

**To:** O&S Committee

**Date:** 11/23/2016

**From:** Anne Muzzini, Director of Planning & Marketing

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**SUBJECT: City of Walnut Creek Contracts**

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**Background:**

The City of Walnut Creek and County Connection have two agreements that cover the cost of fares on Routes #4 and #5. The Route #4 agreement has been in place since 1996 and has been modified several times to increase compensation and change service hours. The Route #5 agreement was executed in August of 2014 and was only for a two year demonstration period. We are currently out of contract, but both City and County Connection are intent on continuing the agreement and are operating in good faith.

Ridership on both routes is exceeding the estimates used to determine compensation. In February, when the City was crafting their two year budget, we gave them an estimate of what the additional cost would be to cover fares lost from the free fare system. The charts below show the contract estimates for ridership compared to the actual. Route #5 ridership is almost three times what we thought it would be.

To determine the value of the fares we are losing we used an estimate for ridership based upon no free ride. To restate this – if passengers paid a fare there would be less riders and the fares collected would reflect this lower level of ridership. A study published in Public Transport evaluated fare elasticity and in particular found that in the Denver, Trenton, and Austin free fare programs they found that ridership increased from between 10% and 35%. To estimate fare revenue lost we assume that if we charged a fare the ridership would be 25% lower than it current is on the Walnut Creek free routes. The following charts show that using this assumption the City should increase the compensation by \$157,478.

**Recommendation:**

The City has budgeted for this level of increase and staff is prepared to go to the City Manager and Council with a recommendation to amend the Route #4 agreement to increase compensation to \$280,108 per year and enter a new agreement for Route #5 for a total compensation of \$130,710. Staff recommends that the Committee approve of these changes for Board action.

## City of Walnut Creek

### Walnut Creek - Route 4

2009 Assumptions Effective 07/01/2009 - Undetermined		2016 Proposed New Contract Effective 08/18/2016 - 08/18/2018	
Total Passengers	165,283	Total Passengers	276,650
Average Fare	\$ 1.20	Average Fare	\$ 1.35
Estimated Total Fare Revenue	\$ 198,340	Estimated Total Fare Revenue	\$ 373,478
		Passenger Increase due to Free Fare (25%)	69,163
		Adjusted Total Passengers	207,488
		Average Fare	\$ 1.35
		Adjusted Total Fare Revenue	\$ 280,108

### Walnut Creek - Route 5

2014 Contract Assumptions Effective 8/17/2014 - 8/17/2016		2016 Proposed New Contract Effective 08/18/2016 - 08/18/2018	
Total Passengers	45,833	Total Passengers	129,096
Average Fare	\$ 1.20	Average Fare	\$ 1.35
Estimated Total Fare Revenue	\$ 55,000	Estimated Total Fare Revenue	\$ 174,280
		Passenger Increase due to Free Fare (25%)	32,274
		Adjusted Total Passengers	96,822
		Average Fare	\$ 1.35
		Adjusted Total Fare Revenue	\$ 130,710

### Routes 4 & 5 - Fare Reimbursement

Current Total Annual Cost	\$ 253,340	Adjusted Total Annual Cost	\$ 410,818
		Change in Cost	\$ 157,478