

# STAFF REPORT

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**DATE:** September 23, 2024  
**TO:** Sacramento Regional Transit Board of Directors  
**FROM:** Laura Ham, VP, Planning, Grants & Procurement  
**SUBJ:** PROPOSED CREATION OF A NEW PILOT RIDESHARE  
VOUCHER PROGRAM AND ELIMINATION OF SMART RIDE  
SERVICE

## RECOMMENDATION

No Recommendation - For Information Only.

## RESULT OF RECOMMENDED ACTION

N/A

## FISCAL IMPACT

Staff plans to request authorization to spend up to \$1,200,000 of STA grant funds for Uber and any other partners added to the program over an 18-month period beginning January 1, 2025. Payments to vendors will be based on actual voucher usage. Spending would also be metered over three 6-month periods. This voucher system would yield an estimated net savings of roughly \$8 million per year, compared to continuation of SmaRT Ride service.

## DISCUSSION

For several months, Staff has been exploring development of a potential rideshare voucher program, under which SacRT would provide discount codes or vouchers to customers to partially offset the cost of travel on a rideshare service (e.g., \$5.00 off a rideshare trip). One reason to embark on this project would be to provide a lower-cost alternative to SmaRT Ride, which currently has an \$8.4 million per year operating cost, plus capital costs such as fleet replacement.

### **SacRT Budget**

Rising costs, including insurance, inflation, and labor, are impacting the entire transit industry, including SacRT. Nationwide, the transit industry is currently experiencing severe operating deficits, with most transit agencies in California facing a “fiscal cliff.”

Despite careful use of federal COVID-19 relief funds and post-pandemic ridership recovery, SacRT continues to face challenges due to decreased fare revenues and sales tax-based funding. However, compared to many other transit agencies, SacRT is faring

better and is working to secure new funding. For example, since the pandemic, most transit agencies have not restored service levels fully, while SacRT has been able to maintain nearly 100 percent of pre-pandemic fixed-route service. Unlike many other agencies that used most of their federal COVID-19 relief funds for operations, depleting the funds early, SacRT was able to extend the use of relief funding and focus on long-delayed capital needs such as state of good repair projects.

In July 2023, the State of California passed Senate Bill 125 (SB 125) which provided new one-time funding to help address California transit agencies' operating and capital needs. As required by SB 125 and the Sacramento Area Council of Governments (SACOG), which is responsible for allocating the SB 125 funding, SacRT has developed a framework for strong fiscal sustainability, including optimizing business processes, maximizing efficiencies, reviewing less-efficient ridership lines, and identifying opportunities for cost savings. SacRT must proactively redirect resources from less efficient modes and achieve budget savings as soon as possible to match available revenues. Ongoing efforts focus on SacRT's long-term fiscal health, addressing capital needs, and protecting core business functions.

### **SmaRT Ride**

SmaRT Ride was implemented as a pilot program in 2018, with a one-time lump sum of \$14 million from Measure A's Neighborhood Shuttle Program, which enabled SacRT to bring about an innovative, beneficial new service. Unfortunately, annual allocations from the Neighborhood Shuttle program today are only \$800,000, compared to annual operating costs of \$8.4 million (plus \$1.8 million of amortized capital costs), and currently only secured through June 2026. While SmaRT Ride has been popular with customers, SmaRT Ride's operating cost per passenger is over \$47, almost five times more than SacRT's fixed-route bus system, while carrying less than 1 percent of overall system ridership. For these reasons, and after conducting a thorough analysis, the SmaRT Ride program is proposed to be discontinued and replaced, at least in the short-term, with a more cost-effective rideshare program.

### **Rideshare Voucher Program**

After conducting an in-depth peer analysis, Staff has developed a proposal to replace SmaRT Ride with a pilot rideshare voucher program, yielding a significantly lower total cost and cost per passenger. Staff has estimated that for \$800,000 a year (one-tenth the cost of SmaRT Ride, and within the available funding from the Neighborhood Shuttle Program) SacRT could provide \$5.00 discounts to a similar number of daily riders traveling on rideshare within the nine existing SmaRT Ride zones, reducing the out-of-pocket cost to use rideshare, and lessening the impact of discontinuing SmaRT Ride.

