

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

ISSUE

Informational Update on Potential Fare Structure Changes.

RECOMMENDED ACTION

None.

FISCAL IMPACT

None at this time. The staff report includes estimated fiscal impacts from a variety of potential fare structure changes that could be pursued by RT, per Board direction.

DISCUSSION

At the April 13, 2015 Board meeting, staff presented a report on fare policy and led a discussion on key principles that RT might want to consider in developing fare structure changes. Investigation of fare policy and structure changes was prompted by a variety of factors, including a financial forecasting model which projected a 20% increase in the average fare beginning in 2016, a series of inquiries and requests from members of the public with respect to fare discounts, as well as complaints and criticisms from customers and in the media with respect to several aspects of RT's existing fare structure. The context for any fare structure changes also includes the forthcoming deployment of the Connect Card, which will result in changes to fare payment and collection practices.

Two key objectives of the following report are to provide the Board with approximate fiscal impacts of major fare changes for the sake of RT's budget development and priority setting, as well as to explore many of the non-financial pros and cons of other potential fare structure changes and adjustments. Specific fare structure options include:

- A general fare increase of 10 to 20 percent (i.e., increasing the base fare to \$2.75, daily passes to \$6.50, monthly passes to \$110, and all corresponding discount types commensurately)
- Elimination of RT's paratransit monthly pass
- Elimination or restructuring of RT's student discount program
- Elimination or restructuring of RT's Los Rios pass program
- Offering new discounts for military and low income riders
- Reintroduction of transfers for Connect Card users
- Elimination of Free Rail-to-Rail Transfers
- Reintroduction of a Central City Fare zone for Connect Card users
- Addition of a Special Event Fare

Approved:

Presented:

Final 05/15/15

General Manager/CEO

Director of Finance/Treasury

J:\Board Meeting Documents\2015\09 May 11, 2015\Fare Changes - IP - V3.doc

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

- Reduced fare for off-peak travel
- Introduction of a distance-based fare
- Changes to parking fees

Guiding Principles – As discussed on April 13, 2015, the RT Board directed staff to develop any future fare structure modifications within the context of several guiding principles, including the following:

- Minimizing fraud, waste, counterfeiting, etc.
- Balancing fare pricing with value received by the customer
- Ease of understanding for the customer and ease of administration
- Adherence to equity and civil rights principles
- Adherence to farebox recovery requirements
- Maximization of cost-sharing/matching funds arrangements

Methodology – Ridership deflection assumptions are based partly on academic research on fare price elasticity and partly on actual experiences at RT and other transit agencies.

- Ridership deflection from fare increases is highly *uncertain*. Because fare changes may affect all or most of RT’s riders, the fiscal impacts can be much greater and much less predictable than from service changes, which tend to affect only single-digit percentages of RT’s ridership. Staff has presented most impacts as *ranges*, rather than single expected values, to help convey the *risk* entailed, especially with major, wholesale changes.
- In general, minor *incremental* changes tend to yield better long-term results than major, abrupt changes. For example, a transit agency with a base fare of \$1.50 would be likely to have better long-term results from a series of \$0.25 increases than from a single \$1.00 increase. In the case of RT, however, because fares are already among the highest in the nation (due largely to the lack of an RT-only sales tax revenue source), a series of gradual increases may not be a realistic option.
- Abrupt, wholesale changes not only have less certainty, but much of the academic literature as well as RT’s experience shows that abrupt, major increases tend to result in a two year spike in revenues that is outpaced by ridership around the third year.

Background Information

Existing Ridership - Attachment 1a provides a breakdown of RT ridership and fare revenue by fare category and by rider category. Although RT’s base fare is \$2.50, RT’s FY 2014 overall average fare per passenger boarding is only \$1.11.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

- Some discounts are based on a rider type. Federal law, for example, requires that the Senior/Disabled off peak fare not exceed half of the general public fare. The RT Board has elected to voluntarily provide this same discount to the K-12 students.
- Some discounts are based on travel pattern. Users of RT's \$6.00 day pass, for example, average 5.5 rides per pass, for an average fare of \$1.09 per boarding. The \$6.00 price effectively guarantees that riders making multi-seat rides pay no more than \$3.00 each way for a round trip, regardless of how many vehicles they board.

