

**SAN MATEO COUNTY TRANSIT DISTRICT (DISTRICT)
1250 SAN CARLOS AVENUE, SAN CARLOS, CALIFORNIA**

**MINUTES OF BOARD OF DIRECTORS STUDY SESSION
Mavericks Event Center
107 Broadway Avenue, Half Moon Bay**

OCTOBER 11, 2016

Board Members Present: J. Gee, C. Groom, R. Guilbault, S. Harris,
Z. Kersteen-Tucker (Chair), K. Matsumoto, P. Ratto, C. Stone

Board Members Absent: A. Tissier

Staff Present: J. Averill, M. Bouchard, J. Cassman, A. Chan, S. Gaffney, B. Greenleaf,
J. Hartnett, D. Kim, M. Martinez, N. McKenna, L. Millard, S. Murphy, D. Olmeda, M. Simon,
S. van Hoften

Chair Zoe Kersteen-Tucker called the meeting to order at 9:06 a.m.

Public Comment

None

Employee Survey/District Actions

Mark Simon, Chief of Staff, gave an overview of the employee survey that resulted in five District actions:

1. Conduct a District-wide compensation and benefits study in 2016/2017
2. Develop and implement a new rewards and recognition program for all District employees
3. Improve collaboration across departments through internal "brown bag" presentations and other resources
4. Improve employee development opportunities through formal/informal training and career development
5. Improve employee/leader communication and engagement

Director Rose Guilbault said there is a lot of great information and responses were very good. She asked how employees are responding to the overall survey. She said the issues with PeopleSoft are linked to internal communications. Jim Hartnett, General Manager/CEO, said two-way communication is very important including the internal and inter-departmental. Bob Greenleaf, Manager, Organization Development and Talent Management, said overall employees were positive about the District actions created by the outcome of the survey.

Director Guilbault asked if the lower response rate for the bases was because where they are located. Mr. Simon said yes.

Director Shirley Harris liked that employees were asked what would make them happy at their job. She said when employees see actions incorporated to correct these issues it will increase morale.

Director Carole Groom said the bottom three concerns are where the action plans need to be. She is very impressed with Mr. Hartnett's communications to employees. Mr. Hartnett said every month he has Talks with Jim and it rotates between the two bases and Central. He finds that just by being present at the bases the operators really appreciate it. Mr. Simon said this shows that the District is an organization in transition.

Director Karyl Matsumoto asked if the concerns at the bases are the same. Mr. Hartnett said yes.

Director Charles Stone asked when the next survey will be done. Mr. Simon said two years.

Director Stone said it was interesting to see what is going on at the bases versus Central. He asked if there is understaffing in specific departments and a need to worry that it is contributing to the low scores. Mr. Hartnett said there are ongoing vacancies in Finance. There are challenges to keep key planners and a tendency to backfill with consultants. There is a shortage of mechanics and he has authorized overtime to get work done. David Olmeda, Chief Operations Officer, Bus, said the bus drivers, mechanics and superintendents are in touch with the customers and closer to the action which provides for a higher satisfaction rating at the bases.

Director Stone he would like to receive a quarterly update on hiring and vacancies.

Director Peter Ratto would like to know where the vacancies are.

Director Harris said the longer a freeze on hiring is, the more it affects the employees who have to do the work. It would be good for supervisors to recognize those employees who have to do extra work.

Director Jeff Gee said even though there is longevity of employees and a high amount of change over the last 12 months, there was no survey question on openness to change. A culture of openness to change needs to be created. As staff moves forward on an action plan, a total compensation plan, including benefits, should be given to employees. It would be good to talk to other transit agencies and see if the headcount is accurate for the business.

Director Guilbault said change takes time and need to empower all employees.

Director Ratto said many times employees are put into a position with job duties that they don't know how to do or have the skill set because of short-staffing and this can cause unhappy employees. He said it is important to keep people trained on what other people do.

Chair Kersteen-Tucker said she is impressed how much ground Mr. Hartnett has covered since joining. She likes how different initiatives are being spread among different people. She agrees that an update on the progress should be made on the initiatives and she would like to hear directly from those that own them. She would like to hear from the employees on what the District culture is.

