



COLORADO
Department of Transportation

Division of Transit & Rail

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DATE: January 11, 2019

TO: Transit & Rail Advisory Committee

FROM: David Krutsinger, Director - Division of Transit & Rail

Mike Timlin, Bus Operations Manager - Division of Transit & Rail

SUBJECT: Bustang Budget Report and Fare Increase Recommendation

Purpose

The purpose of this memo is to provide the TRAC and the Transit & Intermodal Committee an overview of the Bustang budget risks precipitated by driver resource issues, fuel price pressures and new the new ITS partnership with the Denver Regional Transportation District. This memo further contains a recommendation for a fare increase in May 2019 based on the these risks.

Action

No action is required but comment is welcome.

Background

The Bustang interregional express bus service went into operation in July, 2015. PD 1605 requires the Committee to monitor performance of the Program and serve as the recommending body for any substantial modifications, addition or deletion of services, including capital needs. The Director of DTR will manage the Program, monitor performance, be responsible for day-to-day decision making, and oversee all components of the Program, including, but not limited to: "(4) Set schedules and fares."

Details

The Bustang service is continuing on its mission of controlled growth. Several factors are putting budgetary pressures on the ability to continue to effectively manage growth and install upgrades that will continue to improve the customer experience. Staff has determined that a fare increase in the near future will be needed. A fare increase may delay the inevitability of needing to seek additional funding from FASTER or other sources.

- Increasingly high load factors and high farebox recovery are causing more and more extra bus operation activity, especially on the West Line.
- Diesel fuel costs continue to rise.
- Wage increases to keep pace with market rates (RTD & others) from \$17.59 per hour to \$19.40.
- Customer Experience enhancements (more real-time information) affecting fare box recovery.

Increasingly high load factors- These factors are causing:

- An extra \$29,250 in unbudgeted costs due to extra service runs responding to overload conditions
- Risk of additional unbudgeted costs being incurred because overload conditions are increasing.

Fuel - Diesel fuel has been on a climb for the past year. Since July 2015 prices have risen 22%. Price per gallon in 2015 was \$2.00 per gallon and now have risen to over \$2.70 per gallon and we expect this trend to continue in 2019 after a temporary reduction after the Christmas/New Year's Holiday to \$0.52 per mile. see Figure A for the year by year comparison on a per mile basis:

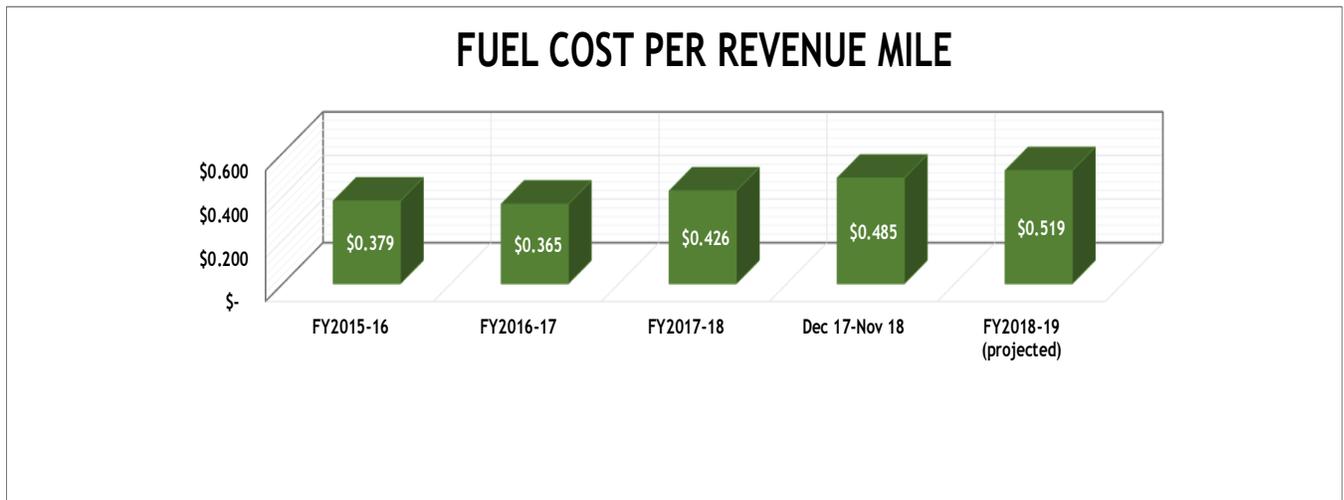


Figure A

The International Maritime Organization has ruled that refined marine diesel must lower sulfur content from 3.5% to 0.5% by 2020. Worst case scenario, Economist Philip K. Verleger writes in Bloomberg this event could possibly cause a spike in oil prices that could spark a global recession¹.