Although a rideshare voucher program would not be identical to SmaRT Ride, it would yield an estimated net savings of roughly \$8 million per year, while retaining some of the same benefits of SmaRT Ride (e.g., extending the reach of SacRT's fixed-route transit system and improving affordable mobility for persons living just beyond the reach of the fixed-route system via an on-demand, point-to-point, shared-ride transportation service).

While microtransit services have become popular over the past eight years, an increasing number of transit agencies have been reducing or discontinuing microtransit services for cost-effectiveness and sustainability reasons. These agencies include Golden Empire Transit (Bakersfield), San Joaquin RTD (Stockton), and Greater Cleveland RTA, among many others.

Rideshare voucher programs are now well-established at several transit agencies. Staff consulted several of these agencies for guidance and advice including Livermore Amador Valley Transit Authority, Pinellas Suncoast Transit, Greater Dayton RTA, Pace Suburban Bus, and Golden Empire Transit, which replaced its microtransit with a rideshare voucher program earlier this year.

### **Timeline**

Staff has been preparing to discontinue SmaRT Ride and create a rideshare voucher program by December 31, 2024. This includes ending SacRT's microtransit software contract (discussed in a separate agenda item), reassigning current SmaRT Ride operators, and preparing voucher program contracts with rideshare providers and receiving Board approval for these contracts.

The last day of service for SmaRT Ride is currently planned for December 31, 2024, and the first day of the new rideshare voucher program is planned for January 1, 2025, although enrollment and testing may begin in advance.

Based on full funding being potentially available through June 30, 2026, Staff will request that the Board authorize a contract or contracts for the rideshare voucher program for an 18-month period.

### **Employee Impacts**

As part of the Staff analysis, SmaRT Ride operational and support positions were examined in detail to identify opportunities for better efficiency while creating the least impact to SacRT's workforce. SacRT's union partners were notified of a variety of impacts to their respective bargaining units as a result of the discontinuation of SmaRT Ride. All efforts are being made to minimize impacts to the affected staff, and Staff is actively working with the unions to discuss position transfers to other departments instead of layoffs. However, a handful of positions will be eliminated and require a layoff. Individuals impacted by the layoff have been notified pursuant to law and SacRT policies. These staffing impacts were discussed with the Board during closed session on August 26<sup>th</sup>.

### **Public Engagement**

The elimination of SmaRT Ride will understandably be a concern for customers, in particular passengers with disabilities and members of the Mobility Advisory Council (MAC). Staff provided a presentation and opportunity for discussion of the proposed new program at the MAC meeting of September 19, 2024, and will continue to engage the MAC, to solicit member input, and refine the rideshare voucher program. SacRT will also publicize the proposed rideshare program as well as the discontinuation of SmaRT Ride, on SacRT's web site, via mailing lists, on social media, and with printed brochures and signage, similar to any major service change; Staff is also coordinating to schedule a public open house event(s).

## **Grant Support**

The proposed new rideshare voucher program is expected to be 100-percent funded by local STA Neighborhood Shuttle Program funds. SacRT currently receives \$800,000 annually from the Sacramento Transportation Authority (STA) for SmARt Ride. This covers approximately one-tenth of the \$8.4 million annual operating cost of SmARt Ride but would fund the entirety of the proposed rideshare program. Staff expects to present a proposal to re-scope these grant funds to the STA Board at its regular meeting on Thursday, October 10, 2024, and expects to seek approval for a grant amendment on Thursday, November 14, 2024. This would fully fund a new rideshare voucher program through June 30, 2026, which is the current end date of the STA grant. There is also the potential of applying for a similar level of funding in future STA grant cycles.

## **Regulatory and Approval Requirements**

SmARt Ride has existed since 2018 but has been funded by temporary sources, such as Measure A or LCTOP. As such, this program is a pilot service that was dependent upon a new source of dedicated funding to be made permanent.