Discounts based on rider type allow RT to target a particular population segment, but are more difficult to administer because they require a process for determining eligibility (e.g., an RT photo ID).

Peer Fares - Attachment 1b provides a comparison of RT's existing fares to several other North American transit properties.

RT Fare Structure History – Attachment 1c provides a history of recent RT fare structure changes.

General Fare Increase

Description – A uniform 10 percent fare increase would raise single fares from \$2.50 to \$2.75, daily passes from \$6.00 to \$6.50, and monthly passes from \$100 to \$110. A uniform 20 percent fare increase would raise the single fares from \$2.75 to \$3.00, daily passes from \$6.50 to \$7.00, and monthly passes from \$110 to \$120. Discount types would be raised commensurately. RT may also want to increase paratransit fares commensurately, as they are typically indexed to RT's base fare.

General Fare Increase

Fare Type	Current Price	10% Increase	20% Increase
General Public			
Single Fare	\$2.50	\$2.75	\$3.00
Daily Pass	\$6.00	\$6.50	\$7.00
Monthly Pass	\$100.00	\$110.00	\$120.00
Student/Senior/Disabled			
Single Fare	\$1.25	\$1.35	\$1.50
Daily Pass	\$3.00	\$3.25	\$3.50
Monthly Pass	\$50.00	\$55.00	\$60.00

Excludes semi-monthly versions of monthly passes.
Excludes paratransit fares and super-senior monthly pass.

Impacts - Staff has estimated that the ridership loss on affected fare types could be in the 2 to 6 percent range for a 10 percent fare increase and would likely be closer to the 2 to 4 percent range for at least the first couple years, resulting in a net gain of \$1.4 to \$2.0 million annually. For a 20

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

percent fare increase, staff believes deflection could range from 4 to 12 percent and would likely be closer to the 4 to 8 percent range, resulting in a net gain of \$2.7 to \$3.9 million annually.

Because sensitivity to prices cannot be precisely forecast, there is a relatively wide range of potential impacts on ridership and fare revenue. This means that although a general fare increase has the potential to increase revenues significantly, it also entails a greater degree of risk than other options.

General Fare Increase – Fiscal Impacts

Scenario	Ridership Loss	Net Gain
10% Fare Increase		
2% Deflection	-325,000	\$2,000,000
4% Deflection	-650,000	\$1,430,000
6% Deflection	-970,000	\$870,000
20% Fare Increase		
4% Deflection	-650,000	\$3,890,000
8% Deflection	-1,290,000	\$2,670,000
12% Deflection	-1,940,000	\$1,450,000

Results are annualized figures for first year of changes in current year dollars.
 Ridership loss may increase and net gain may decrease over time.
 Staff expects a 10 percent fare increase would have deflection of 2 to 4 percent.
 Staff expects a 20 percent fare increase would have deflection of 4 to 8 percent.

Conclusion – A general fare increase would be one of the few fare structure changes with the capability of substantially increasing RT’s revenues; however, there would be considerable risk of ridership loss. If the Board has interest in pursuing a general fare increase, staff would suggest examining the ratios between various pass prices more closely to determine if the best option would be a general increase to all fares or a more selective approach which could have different increases by fare type(s). For example, there may be a benefit to keeping the monthly pass price as-is or offering a single fare that differs based on the mode (bus versus rail).

Paratransit Monthly Pass

Background – The Americans with Disabilities Act (ADA) requires RT to provide complementary paratransit service within three quarters of a mile of RT’s fixed-route system for persons who are unable to use the regular fixed-route system.

- Unlike the fixed-route system, where an additional rider does not change RT’s operating cost and where RT attempts to maximize ridership on the fixed amount of service that is deployed, every additional paratransit rider *directly* increases RT’s costs.
- The ADA requires 100 percent fulfillment of *all* eligible requests for paratransit service within the three-quarter mile area.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

Prior to the ADA, RT provided a limited number of paratransit rides. Since the enactment of the ADA, RT’s paratransit costs have grown steadily. From FY 2011 to 2015, RT’s paratransit costs increased by an average of 9.5 percent annually, from \$9.6 million to \$13.3 million. Net expenses are budgeted to grow by another \$1.0 million in FY 2016 to \$14.3 million.

