

**City of Visalia  
Agenda Item Transmittal**

**Meeting Date:** 1/7/2019

**Agenda Item Number (Assigned by City Clerk):** 9.

**Agenda Item Wording:** Public Hearing and Adoption of resolution 2019-03 authorizing and amending proposed new fees and increases to fees for Visalia Transit Trolley Rental and Sequoia Shuttle Service included in the City's Rates and Fees Schedule for Fiscal Year 2018-19; Discussion and consideration of potential sale of Visalia Transit trolley buses.

**Deadline for Action:** 1/7/2019

**Submitting Department:** Transit Division

**Contact Name and Phone Number:**

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**Department Recommendation:** That the City Council conduct a Public Hearing to receive public testimony on the adjustment of Transit Hourly Service rates and Sequoia Gateway Shuttle Ticket pricing. After holding the Public Hearing, it is recommended the Visalia City Council adopt Resolution 2019-03 to amend the City's Rates and Fees document for the Fiscal Year 2018-19. Staff also requests Council direction on the possible sale of the City's five (5) Trolley buses.

**Summary:** Visalia Transit (VT) has the need to update pricing for the hourly lease of Trolleys and the pricing for the Sequoia Gateway Shuttle. These increases are required based upon the new pricing in the Operations and Maintenance Contract with First Transit which began on October 1, 2018. A summary of the proposed increases is shown below in Table 1, Summary of Proposed Rates and Fees Increases.

**Table 1, Summary of Proposed Rates and Fees Increases**

Fee Type	Current 18-19 Fee	Proposed 18-19 Fee	Proposed Increase
Trolley Rental per hour-City Rate	\$ 65.00	\$ 87.50	\$ 22.50
Trolley Rental per hour-Non-City Rate	\$ 65.00	\$ 102.31	\$ 37.31
Trolley Rental Surcharge-Extended Per Hour	actual	30.00	none
Sequoia Shuttle - Round Trip Ticket	\$ 15.00	\$ 20.00	\$ 5.00

**Background Discussion:** The City has experienced an increase in pricing on the Transit Operations and Maintenance contract as a result of a bid process and the recommended award

which was approved by the City Council in June of 2018. As a result of the increase in contract pricing, staff recommends an increase to the Trolley Lease rate, as well as the Sequoia Gateway Shuttle ticket price to prevent the subsidization of these services with Local Transportation Funding (LTF) required to run the Fixed Route Service.

### **Trolley Rental Fee Changes Proposed**

Trolley Lease Rate: The Downtown Trolley Fixed Route Service ended in September of 2017, and the City's Holly Trolley Service ended after the 2017 Holiday Season. However, the City still owns five (5) Trolley buses and receives requests for rental of the buses for City and Community events. Under Federal Transit Administration (FTA) regulations, VT is not allowed to compete with bus charter services by renting the Trolleys. As a result, any Trolley requests for events not directly related to City services must be fulfilled by a lease of the Trolley to a local charter service, which then leases the Trolley to the customer. For events sponsored and/or coordinated by City Staff, the Trolley's may be leased directly to the City department organizing the event. In both instances, the actual cost of the Trolley service being provided must be paid to the Transit Fund.

The Trolley lease rate was last increased nine years ago to \$65 dollars per hour for the 2009/10 year. This lease rate is extremely outdated and staff has determined the need to recalculate rates more in line with current actual costs. Staff proposes a two-tiered lease rate be adopted for the remainder of the 2018/19 Year. The first hourly rate of \$87.50 would be charged for Trolley leases for City services and the second hourly rate of \$102.31 would be charged for non-city leases. Both are discussed in more detail below.

- The first hourly rate of \$87.50 per hour is calculated based upon the actual cost of operating a single bus for one hour, including VT Overhead and excluding VT costs not directly related to the provision of lease services (mainly Marketing, Advertising, and Depreciation). The \$87.50 rate does include a small amount of depreciation based upon the estimated grant match needed for bus replacement, since the majority of VT's bus purchases are grant funded.
- The second hourly rate of \$102.31 is calculated the same as the first; however it includes the full cost of vehicle replacement (depreciation). This difference is based upon the need to prevent passing the benefits of any capital grant funding received by the City through to private business entities.

Trolley Rental Surcharge for Extended Service: This fee is for the additional cost of providing a dispatcher and supervisor during leases which extend outside the normal hours of operation for VT service. In the past, this fee has been identified in the Rates and Fees document, without setting a specific price. In practice, the actual costs of operations staffing billed by the contractor for extended service have been passed through at the time of billing on the lease. The current operations contractor has set an extended billing rate which allows VT to set this surcharge rate at \$30 per hour for the remainder of this first contract year, allowing VT to provide more structured pricing for these services to inquiring customers and during the lease process.