PeopleSoft Update

Eli Kay, Chief Financial Officer, provided an update that included the American Public Transportation Authority completed a review in May 2016 and recommended some corrective actions. These actions include:

- Developed an Enterprise Resource System (ERP) support model
- Formed PeopleSoft Steering Committee and in house dedicated ERP department
- Engaged all District employees and formed inter-departmental working groups
- Improved hosting infrastructure
- PeopleSoft final data cleanup expected November 15, 2016
- Scheduling regular employee training in areas of purchasing, time and labor and treasury
- New PeopleSoft in house dedicated Help Desk closed out close to 1,000 ticket requests in 2016

Director Matsumoto asked how long it takes to close out tickets. Mr. Kay said there is a dedicated Help Desk and tickets are closed out a lot faster.

Director Gee said management needs to empower managers to redirect resources to make the system work. He asked if there is an Intranet where how-to manuals are located for employees. These manuals could be anything from how to complete timesheets, to check requests, to budgets. Mr. Kay said yes.

District Financial Capacity

Mr. Kay provided an update:

- Progress made toward financial goals
 - Initiatives were launched to increase ridership and farebox revenue
 - Fare increase passed by the Board, effective January 2016
 - Refinanced debt in 2015, reduced debt service payment by \$3 million annually
- District Financial Challenges
 - Even with progress made toward accomplishing the five-year goals:
 - Limited time preventative maintenance grants have ended (approximately \$5 million)
 - Ridership is declining
 - Expenses are increasing
 - District sales tax and Transit Development Act sales tax revenues flattening
 - Debt service payments are still significant

- Volatility of our sources of revenue
- Sales tax receipts for Fiscal Year (FY) 2016 were \$79.7 million, a 4 percent increase from FY2015
- District projected to exhaust reserves in FY2024
- Other Opportunities:
 - Difficult to quantify
 - Potential property revenues
 - Daly City Park and Ride - \$500,000 to \$750,000 beginning around 2020
 - Development and/or sale of Brewster, speculative
 - Dumbarton Rail Corridor, possible tolling (P3)
 - Sell San Carlos headquarters
 - Other property for possible monetization, including bases and P3 opportunities

Director Gee asked what the current vacancy rate is. Mr. Hartnett said 10 percent or 50 positions.

Director Gee asked what the ideal number of positions is. Mr. Hartnett said the key is to fill the positions that the District needs. With electrification more positions are needed and those positions are charged to the Peninsula Corridor Joint Powers Board.

Director Gee said staff needs to tackle and fill positions to be the transit agency SamTrans wants to be.

Director Guildbault asked what professional and technical services include. Mr. Kay said it is consultants. Mr. Hartnett said it is a balancing act with consultants and employees. Employees like working with employees.

Director Stone asked what goes into paratransit costs. Mr. Olmeda said not all rides will cost \$40 a person. It depends on mode and time of day.

Director Stone asked how the predictions are being made in increased ridership. Mr. Olmeda said it is based on actuals year over year.

April Chan, Chief Officer, Planning, Grants and the Transportation Authority (TA), said staff is working on the Senior Mobility Plan and looking at being able to move some of these riders from paratransit to fixed-route.

Director Groom said the fastest growing population in San Mateo County is 85 and older and one in seven residents use county services. The Board and staff needs to be realistic on the growth of paratransit. Ridership in paratransit is going to grow and will never be able to have 100 percent recovery. Mr. Hartnett said paratransit is never going to go away or pay for itself. There is going to be more demand, but the question is how to deliver the service in the most cost effective way.

Director Stone said he has spoken to parents who want more service for kids and he tells them they may have to pay for it. Parents say they have no problem paying as long as there is service. Mr. Hartnett said a more detailed fare study analysis is going to be done.

Director Gee said in cities where there is the socioeconomic situation raising youth fares may not be reasonable when customers cannot afford a monthly pass. With legislation being cut he is willing to put a measure on the ballot for a tax to fund transit and county projects. SamTrans needs to do something big and bold, and maybe it could be youth under 18 ride free.