Existing Fare Structure – The fare for RT’s complementary ADA paratransit service is currently \$5.00 each way. Federal law prohibits RT from charging more than double the fixed-route base fare, which is currently \$2.50. An unlimited ride paratransit monthly pass is also available for \$125. Approximately 28 percent of RT’s paratransit service is consumed by the 9 percent of actual customers who use the paratransit monthly pass.

Federal regulations do not require a monthly pass or discount program for ADA paratransit service due to the costly nature of origin-to-destination demand-response service; however, discounts (50 percent off the base fare) are required for eligible individuals with disabilities on the accessible *fixed-route* system. Individuals who are able to use the fixed-route system for some of their trips are encouraged to do so, due to the fact that accessible fixed-route public transportation is not only *less expensive* to provide, but because the fixed-route system is also *more inclusive* than the separate paratransit system.

Agency Purchases - Approximately 20 percent of paratransit monthly passes are purchased by various social service agencies for distribution to clients. If the monthly pass was eliminated, agencies could still purchase fares on behalf of clients, either by purchasing prepaid single ride coupons or by arranging for the agency to be billed on the clients’ behalf (e.g., for subscription or group trips). RT’s ADA paratransit provider has already transitioned one major agency to a billing system.

When the ADA regulations were initially implemented, there were concerns expressed regarding the “dumping” or “trip shedding” of social service agency transportation onto the public transportation system. Federal regulations allow transit agencies to negotiate a higher fare for social service agency trips to discourage this practice.

Peers – Based on staff research, monthly passes appear to be uncommon among ADA paratransit providers, with punch cards and/or coupon books being a more common form of prepayment. RT currently offers coupon books to both individuals and agencies. While Elk Grove currently offers a monthly ADA pass, this is a practice that was inherited from RT when Elk Grove left the District in 2005. In 2009, Elk Grove also began capping the number of rides per month, rendering the pass more equivalent, in effect, to a punch card that expires at the end of each month. The Elk Grove monthly paratransit pass is also priced higher than RT’s, at \$150. In 2010, Paratransit, Inc. also stopped honoring the paratransit monthly pass for non-ADA trips (e.g., for paratransit trips they operate outside of their contract with RT for RT’s ADA paratransit service).

Discussion - In the view of staff, the nature of the monthly pass tends to create adverse incentives:

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

- Customers who are *conditionally eligible* to ride paratransit (i.e., who are able to ride fixed-route transit under certain conditions) have a disincentive to use fixed-route service if they have a monthly pass. The cost for RT to transport a passenger on paratransit is currently \$40.17, approximately ten times the per passenger fixed-route cost, and in fact, there is actually *no incremental cost* for the passenger to be transported on the fixed-route system.
- ADA regulations do not allow RT to purpose-restrict use of the paratransit monthly pass or to prioritize “urgent” or non-discretionary travel, i.e., as long as the rider meets ADA eligibility requirements, the pass allows unlimited rides, regardless of if the trip purpose is work, medical, or personal.

Impacts - Staff estimates that eliminating the paratransit monthly pass would result in a net gain to RT of up to \$450,000 annually.

- The majority of the gain is projected to come from savings due to reduced paratransit utilization. Staff believes that elimination of the pass would decrease paratransit ridership among existing pass users by 10 percent from approximately 94,300 to approximately 85,200 trips per year. At the per-trip cost of \$40.17, this would save RT \$380,000 annually.
- The remainder of the \$450,000 gain would come from increased passenger fares. Because passholders average 33 trips per month, the average fare for passholders is only \$3.79. Eliminating the monthly pass would raise this amount to \$5.00, yielding approximately \$70,000 annually for RT, net of the lost riders from the pass elimination.

RT has customarily priced the paratransit base fare at double the fixed-route single fare. If RT implemented an across-the-board fare increase, RT would have the option of increasing the paratransit base fare accordingly. This would be an alternative way to decrease net costs of the complementary ADA paratransit program; however, in the view of staff, the impacts to customers would be more severe from raising the paratransit base fare than from eliminating the paratransit monthly pass.