Title VI of the Civil Rights Act of 1964 has general non-discrimination requirements and the Americans with Disabilities Act (ADA) requires comparable access to programs and services for all persons regardless of disability. The applicability of these regulatory requirements, which are also applicable to the proposed new rideshare program, are discussed below.

Typically, SacRT complies with Title VI with respect to service changes by preparing a service equity analysis. However, the Federal Transit Administration (FTA) guidance on service equity analysis speaks only to fixed-route service, not to demand-response service such as SmARt Ride. SacRT's service change policy likewise does not require Board approval to discontinue SmARt Ride. The proposed voucher program is also not a "fare" charged for SacRT transit service and, therefore, no fare equity analysis is required for the creation of the voucher program.

Funding the rideshare program for the proposed 18-month term also requires an amendment to SacRT's grant agreement with STA, as discussed above.

## **Service Provider(s)**

SacRT is a member of the Equalis Group purchasing cooperative for general services, which competitively awarded a master agreement to Uber Technologies, Inc. (Uber) to provide members with a variety of services, including a rideshare voucher program that aligns with SacRT's vision. Staff has met with local Uber representatives and believes that Uber could deliver the desired service and be ready for launch within SacRT's timeframe. Staff has begun negotiating a supplemental agreement under the general terms of the Equalis master agreement, under which Uber would be the primary service provider for eighteen months. Because the proposed value of the contract is in excess of \$150,000, Board approval will be required for the voucher program contract once the terms are negotiated.

Staff is also in the process of identifying and opening discussions with at least one additional local provider of on-demand transportation service, primarily to augment wheelchair capacity, as discussed later in this Staff Report. Any additional providers

added to the pilot program prior to launch would require a Board-approved limited-term sole source procurement to avoid the six months typically needed for a competitive formal solicitation process.

SacRT intends to engage Uber for the entire 18-month pilot period as the primary provider; however, SacRT will retain the option to reduce Uber's budget if other providers are deemed desirable. Any providers awarded contracts beyond the initial 18-month pilot would be selected through a standard competitive procurement process.

### **Program Details**

SacRT's proposed new rideshare voucher program would provide discounts to rideshare users (in the form of discount codes or vouchers) to reduce the out-of-pocket costs to the rider (see pricing details below) by up to \$5.00 (in most cases). Users would receive a voucher/discount code from SacRT that would be redeemed when a ride is taken on an on-demand rideshare service. Customers would be required to pay the first \$5.00 cost of each ride. The voucher would cover the next \$5.00. The remainder of the fare, if any, would have to be paid by the customer. Customers would also be limited to 20 vouchers per month.

Vouchers would be geographically restricted so that each voucher is useable only for a rideshare trip taking place entirely within a single existing SmarT Ride zone. Like SmarT Ride, the new rideshare vouchers would be available for use only on non-holiday weekdays, from 7:00 a.m. to 7:00 p.m. to conserve funds, although those days and hours could potentially be increased, as discussed below.

### **Pricing**

Under SmarT Ride, the standard SacRT fixed-route fare is in effect. Adults pay \$2.50 for a one-way ride. SacRT's fixed-route discount programs are also honored on SmarT Ride, including RydeFreeRT, college passes, and other unlimited ride pass types. Staff does not believe it is feasible or advisable to have the equivalent of unlimited ride passes on the proposed rideshare program.

Unlike SmarT Ride, rideshare services (and taxi firms) typically charge cancellation fees. Vouchers would not be spendable on cancellation fees, cleaning fees, or fees of any kind; they would be useable only for rides actually taken.

Staff tested the cost of 135 random SmarT Ride trips, if they had instead been taken on Uber, and determined the price would average approximately \$12.89. A voucher of \$5.00 would therefore reduce the cost to \$7.89, comparable to SacRT's \$5.00 SacRT Go fare. Greater discounts could potentially be provided to persons requesting wheelchair accessible vehicles (WAVs), as discussed below.