Request for Council Direction on the Future of Visalia's Trolleys: The five (5) Trolleys currently owned by the City are no longer needed for Transit service. The charming appearance of the vehicles makes them popular with the citizens of Visalia; however that popularity never translated into ridership, which is why the Trolley service has been cancelled. Transit has tried to make practical use of the Trolleys for special events and leases, however they must be maintained ready for service at all times and are used only sporadically. The lease revenue earned by these 5 vehicles in the 2018 calendar year was \$5,324, which represents a total of 29 leases averaging around 3 hours each. This small amount of use makes retaining these vehicles difficult to justify.

The total current book value of the five Trolleys is \$285k; however, they were depreciated at an accelerated rate over 10 years, so their value for sale may exceed this amount. The sale of the Trolleys could provide funding to be used in the purchase of replacement buses for the Transit fleet, however, each year we continue to use the Trolley's, their value declines another \$40k. For this reason, staff is requesting direction from Council concerning the possibility of selling the Trolleys. If Council is interested in selling these vehicles, staff recommends they be sold together as a unit. Three of the trolleys are ten years old, with two years of remaining life and two are five years old, having an estimated remaining useful life of seven years. Under FTA regulations, the sale of the Trolleys would be a lengthy process which would take several months and they would continue to be leased in the interim.

#### **Sequoia Gateway Shuttle Fee Change Proposed**

Sequoia Gateway Ticket Increase: Sequoia Gateway Shuttle Round Trip tickets were priced at \$10 when service began in 2006, and this price was increased to \$15 in the third year (2008). The ticket price has remained the same for the last 9 Shuttle seasons. On October 1, 2018, the pricing for all VT operations increased due to the start of the new Operations and Maintenance Contract with First Transit (FT). This contract increase, combined with the gradual cost increases over the last 9 years has created the need to increase the Gateway Shuttle ticket price. Prior to the award of the new contract, the City applied for operational funding for the 2019 Gateway Shuttle from the FTA and, in September of 2018, was awarded a grant in the amount of \$191,600. Using this grant amount and the new pricing from the FT contract, projections of the operational budget for the 2019 Gateway Shuttle season have been updated. The current projection is shown below in Table 2, Projected 2019 Sequoia Gateway Shuttle Operating Budget.

**Table 2, Projected 2019 Sequoia Gateway Shuttle Operating Budget**

Revenue	\$ 412,075.64
Expense	(474,768.38)
Net	\$ (62,692.74)

Assuming ticket sales remain at the same levels, an increase of the roundtrip ticket price to \$20.00 would be estimated to generate an additional \$31,000 which could be used to fund the gap shown in Table 2 above. When ticket prices are increased, it is typical to experience a drop

in ridership so the expected increase in ticket revenue is projected to be nearer to \$20,000 for the 2019 season. While this estimate leaves a remaining gap of \$43k in the 2019 Gateway Shuttle budget which will require the use of LTF, VT anticipates a higher grant funding amount in the following years and does not plan for this funding gap to continue. Staff recommends the 2019 Shuttle Season proceed as planned.

**Fiscal Impact:**

Trolley Lease Rate: Using prior year actual leases, the increase in lease revenue from raising this hourly rate is estimated to be \$1,800/year which represents the current annual loss on Trolley leases. With the increase of this hourly rate, Trolley service is expected to break even.

Trolley Rental Surcharge for Extended Service: Adopting a standard rate simply memorializes current practice of passing through actual costs and has no net effect.

Request for Council Direction on the Future of Visalia's Trolleys: Sale of the Trollies is expected to generate at least \$285,000 in capital revenue towards the purchase of replacement Transit vehicles. Based upon the loss in value of \$40,000 per year and the annual Trolley lease revenue amount, retaining and operating the Trollies for lease represents a net annual loss to the City of \$32,800-\$34,600, depending on whether or not the hourly lease rate is increased.

Sequoia Gateway Ticket Increase: Approval of the ticket price increase is expected to generate approximately \$20,000 toward the cost of operation for the Sequoia Gateway Shuttle. This amount will reduce the LTF subsidy required for the 2019 Gateway Shuttle service.

**Prior Council Action:** 2018/19 Rates and Fees Approved June 4, 2018

**Other:** N/A

**Committee/Commission Review and Action:**

The proposed Rates and Fees Amendments were reviewed by the Transit Advisory Committee on December 19, 2018 and recommended for approval by a 6-0 vote.

**Alternatives:** None Recommended

**Attachments:** PPT Presentation – Trolley  
Resolution 2019-03

**Recommended Motion (and Alternative Motions if expected):**

That the City Council on January 7<sup>th</sup>, 2019:

- Conduct a Public Hearing to receive public testimony on the authorization and amendment of the proposed new fees and increases to Transit fees included in the City's Rates and Fees Schedule for Fiscal Year 2018-19.
- To Adopt resolution on 2019-03 to amend the City's Fee document for the FY 2018-19.

**Environmental Assessment Status**

CEQA Review: Click here to enter text.