Conclusion – If RT is in a position of raising fares, then RT should consider restructuring or potentially eliminating the paratransit monthly pass.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

Student Discount Program

Description - RT currently provides two types of discounts for K-12 students:

1. Students age 5-18 pay only the discount fare (i.e., \$1.25 for a single ride, \$3 for a daily pass, or \$25 for a semi-monthly pass).
2. RT provides a 50 percent bulk discount on passes purchased by students on a Free/Reduced Price Meal program (FRPM). For FRPM students, the out-of-pocket price for a semi-monthly pass is therefore \$12.50, a 75 percent discount.

Discounts to students total \$2.5 million annually--\$2.1 million for the face-value discount and \$0.4 million for the bulk discount program; however, any gains from eliminating these discounts would be partially offset by ridership loss, the amount of which is uncertain and potentially severe.

Background - Historically, RT allowed students to ride at the senior/disabled rate, i.e., at a 50 percent discount. In 2002, RT increased the discount to 75 percent for student monthly passes. This policy was reversed in 2005, as one of several recommendations from a lengthy fare study implemented in phases over the subsequent four years:

- RT gradually returned student discounts to parity with senior/disabled riders (i.e., to a 50 percent discount for single, daily, and monthly fares).
- At the same time, RT uniformly increased the price of all single, daily, and monthly fare types (e.g., raising the full-price monthly from \$60 to \$80 to \$85).
- To mitigate impacts on low-income households, the aforementioned bulk discounts were introduced for monthly passes sold to FRPM students.

In effect, the 2005 changes stratified RT's student discount program into two tiers by way of a new *means test*.

- For students *not* eligible for the FRPM discounts, the combination of the general fare increase and restoration of parity with senior/disabled riders caused the nominal monthly price to nearly *triple* from \$15.00 to \$42.50 from FY 2005 to FY 2008.
- For FRPM students, the monthly price increased by over 40 percent from \$15.00 to \$21.25 during the same period.
- For the same period, the *average* monthly price increased by approximately 75 percent from \$15 to an average of \$26.42. By FY 2008, approximately three out of four students were participating in the FRPM student discount program.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

Results - Prior to the student fare increase, student monthly pass revenue averaged \$920,000 annually. In FY 2006, the first year of the fare increase, revenue spiked to \$1.16 million. In FY 2007, ridership loss and increased discount use reduced revenues to \$1.05 million. In FY 2008, revenues decreased further to \$850,000, lower than they had originally been.

Ridership data mirrors the net sales data. From FY 2005 to 2008, while student monthly pass prices increased by approximately 75 percent, ridership on the pass decreased by 55 percent. Although enrollment in Sacramento City Unified and San Juan Unified school districts did decline by 5 percent, there were no major service changes during this period, and overall systemwide ridership increased modestly during this period, so most of the 55 percent ridership decrease can reasonably be attributed to the 75 percent fare increase.

Since FY 2008, student pass revenue has remained fairly steady around \$875,000, despite major systemwide service reductions.

Conclusion - Although it appears that RT lost money on the student fare increases, it may not follow that reducing fares would necessarily result in a net gain for RT. Any gain from a fare reduction would depend upon substantially increased ridership, which would likely take multiple years. Given RT's projected deficit for FY 2015, staff recommends the existing pricing and discount program remain unchanged.

Cost-Sharing Agreements

Description – Because wholesale elimination of student discounts would entail a great deal of risk, staff recommends that RT instead pursue outside support for the maintenance of student discounts, which currently total \$2.5 million.

Example: In 2014, Boston Public Schools eliminated school bus service for 7th and 8th grade students and instead began purchasing transit passes on behalf of students. In contrast, Sacramento schools do not currently make contributions in support of student transit fares. Additionally, RT spends an estimated \$500,000 annually, net of fare revenue, on supplemental bus routes that could be unnecessary if Sacramento schools operated traditional school bus service.

Discussion – In the view of staff, RT would benefit by transitioning its discount programs toward a *cost sharing* model.

- **Authority and Resources** - Transit service increases personal mobility, resulting in numerous benefits with respect to employment, education, and public health; however, the task of *subsidizing* personal mobility for various persons is more properly under the jurisdiction of non-transit agencies specifically empowered to pursue those missions.

Example: In order to improve the personal mobility of welfare recipients, the Sacramento County Department of Human Assistance (DHA) has an agreement

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

with RT to purchase a fixed amount of monthly passes, which RT provides at a discounted price.

