

**Northeastern Pennsylvania
Metropolitan Planning Organization (NEPA MPO)**

2019-2022 Transportation Improvement Program

**Transit Fiscal Capacity Reports for
Carbon County Community Transportation (CCCT)
Monroe County Transportation Authority (MCTA)
Schuylkill Transportation System (STS)**

EXECUTIVE SUMMARY

CARBON COUNTY COMMUNITY TRANSPORTATION

The purpose of this plan is to determine the financial capacity of Carbon County Community Transit (CCCT) to operate fixed route bus service in the years up to FFY2022. Utilizing financial capacity analysis, this plan documents present financial and productivity trends as a basis to predict CCCT's future financial condition and capacity.

This document is required by the Federal Transit Administration (FTA) per guidance issued in 1987. It is on the basis of this document that FTA will grant CCCT operating and capital assistance in the future as part of the Northeastern Pennsylvania Alliance (NEPA) Metropolitan Planning Organization (MPO) Transportation Improvement Program (TIP).

The available financial data include CCCT's FFY2017 to FFY2022.

INTRODUCTION

On March 30, 1987, the Urban Mass Transportation (UMTA), now FTA, issued Circular C7008.1, Financial Capacity Policy, for Federal transit systems receiving Federal funding. The FTA Circular was issued to insure that adequate review by the Metropolitan Planning Organization (MPO) of a transit system's financial capacity took place before Federal funds were committed to a major capital or planning project. FTA now requires that the local transit system and/or local community have the financial capacity to pay for such improvements in addition to operating and maintaining the existing transit system.

The purpose of this Financial Capacity Plan is to comply with the present FTA regulations and to determine the financial capacity of CCCT to undertake projects involving the acquisition, operation and maintenance of facilities and equipment partially funded by the Federal government. However, a financial capacity analysis is also an important tool for CCCT and the local municipalities that support public transit. It provides the framework to judge how cost-effective CCCT's public transit services are, and gives the local municipalities that support public transit a yardstick to measure the value they are getting for their investment.

DEFINITION OF FINANCIAL CAPACITY

The Circular defined financial capacity as two (2) elements:

- Financial condition
- Financial capability

Financial condition refers to the ability of the operator to operate and maintain the transit system at its present level of service. Financial condition is reflected in working capital levels, capital accounts, operating cost and revenue, service levels and productivity and ridership.

Financial capability refers to the stability and reliability of revenue sources to meet future capital and revenue costs. Financial capability reflects a system's present and future financial condition in meeting future service needs.

INDICATORS OF FINANCIAL CONDITION AND FINANCIAL CAPABILITY FFY2017 TO FFY2022

Both indicators of financial capacity can be observed through various historical trends. For this plan, historical data will be utilized from CCCT's FFY2017 to FFY2022. Trends derived from this data will provide the basis to predict future trends. CCCT's audited financial statements were used to gather this data. For convenience, these trends can be grouped into the following categories:

OPERATING REVENUE TRENDS

- Total Federal eligible revenue (including passenger fares)
- Total non-Federal eligible revenue
- Total non-subsidy revenue

OPERATING ASSISTANCE TRENDS

- Federal operating assistance
- State operating assistance
- Local operating assistance

EXPENSE TRENDS

- Operating expenses
- Capital expenses

RIDERSHIP AND PRODUCTIVITY TRENDS

- Originating passenger trips
- Originating passengers per vehicle hour
- Farebox recovery trends

OPERATING REVNEUE

Operating revenue is comprised of three (3) types of revenue sources:

FEDERAL ELIGIBLE REVENUE

This source includes passenger farebox revenue. Federal eligible revenue is used to offset operating expenses. For example, in FY17, CCCT's fixed route operating expenses were \$116,081 and farebox revenue in the amount of \$3,728 was used to offset operating expenses.

FEDERAL NON-ELIGIBLE REVENUE

This source includes investment income. Federal non-eligible revenues are funds that are not used to calculate Federal operating assistance.

NON-SUBSIDY REVENUE

Total non-subsidy revenue is the product of both Federal non-eligible revenue and Federal eligible revenue. The total amount is all the monies that are not considered subsidies from government sources to cover CCCT's fixed route operating deficit.

OPERATING ASSISTANCE

Operating assistance is the subsidy revenue that comes from Federal, State and Local government sources to support CCCT's operations.

