MEMO

Date: June 16, 2025

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To: Sarah Ingle, Nathan Watchous, RIPTA

Subject: Task 5 – Highlights from Review of Revenue and Cost Drivers Memo

Task 5 of the RIPTA Operational Efficiency Study is under way. The consultant team has researched existing cost drivers and potential revenue opportunities. While elements of this analysis are still underway, preliminary findings and recommendations are included below.

REVENUES

USE OF FEDERAL FUNDS

- RIPTA's five-year financial plan currently assumes federal formula funds[1] are steady
  - ⇨ **Recommendation:** include conservative percentage annual increase for these funds in budget projections, in alignment with historical growth
- Use of federal funds to reimburse capital-project related positions:
  - ⇨ **Recommendation:** federalize additional procurement and finance positions (up to $0.8 - $1.0 million in annual costs)
- Use of federal funds to reimburse bus service:
  - ⇨ **Recommendation:** identify rural segments of existing routes and consider reallocating service to low-income and reverse commute services

FARE REVENUES

Two fare increase scenarios were compared:

- ⇨ A general fare increase applying to all routes and all users would generate $1-$2 million in annual revenue
- ⇨ An increase on specific routes only would generate well below $1M in annual revenue

- RIPTA has an extensive set of partnerships, but could implement tools offered by other agencies to increase ridership and revenue

[1] RIPTA has access to the following types of Federal Transit Administration formula funds:
- 5307 for capital, limited for operations, all modes
- 5310 for capital and operations, ADA-compliant services
- 5311 for capital and operations, rural service
- 5337 for capital, limited for operations, high-intensity transit only
- 5339 for capital

ADVERTISING REVENUES

- RIPTA's advertising revenue per vehicle revenue hour ranks in the middle of the peer agency set, and is slightly below the average of those peer-agencies.
- If RIPTA were to increase its advertising revenue to match highest ranking peer (Albany), it could increase annual advertising revenue by up to $0.9 million

COSTS

OPERATING COSTS

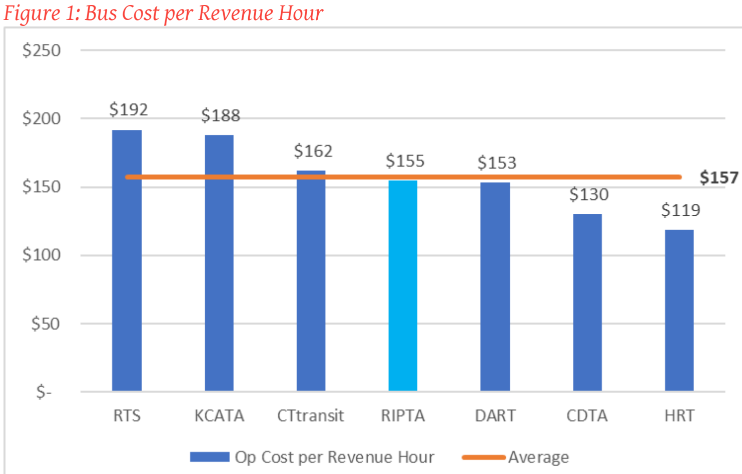
- RIPTA's cost efficiency was measured against the following six peer agencies using data from the National Transit Database (NTD) and RIPTA internal data

Table 1: Peer Transit Agencies

Agency	Abbreviation	City/Metro Area
Hampton Roads Transit	HRT	Norfolk, VA
Capital District Transportation Authority	CDTA	Albany, NY
Delaware Transit Corporation	DART	Delaware
Kansas City Area Transportation Authority	KCATA	Kansas City, MO/KS
Regional Transit Service	RTS	Rochester, NY
Connecticut Transit	CTtransit	Hartford, CT

- Bus operating cost per revenue hour (Figure 1) represents the overall cost efficiency of RIPTA's bus service compared to peer agencies
  - ⇨ **RIPTA's costs are in line with peer average**

Figure 1: Bus Cost per Revenue Hour

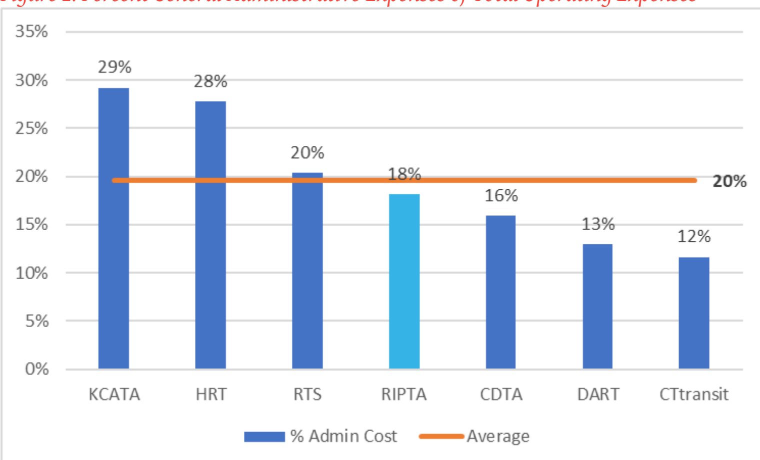


Source: 2023[2] NTD, RIPTA internal data

[2] The peer comparison data was obtained from the National Transit Database (NTD). At the time of the analysis, 2023 was the most recent data available.

- Administrative costs as a percent of total operating expenses (Figure 2) capture the support and management functions of transit agencies
    - ⇨ **RIPTA's costs are slightly below average**

Figure 2: Percent General Administrative Expenses of Total Operating Expenses



Source: 2023 NTD

- No short-term cost reduction strategy would generate significant savings to avoid near-term service reductions

SERVICE COST REDUCTION SCENARIOS

- To reduce service costs by $18 million in FY26, RIPTA would have to reduce service by the equivalent of approximately 150,000 hours[3], based on a high-level estimate of $120 per hour in projected FY26 variable costs for bus service, which is up to 20% of its current annual service.
- If the above-referenced revenue enhancement actions are successfully phased in, which will take two to three years to realize, roughly $1 million to $4 million could be made available to mitigate against this shortfall
- Service cost reductions could be achieved by the following strategies, among others:
    1. Spread out the service reduction so each route an approximately equivalent level of reduction
    2. Focus service reductions on the least efficient routes
    3. A hybrid approach between 1 and 2
- Any service reductions will have additional impacts in terms of:
    1. Additional losses in terms of fare revenues
    2. Longer-term losses in terms of federal formula funds
    3. Network effects leading to additional losses in ridership due to inability to connect between routes
    4. Service changes will be subject to public hearing process and federally required equity analysis to determine disparate to low-income and minority communities

[3] Vehicle Revenue Hours on an annualized basis. Assumes that the 150,000 hour service reduction happens in the near-term on a 10-month basis, starting September 1st, and not on the full year. Hence, the service reduction will actually be equivalent to 180,000 service hours on an annualized basis.