- *Better Incentives* - Matching funds arrangements provide a built-in mechanism for aligning the incentives of RT and its counterparties.

Example: RT's state and federal grants almost invariably require RT to provide a local match. The local match acts as a guaranty that the project is a local priority, worthy of local expenditures. This approach also incentivizes cost containment.

Conclusion – Staff would like the support to pursue contributions from Sacramento schools for student transit fares. If contributions are not available, staff may want to revisit options that include reducing the existing student discounts.

- School districts may be eligible for grant programs that RT is not.
- A partnership between RT and relevant Sacramento school districts might be more competitive for grant funds or more able to attract other types of sponsors (e.g., corporate giving, United Way, etc.).

Student discounts have been used as an example in this discussion; however, the same principles might be applied to other groups seeking fare discounts, e.g., low-income riders and military veterans.

Additionally, partnerships with other organizations could result in discounted fares for special services like shuttles, fare zones, and special events.

Los Rios Pass

Description - RT's Los Rios pass program currently generates approximately \$1.03 million annually in student fees which are remitted to RT. In return, Los Rios community college students with valid ID cards ride for free on RT's fixed-route system, as well as on partnering agencies, whom RT reimburses on a per ride basis. In FY 2014, RT provided approximately 4.5 million rides to Los Rios pass holders and provided approximately \$140,000 in reimbursements to partnering transit agencies, for a net of \$885,000 in revenue for RT from the program. This makes the average fare per Los Rios rider on RT \$0.20 per boarding, compared to \$1.28 for all other fare categories combined. RT's current agreement with Los Rios expires in November 2016. Approval of the Los Rios student body is also needed in Fall 2015 to continue the existing student fee program, upon which the agreement is contingent.

Options – Staff evaluated a number of options for restructuring the Los Rios pass program. Variations on several of these options have been discussed with Los Rios representatives and refinement of fiscal projections is currently under way.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

- *Fee Increase* – The Los Rios student transit fee is currently \$15 per semester for full-time students, with lower rates for part-time and low-income students. The transit fee is a universal fee charged to all students regardless of whether or not they ride RT. The fee could be increased to a maximum of \$35 per semester. A student fee of more than \$35 would require changes in state legislation. Other minor variations on the student fee structure are possible which might yield additional revenue.
- *Elimination* – The Los Rios pass program could be eliminated entirely after the expiration of the current contract. RT would lose guaranteed contract revenue, but would gain fare revenue from any students that continued to ride RT paying a regular fare.
- *Discounted Monthly Passes* – RT could discontinue the existing universal pass program but allow Los Rios students to purchase monthly passes at a discounted rate, e.g., at the 50 percent senior/disabled discount, similar to K-12 students.
- *Hybrid Option* – RT could offer discounted monthly passes, as described above, but only on condition that the existing Los Rios student fee be continued or increased and that the student fee continue to be paid to RT as consideration for offering the discount.

Example: Los Rios student fees could be maintained at \$15 per semester. In exchange, RT could offer transit passes to Los Rios students for \$55 per month. Variations could be made on the pricing, either to increase total program revenues or to alter the balance between the universal student fee and the monthly pass price.

Currently, at the \$15 per semester top rate, Los Rios students essentially pay a maximum of \$3 per month for unlimited transit rides. In comparison, most K-12 students currently pay \$25 to \$50 per month for a monthly or semi-monthly pass and members of the general public pay \$100 for a monthly pass.

Los Rios Pass Program – Restructuring Options Out-of-Pocket Costs for Full-Time Student

Option	Student Out-of-Pocket Costs	
	Per Semester	Per Month
Existing Conditions	\$15.00	\$3.00
Increase Student Fees	\$35.00	\$7.00
Eliminate Los Rios Program	\$500.00	\$100.00
Offer Discounted Monthly Passes	\$250.00	\$50.00
Hybrid - Discounted Passes w/ Student Fee	\$265.00	\$53.00

Assumes existing general public monthly pass price of \$100
Cost under existing conditions (\$15.00) assumes full-time student

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

Part-time students and qualifying low-income students pay a reduced student fee

Discussion – Staff established a goal of increasing annual revenues from the Los Rios pass program by \$4.5 million annually from existing levels. This would bring the average fare on the Los Rios pass into parity with the remainder of RT’s systemwide riders.