SYSTEM EXPENSES

System expenses include operating and capital expenses. CCCT's operating expenses are the costs incurred to operate fixed route transit services. Capital expenses are the costs related to either replacing or introducing major items that are necessary to the operation for the system such as vehicles and parts.

PRODUCTIVITY

Productivity can be defined as how effective the system is at producing "outputs" such as number of riders carried. The following indicators can be used to measure productivity:

ORIGINATING PASSENGER TRIPS

Originating passenger trips are the total number of trips provided by CCCT's fixed route system.

RIDERSHIP CHARACTERISTICS

This measure is useful for Financial Capacity Analysis because it indicates the kind of passengers that travel on CCCT's fixed route system and their impacts on Federal Eligible Revenue and Non-Federal Eligible Revenue.

ORIGINATING PASSENGERS PER VEHICLE HOUR

Total vehicle hours refer to hours run by CCCT's fixed route system in any given year. Originating passenger trips divided by vehicle hours shows the level of productivity CCCT's fixed route achieves in any given year.

FAREBOX RECOVERY TRNEDS

Farebox recovery is calculated by taking all sources of total Non-Subsidy Revenue and dividing it by operating expenses. The higher the level of farebox recovery, the healthier a system's financial condition and future financial capacity is likely to be.

DISCUSSION OF FINANCIAL CONDITION AND CAPACITY

OPERATING ASSISTANCE TRENDS

State Operating Assistance

Act 89 was implemented in FY2014. The transition from Act 44 to Act 89 provided a significant increase in operating assistance.

Local Operating Assistance

CCCT receives its local operating assistance from the County of Carbon. As per Act 89 directives, the local share received must increase by 5% each year for the foreseeable future.

EXPENSE TRENDS

There are two (2) types of expenses, operating and capital.

Operating Expenses

Total operating expenses increased approximately 4% per year from FY2017 to FY2022 due to a new purchased transportation contract currently in place and other miscellaneous cost increases associated with operating the service.

Capital Expenses

Capital expenses are anticipated in the form of the purchase and installation of bus passenger stop signs and passenger amenities as well as replacement of existing computer systems upon reaching their designated useful life.

PRODUCTIVITY TRENDS

Originating passengers

Total originating passenger trips

Originating passenger per vehicle hour

Farebox recovery

DISCUSSION OF PROJECTED FINANCIAL CONDITION AND CAPACITY

CCCT's financial goals in the next four (4) years are designed to ensure that operating revenue increases keep pace with operating expenses.

OPERATING REVENUE PROJECTIONS

CCCT estimates the total operating revenue will continue to increase over the next four (4) fiscal years. State operating assistance is estimated to continue to increase due to Act 89.

OPERATING EXPENSE PROJECTIONS

CCCT estimates the total operating expenses will continue to increase over the next four (4) fiscal years.

In the event Federal, State or local operating assistance is cut drastically, CCCT will respond in an aggressive, yet positive, manner for the citizens of the County of Carbon. Any challenges will be met through extensive discussion and planning to adopt a course of action needed to ensure fiscally viable transit operations.

**CARBON COUNTY COMMUNITY TRANSIT
FIXED ROUTE
RIDERSHIP PRODUCTIVITY PROJECTIONS**

	FY17	FY18	FY19	FY20	FY21	FY22
PASSENGER FARES	\$3,728	\$ 3,000	\$ 3,000	\$ 3,150	\$ 3,150	\$ 3,150
VEHICLE REVENUE MILES	29,047	31,952	31,952	31,952	31,952	31,952
VEHICLE REVENUE HOURS	1,739	1,773	1,773	1,773	1,773	1,773
TOTAL PASSENGERS	6,442	6,000	6,000	6,000	6,000	6,000
SENIOR PASSENGERS	3,930	3,750	3,750	3,800	3,800	3,800
FAREPAYING PASSENGERS	2,512	2,125	2,150	2,150	2,150	2,200
PASSENGERS PER HOUR	3.70	3.38	3.38	3.38	3.38	3.38
OPERATING COST PER HOUR	\$66.75	\$ 66.55	\$ 69.93	\$ 72.19	\$ 75.01	\$ 78.96
OPERATING REVENUE PER HOUR	\$2.14	\$ 1.69	\$ 1.69	\$ 1.78	\$ 1.78	\$ 1.78
OPERATING COST PER TRIP	\$18.02	\$ 19.67	\$ 20.67	\$ 21.34	\$ 22.17	\$ 23.33
OPERATING COST PER MILE	\$3.99	\$ 3.69	\$3.88	\$4.00	\$4.16	\$4.38
FAREBOX RECOVERY	1.49%	1.41%	1.40%	1.47%	1.47%	1.43%
SUBSIDY	\$116,898	\$ 116,000	\$ 122,000	\$ 125,400	\$ 130,400	\$ 137,400
OPERATING EXPENSES	\$116,081	\$ 118,000	\$ 124,000	\$ 128,000	\$ 133,000	\$ 140,000
% INCREASE IN EXPENSES		1.7%	5%	3%	3%	5%