The net result of fuel cost in 2015 was \$0.38 per revenue mile, \$0.49 today, and growing to \$0.52 by the end of FY 2018-19. This pushes Bustang fuel costs to over \$500,000 per year from roughly \$300,000 in 2015 (37% increase in per-gallon fuel cost + increase in miles of service = 67% increase in fuel cost as a Bustang budget line-item).

Ace Express Contracted Rate - Citing increasing insurance costs, and the inability to compete in the market place for CDL drivers Ace Express has requested a 9% increase in mileage payments from \$3.83 to \$4.19. There currently is a nationwide shortage of qualified CDL drivers which is expected to get even worse. Currently Bustang is operating with 2 less runs Monday through Friday on the North route and 2 less daily runs on the West Line.

This 9% increase along with projected revenue will drive our wheel cost to over \$2.1M for the first time.

Summit Express Shuttle has been engaged as a “casual rental” on the west line when Ace Express doesn’t have driver resources.

Customer Experience Enhancements - There is one major enhancement which will affect Fare Box Recovery, will launch in early 2019. The INIT ITS system which will automate most of the dispatching and operational functions, passenger counting, customer experience monitoring, vehicle health, automated vehicle locator, Real Time GTFS, (real time passenger informational displays as well as Google Maps), automated next stop announcements both display and voice annunciator and video surveillance.

An IGA between RTD and CDOT will guarantee system integrity and maintenance by hiring:

- Year 1 - System Engineer - 1 FTE X 6 months, Technician - 1 FTE X 12 months, System administrator - 1 FTE X 12 months, and Project Manager 1 FTE X 6 months. For this CDOT agreed to pay RTD 1st year - \$388,226, 2nd year \$202,329 then 3% increases for years 3 to 5. Total 5 years \$1,234,663.

See Figure B for Wheel Cost vs. Revenue comparison

¹ Philip K. Verleger – Bloomberg Opinion April 18, 2018.

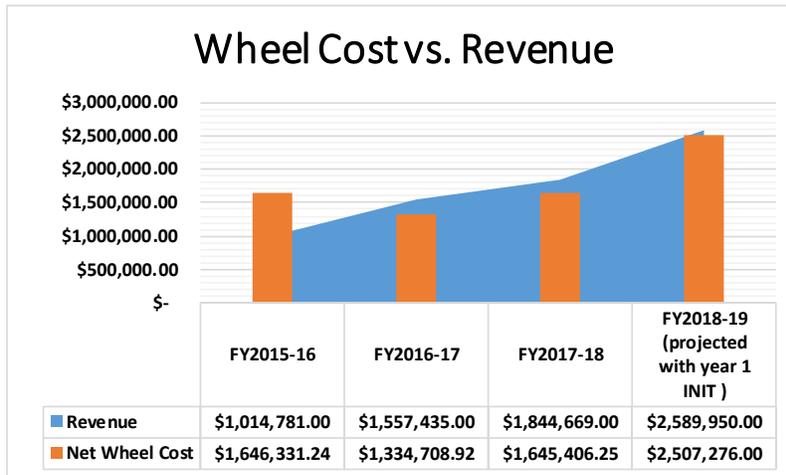


Figure B

Fare Increase - Staff considered either an increase of \$0.01 per mile (from 17 cents to 18 cents per mile) or a straight \$1.00 per trip increase. The \$0.01 per mile increase would provide a smaller increase to the lower-mileage trips (i.e. \$0.75 per trip from Colorado Springs to Denver or Fort Collins to Denver) but a higher than a \$1.00 increase to the higher mileage trips (i.e. \$1.60 increase per trip from Glenwood Springs to Denver, and a \$2.60 increase per trip from Grand Junction to Denver).

The goal is to minimize the fare increase on the higher mileage trips to incentivize longer travel, not penalize shorter travel. Using the \$0.18 per-mile fare would cause fractions of dollars increasing the amounts of coins causing more labor in counting coins upon reconciliation of revenue.

Due to ease of use and reasons addressed above, staff recommends a straight \$1.00 per trip increase. Senior and disabled fares should remain unchanged to minimize effects to the senior and disabled community.

Next Steps

- Present and solicit comment to Statewide Plan Team, TRAC and STAC - January - February
- Present and solicit comment to Bustang Customers, MPO's and TPR's - March - April
- Implement price increase on May schedule change.