Initial projections indicate that all options discussed above would be more financially advantageous to RT than the existing program; however, none of the options would achieve a \$4.5 million net gain. Compared to the other options, the straight fee increase and the hybrid option are considerably more advantageous to RT because, by maintaining a student fee and guaranteed contract revenue for RT, they entail considerably less risk.

Although staff believes the discounted monthly pass option could be an improvement from the status quo, staff does not believe this option has an acceptable risk/reward profile. The hybrid option would offer nearly the same benefits to students, in the form of reasonable pass prices, but generate approximately \$885,000 more in guaranteed revenue for RT, eliminating entirely any risk of financial loss to RT.

Outright elimination of the program is projected to be revenue positive for RT and therefore acceptable in a worst-case scenario; however, staff feels that both the hybrid option and the straight fee increase would be preferable, with respect to both RT’s fiscal health as well as to student mobility.

Conclusion – Staff recommends the Board direct staff to continue negotiations with Los Rios with the goal of maximizing program revenues and minimizing ridership loss.

Military/Low Income Discount

Description – On February 13, 2015, staff presented various discount options requested by members of the public for both active military members and/or veterans. As discussed in the meeting, offering free rides to active military members could yield a decrease in revenues of approximately \$9,700 annually. This estimate assumes 512 active military members residing in Sacramento County, taking on average 4 trips, resulting in approximately 9,233 unlinked trips at an average fare of \$1.05 per ride. By expanding the same 100% discount to veterans, staff estimated an additional decrease in revenues estimated at \$1,657,000. If the discount were lowered to 50%, the revenue decrease was estimated to be approximately \$692,000.

Following the presentation, a member of the Board requested that staff determine how many veterans are students at Sac State or Los Rios. Based on 2014 data from the Employment Development Department, Sacramento County has a veteran population of 89,733. Of that population, 2,172 are enrolled at Los Rios College and 800 are enrolled at Sac State. With this new information, it can be concluded that there is overlap, however this would not significantly alter the initial estimate. Therefore as discussed in the issue paper, staff would suggest tracking this information upon the implementation of the Connect Card system and once we are able to better estimate this group of individuals, this topic could be re-addressed.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

As it relates to discounts in general, over the past decade, RT has been providing substantial fare discounts to its riders. As a result, RT's farebox recovery ratio has ranged from just under 19% to nearly 25%. This means that during that last ten years all trips have, on-average, been subsidized by approximately 75% - 81%.

In addition to the subsidy that all riders receive, RT offers a number of discounted pass options that are likely to assist low-income individuals. RT's program with Francis House allows the organization to purchase single ride tickets and daily passes at a 50% discount. These tickets and passes are then provided to individuals who receive assistance from agencies that provided "human services" (as defined in the Discount Fare Media agreement with Francis House). RT also has an agreement with the Department of Human Assistance that allows for the distribution of monthly passes to qualifying individuals at a 75% discount. In addition, the Department of Health and Human Service organization and Alta California Regional Center also purchase media from RT for distribution to people in need.

Staff has researched discount passes offered based on income levels by other transit agencies and reached-out to staff at several agencies concerning these pass types. While discounted pass offerings to individuals based on income does not seem common, some agencies do offer discounts based on income.

Agencies such as TriMet in Portland, Oregon offer discounted passes to non-profit or community-based organizations that help low-income individuals like RT's program with Francis House. TriMet began this program in 2010 with a one-time discount total identified to mitigate impacts of a general fare increase. Other agencies such as Sun Tran in Tucson, Arizona, offer patrons heavy discounts based on income levels. Staff at Sun Tran relayed that they are able to offer these heavy discounts because a large annual contribution of General Fund money from the City of Tucson. The City of Tucson provided Sun Tran with nearly \$45 million in General Fund money this fiscal year for operations and to offset discounts such as the one offered to individuals based on income. Operators in the Seattle area, led by King County Metro, recently launched a new discount program for qualifying low-income riders, the various impacts of which are not yet known.