EXECUTIVE SUMMARY

MONROE COUNTY TRANSPORTATION AUTHORITY FINANCIAL CAPACITY ANALYSIS

The purpose of this plan is to demonstrate the financial capacity of the MCTA to operate bus service in the years: FFY2019 up to and including FFY2022. Utilizing financial capacity analysis, this plan documents present financial and productivity trends as a basis to predict MCTA's future financial condition and capacity.

This document is required by the Federal Transit Administration (FTA) per guidance issued in FTA C7008.1A dated January 30, 2002 which supersedes FTA C7008.1 of 1987. It is on the basis of this financial and statistical data that FTA will grant MCTA operating and capital assistance in the future as part of the NEPA MPO Transportation Improvement Program (TIP).

INTRODUCTION

On January 30, 2002, the Federal Transit Administration issued guidance under FTA C7008.1A, Financial Capacity Policy, for transit systems receiving federal funding. The Circular was issued to ensure adequate review could be made by the Metropolitan Planning Organization (MPO) of a transit system's financial capacity prior to federal funds being committed to the entity. The circular requires this review to ensure the transit system, in addition to operating and maintaining day to day operations, also has the financial capability to pay for capital improvements related to future planning.

This Financial Capacity Plan complies with the guidance put forth by FTA C7008.1A by demonstrating the financial history, current capacity, and future probability of being able to meet its financial obligations as mentioned previously. In addition to the ability to demonstrate financial solvency, this Plan also communicates to interested readers, the ability of the transit system to operate economically and efficiently.

FINANCIAL CAPACITY DEFINED

Two elements are defined within the circular:

1. Financial Condition
2. Financial Capability

Financial condition reports on the ability today of the Authority to manage its operating and capital programs. This includes daily measurable oversight of items such as appropriate levels of service, expenses and revenues, and fixed asset maintenance.

Financial capability looks at the reliability of the transit system to continue to generate revenues into the future, and, secure funds that will be needed to maintain capital assets. In essence, ensuring the transit agency will have the financial ability to meet the needs of tomorrow.

INDICATORS OF FINANCIAL CONDITION AND FINANCIAL CAPABILITY

FFY2019 TO FFY2022

Both indicators of Financial Capacity are based on historical trends. For the purpose of this plan, MCTA will use fiscal data starting with FFY2019 and ending with FFY2022; this information will allow us to update the original information based on the same methodologies. MCTA reviewed the data found in recent historical documents such as annual audits, financial reports to the Bureau of Public Transportation, and regularly maintained agency monthly statistical reports. The following categories were used to present this Plans demonstration of Financial Capacity.

OPERATING REVENUES

Total Federal Eligible Revenue (including passenger fares received)

Total Non-Federal Eligible Revenue

Total Non-Subsidy Revenue

OPERATING ASSISTANCE TRENDS

Federal Operating Assistance

State Operating Assistance

Local Operating Assistance

EXPENSE TRENDS

Operating Expenses

Capital Expenses

RIDERSHIP AND PRODUCTIVITY TRENDS

Originating Passenger Trips

Originating Passengers per Vehicle Hour

Farebox Recovery Trends

OPERATING REVENUE

Operating Revenue is comprised of three (3) types of revenue sources:

Federal Eligible Revenue

This source includes Passenger Farebox Revenue and Other Federal Eligible Revenue including advertising.

Federal Eligible Revenue is used to offset operating expenses. For example, in FFY2018 MCTA's operating expenses were \$2,945,696.38. MCTA received revenue of \$311,877.42 which reduced expenses to \$2,633,818.96 before any government subsidy was used. Examples of MCTA eligible revenues come in the form of passenger fares, advertising and route guarantees.

Federal Non-Eligible Revenue

This source includes investment income. Federal Non-Eligible Revenue are funds that are not used to calculate Federal Operating Assistance. MCTA expends federal dollars within three days of receipt and therefore does not currently invest those dollars.