### **Wait Times**

Although the out-of-pocket cost to the customer for an on-demand ride would likely be higher on rideshare than SmarT Ride, typical wait times would likely be significantly lower. Wait times for a standard UberX vehicle in one of SacRT's nine SmarT Ride zones is currently under four minutes. In comparison, wait times on SmarT Ride are typically 30 minutes.

## **Wheelchairs and Individuals with Disabilities**

Although Uber's booking platform displays WAV options, WAVs are currently unavailable in the Sacramento area. Staff is considering adding one or more additional on-demand rideshare or taxi providers to the program to improve WAV availability and has researched more than half a dozen potential local providers.

Staff has considered greater discounts for WAVs to offset the presumed greater cost of a WAV ride. However, in comparing prices, one potential WAV provider had an average WAV price of about \$12, similar to the average of \$12.89 for an UberX based on Staff's benchmarking. Staff is continuing to investigate WAV options and will work with the MAC to select a WAV provider with the best combination of availability, service quality, and pricing, before determining the final voucher amount for WAV services.

Uber also has an Uber Assist feature, where customers can request special assistance from a certified driver; the vouchers to be issued by SacRT would be valid for the Uber Assist service as well. In preliminary testing, the pricing, availability, and wait times for Uber Assist appear comparable to a standard UberX ride; however, Staff will be doing additional testing of these options. If there is a significant disparity, SacRT could increase the subsidy amount for Uber Assist.

## **Cash and Book-by-Phone**

Uber's general public service does not offer an option to pay with cash and does not ordinarily have a way to book by phone. Most of the WAV transportation firms accept cash and allow phone reservations. Staff is looking into call center options for Uber with either a third party or directly through Uber.

## **Students**

Rides to or from schools currently make up an estimated 20 percent of rides on SmaRT Ride, with potentially another 10 percent of rides being made by K-12 students for non-school travel. Uber has an "Uber for Teens" program, under which minors may ride alone, using a subaccount of an adult parent or guardian. Currently, however, Uber has no way for a rideshare voucher to be transferred to or redeemed by a teen subaccount.

Uber representatives have indicated that there may be technical workarounds that, while not yet standard/established practice, may allow SacRT to provide rideshare discounts to teens, if desired. Staff will continue to explore these and other options.

## **Flexibility**

As discussed above, SacRT is actively exploring adding an additional rideshare provider, to augment WAV capacity. Staff also intends to meter the program budget into three phases of six months each and to retain flexibility under all contracts to add providers, alter voucher amounts, and make other changes as trends emerge and lessons are learned. Alterations could include:

- Addition of one or more additional rideshare providers, including specialty wheelchair transportation companies

- Changes in voucher amounts, either to provide greater benefits where deemed justifiable (e.g., for disabled or ADA paratransit eligible riders), or to reduce subsidies to conserve budget
- Increases in the days and hours of service (i.e., to include nights and weekends) if the program is trending under budget
- Changes to the geographical boundaries, to increase coverage, if the program is trending under budget
- Addition of shared scooters and other forms of environmentally-sustainable micromobility.

### **Title VI and Americans with Disabilities Act (ADA)**

Title VI of the Civil Rights Act of 1964 prohibits SacRT from discriminating against disadvantaged communities, specifically minority populations. In addition, two relevant federal Executive Orders impose additional obligations to ensure program accessibility to low-income individuals and individuals with Limited English Proficiency (Executive Order 12898, “Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations,” and Executive Order 13166, “Improving Access to Services for Persons With Limited English Proficiency.”) FTA Circular 4702.1B addresses transit agency obligations under both the statute and Executive Orders. There are no specific guidelines for applying Title VI to elimination of demand-response service such as SmaRT Ride or to a rideshare voucher program; however, SacRT retains a duty under the general provisions of Title VI to ensure that its facially-neutral policies and practices do not have a disparate impact on minority populations; similarly, under the applicable Executive Orders, SacRT must ensure that its policies and practices do not impose a disproportionate burden on low-income individuals and that individuals with limited English proficiency have meaningful access to SacRT’s programs.

