

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Executive Committee Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
3	05/04/09	Open	Information	04/29/09

Subject: RT Ticket Exchange Process and Expiration Dates

## ISSUE

The Board has requested a presentation on RT's ticket exchange process and a discussion of whether or not the use of expiration dates should continue.

## RECOMMENDED ACTION

No Changes, Information Only

## FISCAL IMPACT

None as a result of this issue paper.

## DISCUSSION

### *Background*

Originally, customers riding the RT system were able to purchase single ride tokens in advance of boarding the system. Because tokens stated the fare they were good for, did not have an expiration date and did not display a dollar value they always are accepted for their stated fare. For these reasons, tokens were replaced with prepaid single ride tickets and daily passes. The tickets and passes were originally bundled and sold in books to the various RT fare outlets (state agencies, supermarkets, convenience stores, etc). The initial single ride tickets and daily passes did not include a pre-printed expiration date. The ticket and pass books were sold for \$15.00 and \$35.00, respectively. The face value of each ticket and pass was \$1.50 and \$3.50, respectively.

During 2004, Booz Allen Hamilton was hired to perform a fare study. The study was completed and brought to the Board on June 27, 2005. Based on the results of the study, the Board adopted a new RT transit fare structure and pricing model which resulted in gradual increases to all fare categories and the adoption of a expiration date for prepaid tickets and passes.

For a customer wanting to ride an RT train with prepaid media, the individual must display a validated prepaid ticket or pass. The validation of the prepaid ticket or pass is accomplished by inserting the media into a FVM (Fare Vending Machines). The FVM does not recognize the dollar value shown on the ticket, rather the machines determines if the type of media and date range are valid. If the current date is not within the current ticket or pass date range, the ticket cannot be validated.

With the implementation of the fare increase and FVM limitation noted above, the prior \$1.50 single ride tickets and \$3.50 daily passes could no longer be accepted in the FVM's. As such, RT was required to perform a ticket exchange for customers holding the \$1.50 and \$3.50 tickets and daily passes.

Approved:



General Manager/CEO

Presented:



Director of Finance/Treasury



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### *Ticket Exchange Process*

The ticket exchange process is initiated in advance of a change in fares or the expiration date printed on prepaid single ride tickets and daily passes. Historically, ticket exchange periods extend from one month prior to one month following either the expiration date on the ticket or the date of the fare change. On June 26, 2006, Resolution 06-06-0118 extended the exchange period from “no later one month” to “no later than two months” following either the expiration date on the ticket or the date of the fare change.

Staff notifies the public through various means of the upcoming exchange; places where the exchanges will take place; and the time frame within which holders of prepaid media can exchange, or upgrade, their tickets and passes.

The public is allowed to exchange their old media at RT’s Customer Service Center. Additionally, RT staff performs exchanges for at least 10 of its largest sales outlets. Also, during the most recent ticket exchange, RT staff performed exchanges at 7 different light rail locations.

If no fare change is involved, customers can exchange the expired media for the same dollar value of new media. If a fare change has been adopted that increases fares, customers have the option of upgrading the same quantity of media at the new fare by paying the difference, or receiving a reduced number of tickets/passes equal in value at the higher fare.

The initial production cost of the returned expired tickets from the past two ticket exchanges during the current fiscal year is estimated at \$46,000. A closer match in use of tickets and time of purchase will reduce or eliminate this cost.

### *Expiration Dates*

The underlying reasons for creation of the expiration dates:

- Avoid the problem experienced with tokens where fare media is always valid, and never expires.
- Match revenue with ridership as closely as possible. Revenue is recorded when media is sold.

Based on observed buying patterns and the volume of tickets returned during exchange periods, customers buy large quantities of lower denomination media at subsidized prices from their employer and hold these tickets for future use. Because the tickets are held for long periods of time, occasionally the customers misplace or lose their tickets. As a result, if the user does not immediately ride or use the system, it creates a disconnect between recorded revenue and ridership. If the tickets have an expiration date, then the customer is less likely to buy and hold large quantities of tickets and RT is better able to limit the number of valid forms media.



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- To provide riders of light rail with a way to exchange lower denomination tickets with or without expiration dates for those with the current fare value which will work in FVM's.

When there is a fare increase, the FVM's are not capable of accepting old media and requiring the customer to pay the difference. RT still has some old media in circulation without expiration dates. Fare vending machines at light rail stations will not accept media in denominations lower than the current fare embedded in the machines. Since lower denomination tickets won't validate, the holder may not ride light rail with those tickets.

- Bus Operators will accept fare media without expiration dates but are required to collect the difference from the customer. Without expiration dates, the number of different denomination tickets in circulation would increase requiring the operators to determine how much to collect for several different past fare structures. Sometimes customers will put the lower denomination ticket into the fare box and say they have no money to pay the difference. Operators may end up allowing them ride for a lesser amount than the current fare structure allows resulting in a loss of revenue to RT.

*Problems related to the ticket exchanges:*

- Expiration dates can result in an inconvenience to the holder of the prepaid ticket or pass. The riders must use or exchange the tickets prior to the expiration date or the RT approved grace period.
- The short exchange period. RT has historically provided an exchange period of one month prior and one month following the expiration date.
- The 1225 R Street location can be an inconvenience for riders wanting to exchange tickets.
- When there is a fare change that does not coincide with a the expiration date shown on the ticket, there could be multiple exchanges within a short time period.

*Policy change options to address the ticket exchange problems:*

In an effort to minimize the impact to customers, RT could modify its ticket exchange policy in any of the three ways:

- Extend the exchange period from "no later than two months" to a fixed period of three or four months.
- Extend the exchange period from "no later than two months" to a concentrated two month exchange outreach program with a perpetual exchange thereafter.
- Allow an unlimited time to exchange tickets.

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### *Exceptions for Extenuating Circumstances*

If a customer is not able to exchange tickets within the time frame provided for a good reason, an exchange outside the exchange period is made upon appeal to the General Manager/CEO.

### *Benchmarking with other transit agencies*

Most other transit agencies have either implemented or are in the beginning stages of implementing Smart Card technology. Smart Card technology, along with a change to the current fare structure, could eliminate the need for prepaid media with expiration dates. Customers would still have the option of prepaying for their rides, however the cash balance would be kept on a stored value card that generally could be applied to any form of fare as needed.

Some transit agencies still offering prepaid forms of media do such by shortening their prepaid periods to as little as a one or two week windows within which the media is valid. RT currently offers a similar option through the sale of semi monthly passes. There are pro's and con's associated with eliminating single ride tickets and daily passes and moving to a new form of media such as a weekly pass. Since RT is currently in the process of working towards a Smart Card option, staff believes that adding a new form of media and eliminating others is currently not a viable option.

### *Recommendation*

At this point, staff's recommending the continuation of expiration dates on the pre-paid media and will continue using the ticket exchange program adapted by the Board in June, 2006. Based on the Committee's discussion, staff will come back to the Board at a later date with recommended changes (if any) to the existing exchange policy.