Non-Subsidy Revenue

Total Non-Subsidy Revenue is the product of both Federal Non-Eligible Revenue and Federal Eligible Revenue. The total amount is all the monies that are not considered subsidies from governmental sources to cover MCTA's operating deficit.

Operating Assistance

Operating Assistance is the subsidy that comes from federal, state and local governmental sources to support MCTA operations. In FFY2018 Federal operating dollars represented 33% of the overall Fixed Route budget while State represented 52%, local county support at 5%, and general revenues 10%. Federal operating assistance is derived by formula and is a calculated percentage of MCTA's operating expenses not covered by Federal Eligible Revenue. MCTA also receives State Act 44/89 funding.

SYSTEM EXPENSES

Overall system expenses include operating and capital expenses. MCTA's Operating expenses are the costs incurred to operate day to day public transit services. Capital expenses are the costs related to fixed asset acquisitions; these are generally items such as buses, computer technology and building maintenance needs.

PRODUCTIVITY

Productivity looks at annual statistical data regarding various ridership delivery measurements. Examples of productivity are:

ORIGINATING PASSENGER TRIPS

Originating Passenger Trips are the total number of trips provided by MCTA.

RIDERSHIP CHARACTERISTICS

There are a wide variety of riders. Some riders travel using subsidized options while others pay full fare. Due to the wide variety of system users, Federal Eligible Revenue and Non-Federal Eligible Revenue are both affected to some degree. This measures individual trips in both categories.

ORIGINATING PASSENGERS PER VEHICLE HOUR

For productivity reporting, MCTA uses revenue hours. Revenue hours are the hours a vehicle is in service. (Pre-tripping and post-tripping of vehicles for example is not considered time the vehicle is in service, and therefore not included in revenue hours).

FAREBOX RECOVERY TRENDS

Farebox recovery is calculated by taking all sources of total Non-Subsidy Revenue and dividing it by operating expenses. The higher the level of farebox recovery, the healthier a system's financial condition and future financial capacity is likely to be.

DISCUSSION OF FINANCIAL CONDITION AND CAPACITY

OPERATING REVENUE TRENDS

Total Federal 5311 and/or 5307 Revenue

MCTA receives both Rural and Urban Federal funds 5311/5307. Federal funding from both sources are expected including annual increases in total amounts based on historical productivity measurements.

OPERATING ASSISTANCE TRENDS

State Operating Assistance

Act 44 was implemented in FFY2008 and has proved to be significant in size to meet the 50% matching requirements for MCTA's dually Urban/Rural transit system. Federal funds of 5307/5311 require the match as stated in both FTA in circulars FTA C9030.1e and FTA C9040.1f.

Local Operating Assistance

MCTA's local operating assistance is received from the county. Act 44/89 requires the local share to be increased annually until such time the total local match reaches 15% of the Act 44/89 award. The FFY2018 shows MCTA at an annual percentage of 8% which is actually up .5% from FFY2015.

EXPENSES TRENDS

MCTA's transit system includes both Operating and Capital expenses.

Operating Expenses

Total operating expenses had a modest increase of 1.8% between FFY2017 and FFY2018. A more significant increase of 11% occurred between FFY2016 and FFY2017 due to construction on the Bridge Street Bridge (in Stroudsburg, the heart of the Urbanized Area). Another measurement of financial capacity is how well a transit system manages vehicle revenue hours (hours of service) during times of interruption. During and after the long-term project listed above, the MCTA provided 32,355 vehicle revenue hours of service in FFY2017, and 32,746 hours are projected for FFY2018 based on nine months of actual data. This shows the ability manage funds while delivering seamless service during periods of significant change.

Capital Assistance

On December 23, 2013, Governor Corbett's office notified the Monroe County Industrial Development Authority that a release of funds in the amount of \$2,000,000 was being made to fund the Route 611 Corridor Natural Gas Line Extension project, an application prepared by the MCTA. In addition to this first CNG project, MCTA also participated in a Statewide CNG Fueling for Transit Agencies Partnership Project (CNG-TAA-MCTA-0020). Both CNG project Agreements were executed in February and March 2018. The Gas Line extension project required coordination between the MCTA and many entities, as well as efforts to secure \$750,000 from state set aside funds. In addition to a CNG focus, normal replacements of fleet vehicles, technological upgrades (ie: farebox technology, on board announcements, phone system upgrades), and facility improvements (ie: parking lot lighting, maintenance support equipment and garage diagnostic tools) were made. MCTA has fifteen buses in their Fixed Route fleet which have a multi-year replacement schedule: Three (3) buses will be replaced in 2019, and four (4) buses replaced in 2021. Future plans to develop a thirty (30) acre undeveloped parcel are still underway and will be addressed using a variety of formula and discretionary grants as they become available. These projects are managed using formula and discretionary funding sources acquired through efforts of the MCTA executive office.