Similarly, Title II of the Americans with Disabilities Act specifies that no individual with a disability may be excluded from participation in or be denied the benefits of the services, programs, or activities operated by a public entity and that public entities must make reasonable modifications to practices and policies as necessary to ensure program accessibility.

Facially, replacement of SmaRT Ride with the proposed rideshare program would not appear to cause a disparate impact, because it would replace one program with another similar one--providing the general public with an affordable means to be transported on an on-demand, point-to-point basis, within one of nine pre-defined geographical zones during specific hours and days of the week).

Potential differences between SmaRT Ride and the rideshare program would appear to be:

1. Accessibility – Although the rideshare program would have accommodations for persons with disabilities and wheelchair users, non-ambulatory individuals may find that, despite SacRT’s best efforts, the voucher program is less useful than SmaRT Ride.

Staff is attempting to mitigate these changes to the best of SacRT's ability by securing additional WAV providers and potential providing greater discounts for individuals that are non-ambulatory while balancing the needs of all riders and the available program budget.

2. Students – Persons under eighteen years of age might be unable to independently participate in the voucher program but would be eligible to take rides accompanied by an adult; SacRT's K-12 student riders are approximately 87 percent minority and 64 percent low-income as compared to 67.5% minority and 55% low-income for SacRT's overall ridership.

While SacRT is investigating options to safely allow access to the voucher program for individuals under 18, limiting accessibility of a program based on age is not inherently a violation of Title VI simply because youth are disproportionately minority.

3. Price – After applying a \$5.00 discount from SacRT, the net out-of-pocket cost to a rider for a trip on rideshare is expected to be around \$8.00. Multiple-ride passes are also not feasible, either operationally or financially, because costs scale with utilization. Staff does not have data on minority or low-income representation among potential rideshare users, but SacRT will collect that data (in a voluntary manner) from customers registering for rideshare, analyze that data, and use it to help ensure non-discrimination.

Relative to potential concerns that non-ambulatory individuals may encounter higher costs to obtain WAV rides, SacRT may offer greater voucher amounts for WAV users, if the actual price is significantly higher than for non-WAV users. SacRT would retain some flexibility to alter discount amounts by rider type.

### **Cost Structure**

Cost structure and fiscal control of the rideshare program would differ from SmaRT Ride in two important ways:

Fixed Cost-Effectiveness – The cost per passenger for SmaRT Ride (which currently averages \$47) is variable, depending on how many passengers are carried. The rideshare voucher program would essentially have a fixed and pre-defined cost-effectiveness, based on the amount at which SacRT caps vouchers (e.g., \$5.00 for the general public).

Variable Cost – On SmaRT Ride, costs are set by SacRT based on how many vehicles and operators are assigned to each zone. If no one rides, SacRT still pays the operators. Conversely, if demand for rides exceeds capacity, customers are turned away, but SacRT's costs remain unchanged. With the rideshare voucher program, if no one opts to use the program, SacRT would pay nothing, but if the program proves more popular than expected, the subsidy would have to be lowered or eliminated to conserve funds.



## **Next Steps**

Staff expects to make an initial presentation to the STA Board on Thursday, October 10, 2024. On Thursday, November 14, 2024, SacRT would seek STA approval to amend the existing grant agreement, repurposing the remaining \$1,200,000 on the grant for the eighteen-month period from January 1, 2025, to June 30, 2026.

In the meantime, Staff will be negotiating a potential contract with Uber and potentially one or more other providers. Approval of an agreement with Uber, contingent on the STA grant amendment, would effectively approve the rideshare voucher program. Staff expects to present that item to the SacRT Board for consideration on Monday, October 28, 2024.

Assuming Notice to Proceed on or around December 1, 2024, Staff plans to launch an online registration process for new rideshare users no later than mid-December 2024. Staff may also authorize a small amount of state or local funds (e.g., \$1,000 or less) to seed the rideshare program with a small number of vouchers for distribution and redemption testing prior to launch.

As contracts are negotiated and grant applications refined, Staff will be taking input from the MAC and the general public to help inform and sharpen the program.