Director Stone agrees with Director Gee and the need to start now and think big and lucrative to help resolve the financial issue.

Chair Kersteen-Tucker would like the Board to stop looking at the deficit, but look beyond and bigger for the residents of San Mateo County and the passengers who depend on SamTrans.

Mr. Hartnett said there was significant pressure for the District to have a tax measure on the November ballot. There is a need to get business in order and decide what makes sense for the District.

Director Gee said the Board and staff needs to start talking to voters and stakeholders on selling a ballot measure.

Director Groom said people will get to a point when they will say no more sales tax increases. It takes time and staff needs to plan.

Seamus Murphy, Chief Communications Officer, said staff may consider something with the Silicon Valley Leadership Group and a three county ballot measure.

Ridership: Short-Term Responses

Mr. Olmeda provided an update:

- Fixed-route ridership continues to decline while paratransit increases
- Low fuel prices have had an impact on decrease in ridership
- Factors that affect ridership
 - Fuel prices
 - National and local economy
 - Job market
 - Usefulness and convenience
 - Cost
 - Safety
- The National Transportation Database and the Metropolitan Transportation Commission (MTC) share similar performance measures:
 - Operating cost per revenue vehicle hour
 - Operating cost per passenger
 - Passenger per revenue vehicle hour

- Passenger per revenue vehicle mile
- Farebox recovery
- Safety
- Tensions
 - Cannot grow our way out of deficit
 - There is an inherent tension between coverage and frequency, and social justice and costs
- Title VI
 - Using Title VI categories to identify unique trends within SamTrans
 - Coastal
 - Community
 - Local
 - Multi-city
 - Mainline
- Performance Standards
 - Evaluate low performing routes against other measurements such as average weekday ridership, cost per passenger, cost per passenger mile, and farebox recovery
- How SamTrans measures up
 - Systemwide ridership was up in FY2016, but starting to measure a slight decline in FY2017
 - MTC measurements for 25 Bay Area transportation systems during FY2015
 - Service effectiveness Caltrain ranked 2nd and SamTrans ranked 8th
 - Cost efficiency Caltrain ranked 3rd and SamTrans ranked 7th
 - Cost effectiveness Caltrain ranked 15th and SamTrans ranked 10th
 - Farebox recovery ratio Caltrain ranked 2nd and SamTrans ranked 16th

There was a general consensus among the Board that staff should measure ridership increases and decreases against other bus transit agencies, not Caltrain, Bay Area Rapid Transit or the ferry.

Growing Bus Ridership in the 21st Century

Doug Kim, Director, Planning, provided an update:

- Ridership peaked in 1981 at 80,000 average weekday riders
- Since 1981:
 - Population is up 30 percent
 - Traffic volumes up 31 percent
 - Ridership down 48 percent
- Ridership initiatives:
 - Youth Mobility Plan
 - Senior Mobility Plan
 - El Camino Real Rapid Bus
 - US 101 Express Buses
 - Coastside Express Buses
 - Other markets
 - San Francisco International Airport (SFO)

- Dumbarton Corridor
- Focus on Youth Market
 - Last decade, driving down 23 percent to 7,900 miles per year for ages 16-24
 - From 2001-2009, those in households with \$70,000+ annual income increased use of public transit by 100 percent
 - Concerns
 - Bell times during peak hours
 - 51 percent lowers fare than adults
- Focus on Senior Market
 - 50 percent want a bus stop in their community close to home
- El Camino Real Rapid Bus
 - Impact of Overlay Rapid
 - Ridership grows 19-34 percent
 - Operating costs up 34-59 percent
 - Impact of Hybrid Route
 - Ridership up 6-35 percent
 - Operating costs up 8-51 percent
 - Capital costs potentially minimal
- US 101 Express Buses
 - Issues
 - Carpool or managed lanes critical
 - Park-n-Ride lots needed
 - Operating costs substantial
 - Key policy questions
 - Increase service to San Francisco and Santa Clara counties
 - Premium fares
 - Who operates service
- Coastside Express Buses
 - Connect to Daly City and Colma Bay Area Rapid Transit
 - What about Routes 110, 112, 118, and 120
- Other Opportunities
 - SFO Airporter
 - Last mile between Millbrae and SFO
 - Poorly served from the south
 - Substantial employee market
 - Dumbarton Corridor
 - SamTrans-owned right-of-way
 - Potential Bus Rapid Transit and/or rail service

Director Guilbault asked what the financial impact is for the San Francisco International Airport shuttle. Mr. Hartnett said that is part of the analysis staff will be doing. Resources from routes that are underperforming would be used for this service.