PRODUCTIVITY TRENDS

Origination Passengers

Total Originating Passenger Trips

Originating Passengers Per Vehicle Hour

Farebox Recovery

DISCUSSION OF PROJECTED FINANCIAL CONDITION AND CAPACITY

MCTA's financial goals in the next four (4) years are designed to ensure that operating revenue increases keep pace with operating expenses. As a dual operating system (Urban/Rural), MCTA has had to become proficient at managing multiple funding streams, dual reporting processes, and ensuring a zero-balanced budget adheres to new cost allocation methods developed by the CFO and COO.

OPERATING REVENUE PROJECTIONS

Federal 5311 Revenue

Over the next four (4) years, it is anticipated that Rural federal funding will continue to increase incrementally based on productivity measurements remaining or increasing at current levels. Rural federal dollars are primarily used in operating, however, because of the dual agency designation, some procurements have been successful at securing capital 5311 funds. (ie: Diesel fleet replacements to CNG, and the Washbay Overhaul projects)

Federal 5307 Revenue

As mentioned above with Rural federal funding, Urban federal funding over the next four (4) years is also anticipated to increase incrementally based on productivity measurements remaining or increasing at current levels. MCTA utilizes these funds for both operating (primarily for driver wages and fuel), and capital planning.

State Operating Assistance

Total State Act 44/89 operating assistance has been a reliable funding source in recent years due to the 'hold harmless' provision which ensures funding at prior year levels. This is extremely beneficial when planning future transit services.

OPERATING EXPENSE TRENDS

Operating Expenses

MCTA anticipates a maximum of 5% increase in operating expenses over the next four (4) years. Primary areas of expense are monitored closely, such as: fuel, insurances and wages.

Capital Expenses

MCTA will continue capital maintenance and improvement projects based on available formula and discretionary funds from federal, state and other potential sources.

PRODUCTIVITY PROJECTIONS

Originating Passenger Trips and Ridership

Over the past four years, FFY2014 through FFY2017, MCTA experienced net growth in ridership of approximately 1.7%. Although hopes were to realize ridership increases of 5% annually, we are still reassured that public transit provides a much-needed service in our region. Discussions regarding route guarantees have begun with Northampton Community

College and Sanofi Pasteur, with the hopes that connecting the Monroe County/Northampton and Lehigh counties in FFY2020 may be the first step at our next period of ridership growth.

Originating Passengers Per Vehicle Hour

This productivity factor is expected to parallel the above ridership trend.

Farebox Recovery

We anticipate farebox recovery and operating revenue to remain stable for the planning period. MCTA plans operating budgets to meet a minimum of 10% annually.

CONCLUSION

MCTA was established by the Monroe County Commissioners in October, 1979. For the past thirty-nine years public transportation service has been delivered to residents and guests of the county in a reliable and courteous manner. MCTA has grown in size over the last four decades, and plans to continue seeking opportunities to grow our services into the foreseeable future.

Changes may occur with governmental funding, ridership trends, and in other operational areas. Should the need arise to modify existing services in any way, MCTA will adhere to the policies and procedures already in place to communicate to public and stakeholders so that acceptable levels of service may continue. MCTA will continue to develop programs and strategies to address the needs of the riding public, and adhere to policies and procedures that are in place to do so.

