision.
- Revenue Hours - all the time a bus is in revenue service including layover and recovery time but excluding deadhead and rest/meal breaks.

- Platform Hours - all the time a bus is outside the yard. Includes revenue hours plus deadhead, and rest/meal breaks.
- Deadhead - the time a bus needs to travel from the yard to its first in-service bus stop, or the reverse, travel time from last in-service stop back to the yard.

The District has a mix of service types and arrangements, so there are some considerations when looking at expenses. Paratransit service expenses are excluded since the service model is very different than fixed route bus, performed jointly with another agency, and contracted as opposed to directly operated. Dumbarton Express service expenses and hours are excluded since they are contracted.

Expenses being equal, revenue hour cost will be larger than platform hour as there are less revenue than platform hours for the same service. Costs per hour shown include both local and Transbay service.

Fully loaded costs are calculated using National Transit Database (NTD) figures for both expenses and hours so that this cost can be easily compared to other agencies. Marginal costs are calculated based on internal actual expenses, as NTD data does not have the breakdown of costs needed to isolate the specific expenses needed. NTD reporting and data are generally at least one year behind. For this reason and the effects of the pandemic the most recent year shown is FY 2019-20.

Revenues

The second page of Attachment 1 gives a high-level view of District revenues for the purposes of comparing cost growth to revenue growth. A significant factor in the District's revenue growth over the analysis period is the addition of new revenue sources as noted. The first is Alameda County Measure BB, which was passed by the voters in November 2014, and the District started receiving funding in late FY 2014-15. The first full year of Measure BB (FY 2015-16) provided \$30.4 million. The District's cost per hour measure jumped for FY 2015-16 as the revenue and matching expenses were added to the District ahead of the service increases of AC Go. The second is Senate Bill 1, which was signed into law in April 2017, and effectively doubled the amount of State Transit Assistance (STA) operating revenues that AC Transit receives.

Comparisons

Overall, for the period from FY 2013-14 to FY 2019-20, fully loaded revenue per hour costs rose by 39% and platform per hour costs by 37%. This is compared to growth in total revenues for the same period of 43%. This growth is consistent with the District being able to balance its budget during this time - rising costs were met with rising revenues.

The pandemic has interrupted this parallel growth trend, the beginning of which can be seen in the figures for FY 2019-20. The growth in cost per hour on either chart increases at a greater rate than revenues do from FY 2018-19 to FY 2019-20. Cost per hour figures rose significantly because service hours dropped significantly but expenses did not. In addition, regular revenue growth dropped significantly during the pandemic.

Special Transit Service Districts

The third page of Attachment 1 shows the comparisons of Revenue Hours and Total Revenues for Special Transit Service Districts 1 and 2. Special Transit Service District 1 consists of the entire AC Transit District except for the Cities of Fremont and Newark, which are known as Special Transit Service District 2. The patterns for the Special Districts are similar although on different scales. The growth in revenue hours over the six years (FY

2014-15 through FY 2019-20). FY 2013-14 was excluded from this dataset due to a change in allocation of AB1107 revenues that occurred with FY 2014-15.

ADVANTAGES/DISADVANTAGES:

This report does not recommend a course of action with notable advantages or disadvantages.

ALTERNATIVES ANALYSIS:

This informational report does not have notable alternatives.

PRIOR RELEVANT BOARD ACTION/POLICIES:

None

ATTACHMENTS:

1. Graphs and charts

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