Director Gee said this is a great start, but he has a fundamental problem with the word bus when staff should be looking at growing transit ridership in the 21st Century. All options should be looked at to get people out of their cars. Need to find a

replacement for those five or six riders on the low performing routes and give them other options. It is not miles traveled anymore, but how long it takes to get to a destination.

Director Matsumoto said east/west service was cut with the SamTrans Service Plan and asked if that going to be reconsidered. Mr. Kim said staff is already revisiting where money can be made and will look at east/west routes.

Ms. Chan said the TA is working with the California State Department of Transportation on a study for the feasibility of operating express buses on Highway 101.

Mr. Hartnett said he has spoken to the Metropolitan Transportation Commission about operating express bus service and there is an opportunity for the funds.

Director Ratto said the choice rider will not ride a regular bus for express service, but would want a state-of-the-art bus. People complain that Caltrain doesn't go downtown and people have to transfer. People want to go to their destination without having to transfer. There is a need to bring back the express bus service to San Francisco and people are willing to pay for it.

Chair Kersteen-Tucker said the Board and staff needs to come up with a suite of services and opportunities to present to the voters for 2018. Something needs to be done in the next couple of years.

Director Stone said underperforming routes need to be cut and reallocated.

Mr. Hartnett said decisions have to go way beyond this room and the people funding the campaign are the business community.

Long-term Solutions

Mr. Simon provided an update:

- Develop strategic financial service and organizational options to ensure long-term sustainability and relevance
- Redefined agency
 - Vision, funding requirements/options
- Visioning Process – Caltrain
 - Develop a shared, long-term vision and funding strategy
 - Redefined agency
 - Vision, dedicated funding source(s)
 - October 2016-December 2018
 - Board, staff, public engagement
- Strengths, Weaknesses, Opportunities and Threats (SWOT) for SamTrans
 - SWOT analysis guides what changes to make
 - Build on strengths
 - Explore opportunities
 - Eliminate weaknesses
 - Reduce threats

Board Study Session
October 11, 2016

- Funding Options – Preliminary
 - Tax increases
 - Sales tax
 - Property tax
 - Parcel tax
 - Gas tax
 - Debt
 - Financing against assets
 - User fees
 - Tolls
 - Vehicle License Fee
 - Congestion pricing
 - District Revenues
 - Parking
 - Fares
 - Advertising/naming rights
 - Public-Public Partnerships
 - Development Fees
 - Special services
 - Grants
 - Public-Private Partnerships
 - Special District
 - Direct grants
 - Financing

The Board did an exercise with long-term solutions with the funding options identified and the top choices were public-private partnerships, public-public partnerships, and user fees.

Director Gee said staff should work with the business community about the issue of traffic and help find solutions.

Director Groom said the quality of the workforce should be listed under strengths and opportunities.

Director Guilbaut said Caltrain should be listed as a threat.

Mr. Hartnett said conversations with the public need to happen sooner rather than later and engage the private sector to assist with polling and support of a possible tax measure in 2018.

Mr. Hartnett said public-private partnership can mean a lot of things. Staff is engaged in grant level study partnerships now. The Executive Team appreciates the Boards time and input today and collaborating together.

Director Matsumoto said she is glad to see the Board and staff moving forward and being proactive on issues that face the District.

Board Study Session
October 11, 2016

Director Guilbault said it was great to sit and have a conversation on issues that face the District. She appreciated the time staff put into the presentations.

Director Harris said it was an excellent follow up to last year's Board retreat.

Director Ratto said he appreciates getting to dive in and discuss in greater detail than the Board is able to at Board meetings.

Adjourned at 3:11 p.m.