RIDERSHIP PRODUCTIVITY PROJECTIONS							
	FFY2019		FFY2020		FFY2021		FFY2022
FAREBOX	\$249,000		\$256,470		\$264,164		\$272,089
VEHICLE REVENUE MILES	522,068		527,289		532,562		537,888
VEHICLE REVENUE HOURS	31,990		32,738		33,065		33,396
PASSENGERS/REVENUE HOUR	8.41		8.57		8.74		8.92
OP COST/REVENUE HOUR	\$108.29		\$108.99		\$111.15		\$113.35
OP COST/TRIP	\$12.86		\$12.72		\$12.71		\$12.70
OP COST/REVENUE MILE	\$6.63		\$6.76		\$6.90		
FAREBOX RECOVERY	10%		10%		10%		10%
NON-SUBSIDY REVENUE	\$348,780		\$356,823		\$367,528		\$378,554
OPERATING EXPENSES	\$3,464,307		\$3,568,236		\$3,675,283		\$3,785,541

Note: MCTA recognizes 2020 Performance Targets recommended by the Pennsylvania Department of Transportation as listed in the MCTA System Performance Review of September 14, 2017 and is working to achieve those goals. For the purpose of this report, goals were developed keeping those recommendations in mind.

INDICATORS OF FINANCIAL CONDITION AND FINANCIAL CAPABILITY
FY 2017-18 TO 2020-21

Both indicators of Financial Capacity can be observed through various historical trends. For this plan, historical data will be utilized from STS' fiscal year (FY) 2017-18 to 2020-21. Four (4) year trends derived from this data will provide the basis to predict future trends. STS' Audited Reports and Financial Statements were used to gather this data. For convenience, these trends can be grouped into the following categories.

1. **OPERATING REVENUE TRENDS**

- a. Total Federal Eligible Revenue (including passenger fares)
- b. Total Non-Federal Eligible Revenue
- c. Total Non-Subsidy Revenue

2. **OPERATING ASSISTANCE TRENDS**

- a. Federal Operating Assistance
- b. State Operating Assistance
- c. Local Operating Assistance

3. **EXPENSE TRENDS**

- a. Operating Expenses
- b. Capital Expenses

4. **RIDERSHIP AND PRODUCTIVITY TRENDS**

- a. Originating Passenger Trips
- b. Originating Passengers per Vehicle Hour
- c. Farebox Recovery Trends

OPERATING REVENUE

Operating revenue is comprised of three (3) types of revenue sources:

1. Federal Eligible Revenue

This source includes passenger farebox revenue and other federal eligible revenue, which includes advertising.

Federal eligible revenue is used to offset operating expenses. For example, in FY 2016-17 STS' operating expense were \$1,760,961. We received Federal 5311 Revenue of \$537,340 which reduced our expenses to \$1,223,621.

2. Federal Non-Eligible Revenue

This source includes investment income. Federal non-eligible revenue are funds that are not used to calculate Federal operating assistance.

3. Non-Subsidy Revenue

Total non-subsidy revenue is the product of both Federal non-eligible revenue and Federal eligible revenue. The total amount is all the monies that are not considered subsidies from government sources to cover STS' operating deficit.

4. Operating Assistance

Operating assistance is the subsidy that comes from Federal, State and Local government sources to support STS operations. Federal operating assistance covers a calculated percentage of STS' operating expenses not covered by Federal eligible revenue. STS also receives State Act 44 funding (Sec 1513).

SYSTEM EXPENSES

System expenses include operating and capital expenses. STS' operating expenses are the costs incurred to operate public transit services. Capital expenses are the costs related to either replacing or introducing major items that are necessary to the operation for the system such as buses and major garage equipment.

PRODUCTIVITY

Productivity can be defined as how effective the system is at producing outputs such as number of riders carried. The following indicators can be used to measure productivity.

1. Originating Passenger Trips

Originating passenger trips are the total number of trips provided by STS.

2. Ridership Characteristics

This measure is useful for financial capacity analysis because it indicates the kind of passengers that travel on STS and their impacts on Federal eligible revenue and non-Federal eligible revenue.

3. Originating Passengers per Vehicle Hour

Total vehicle hours refer to hours run by STS buses in any given year. Vehicle hours divided by originating passenger trips shows the level of productivity STS achieves in any given year.

4. Farebox Recovery Trends

Farebox recovery is calculated by taking all sources of total non-subsidy revenue and dividing it by operating expenses. The higher the level of farebox recovery, the healthier a system's financial condition and future financial capacity is likely to be.

DISCUSSION OF FINANCIAL CONDITION AND CAPACITY

1. OPERATING REVENUE TRENDS

a. Total Federal Section 5311 Revenue

STS receives Rural Federal Section 5311 money. We will continue to receive funds from this source.

2. OPERATING ASSISTANCE TRENDS

a. State Operating Assistance

Act 44 was implemented in FY 2007-08 and amended by Act 89 (2013).

3. LOCAL OPERATING

a. Local Operating Assistance

STS' local operating assistance comes from the County of Schuylkill. As per Act 44 directives, the local share is approximately 4% of the full annual state allocation.

EXPENSE TRENDS

There are two (2) types of expenses, operating and capital.

a. Operating Expenses

Total operating expenses increased approximately 3% from FY 2015-16 to 2016-17 due mostly to increases in wage and wage related increases.

b. Capital Expenses

Over the past years we have replaced buses on a regular basis. The bus fleet that has a 12 year life cycle. STS is in the process of converting our fleet to CNG fuel. We plan to replace five diesel vehicles converted to CNG in September of 2018, with four more to follow in 2019. This along with a possible new facility to enable STS to maintain these vehicles will decrease our operating expenses in the future and possibly create a source for revenue through the sale of CNG fuel to the public.

PRODUCTIVITY TRENDS

- a. Originating Passengers
- b. Total Originating Passenger Trips
- c. Originating Passengers per Vehicle Hour
- d. Farebox Recovery

DISCUSSION OF PROJECTED FINANCIAL CONDITION AND CAPACITY

STS' financial goals in the next four (4) years are designed to ensure that operating revenue increases to keep pace with operating expenses.

1. OPERATING REVENUE PROJECTIONS

a. Federal Section 5311 Revenue

As previously reported, STS estimates the total operating revenue to continue to increase over the next four year period.

a. State Operating Assistance

State Act 44 (amended Act 89 2013) operating assistance increased slightly FY 2015-16. Act 44 states that no property shall receive less than the previous year. However, additional year increases cannot be guaranteed because funds are based on sales tax receipts.

2. OPERATING EXPENSE TRENDS

a. Operating Expenses

STS anticipates a of 3% - 5% increase in operating expenses for each year over the next four year period.

b. Capital Expenses

STS will continue capital maintenance and improvement projects.

3. PRODUCTIVITY PROJECTIONS

a. Originating Passenger Trips and Ridership

Originating passenger trips is projected to decrease the next two years according to current trends. Then increase over the remaining two years (See Conclusion).

b. Originating Passenger Per Vehicle Hour

Our goal is to improve this factor over the next four years.

c. Farebox Recovery

We anticipate farebox recovery and operating revenue to remain stable for the planning period. STS implemented a fare adjustment policy to ensure cash revenues are increasing with at least the rate of annual inflation

CONCLUSION

STS has completed a Fixed Route Schedule Review along with the implementation of electronic fareboxes. The goal of this project is to better serve Schuylkill County and become more efficient in the process. This along with the change to CNG fuel will help STS to accomplish our goal.

In the event operating assistance at the federal, state or local level is cut drastically, STS will respond to these cuts in an aggressive yet positive manner for the citizens of Schuylkill County. Any challenges will be met through extensive discussion and planning with our Board of Directors who will provide the course of action needed to ensure fiscally viable transit operations.

STS financial goals in the coming years will be to maximize operating revenues to keep pace with operating expenses. STS is committed to providing safe, cost effective public transportation and will strive to continue to meet this goal.

Schuylkill Transportation System

RIDERSHIP PRODUCTIVITY PROJECTIONS

	17-18	18-19	19-20	20-21	21-22
PASSENGER FARES	174,986	166,236	165,000	165,000	165,000
			-		
VEHICLE REVENUE MILES	283,793	283,793	283,793	283,793	283,793
			-		
VEHICLE REVENUE HOURS	16,792	16,792	16,792	16,792	16,792
			-		
PASSENGERS PER HOUR	10.42	9.90	9.83	9.83	9.83
			-		
OP COST PER HOUR	\$126.67	\$129.28	\$132.47	\$ 135.75	\$ 139.12
			-		
OP REVENUE PER HOUR	<u>\$10.34</u>	<u>\$10.34</u>	<u>\$ 10.36</u>	<u>\$ 10.37</u>	<u>\$ 10.38</u>
OP COST PER TRIP	\$12.16	\$13.06	\$ 13.48	\$ 13.82	\$14.16
OP COST PER MILE	\$7.49	\$7.64	\$ 7.83	\$8.03	\$8.23
FAREBOX RECOVERY	8.2%	8%	7.8%	7.6%	7.4%
NON SUBSIDY REVENUE	\$173,600	\$173,711	\$ 173,948	\$ 174,130	\$174,317
OPERATING EXPENSES	\$2,127,074	\$2,170,808	\$2,224,507	\$2,279,589	\$2,336,101