Reintroduce Transfers (RT Only)

Description - RT eliminated transfers in 2009. Transfers had previously been available to the general public for \$0.50. At today's \$2.50 base fare, a \$0.50 transfer would allow a rider to make a multi-leg trip for \$3.00 each way or \$6.00 for a round trip.

- Since daily passes are available for \$6.00 and since most riders make round trips, the justification for eliminating transfers in 2009 was that daily passes were a simpler alternative to transfers, that transfers unnecessarily complicated the fare structure, and that transfer slips increased opportunities for theft and counterfeiting.
- One of the key advantages of daily passes is that fare collection is performed only once, at the time of first boarding, usually in the morning. Subsequent boardings throughout the

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

day are quick and easy using the pass, reducing time-consuming disputes and cash handling during the midday and afternoon peak periods.

- Daily passes also have a subtle advantage in being denominated in larger amounts. Transfers result in greater use of coins, which tend to cause more farebox malfunctions and more cases of over- or under-payment. The advantage, from a revenue collection standpoint, of using larger denomination currency, is admittedly offset by the disadvantage that very low-income riders have more difficulty obtaining \$6.00 at one time than smaller amounts.

Discussion – Despite the availability of comparably priced daily passes, elimination of transfers has been a fairly steady source of customer complaints. The main scenario in which transfers are inferior to daily passes is when riders need to make a multi-leg ride, but not a round trip.

Example: A rider goes from CSUS to Sac City College using Route 30 and Route 62, but gets a ride home from a friend later that day rather than returning via RT. For the multi-leg ride from CSUS to City College, this rider would either have to pay the \$2.50 single fare twice (\$5.00 total) or purchase a \$6.00 daily pass.

Impacts - At a price of \$1.00, staff estimates that reintroducing transfers for Connect Card users would result in a loss of approximately \$50,000 annually.

- Elderly and disabled riders are eligible for discounts by Federal law and would pay only \$0.50 for a transfer.
- Transfers would be valid for bus-to-bus, bus-to-rail, and rail-to-bus transferring. Rail-to-rail transferring is already essentially free because single ride light rail tickets are valid for two hours, regardless of how many trains the rider boards.
- Transfers would be honored on RT only. Riders wanting to transfer to another transit agency would need to purchase a new fare or another existing RT fare type that is already honored.
- Staff estimates annual boardings would be approximately 30,000. At \$1.00, transfers would not be priced competitively with daily passes, so utilization would be limited to the fraction of riders making a multi-seat trip but *not* making a round trip. For this small subset of riders, however, even at the relatively high price of \$1.00, reintroduction of transfers would amount to a considerable benefit, by reducing the price of a multi-seat one-way trip from \$5.00 to a more reasonable \$3.50 (assuming today's base fare of \$2.50).
- Pricing transfers relatively high at \$1.00 would minimize the risk to RT of revenue loss from excessive utilization of a new form of discount.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

- Although financial risk to RT appears to be limited, the increased complexity of the fare structure would have to be weighed against the small fraction of riders who would benefit from the reintroduction of transfers.

Conclusion – If the Board wants to pursue the reintroduction of RT-only transfers on Connect Card, staff would recommend targeting an implementation date no earlier than 6 months after the introduction of the Connect Card. By waiting, staff would be able to better evaluate the potential usage.

Eliminate Free Rail-to-Rail Transfers

Discussion – As mentioned above, rail-to-rail transfers are currently free, because single ride light rail tickets are actually 2-hour tickets, valid on light rail for unlimited boardings and travel during the 2-hour window.

The main reason for the 2-hour window is ease of understanding and enforcement; however, it is possible for RT to enforce a one-way/single ride policy:

- When a ticket is purchased or validated, the station is printed on the ticket. Any rider on one line with a ticket stamped on another line would be in violation, and vice versa.
- A ticket stamped at a shared downtown station (i.e., a station served by multiple lines) would be honored on all lines. This would technically allow a rider to transfer between lines without detection, but not in a way that would be useful for most riders.
- Connect Cards will be inspected electronically. The inspection application (app) will indicate the station where the card was tapped on, so enforcement would work similarly.

The existing free rail-to-rail transfer is arguably problematic, with respect to fairness, since rail-to-bus, bus-to-bus, and bus-to-rail transfers are not available at any price. Eliminating the free rail-to-rail transfer would put light rail on similar footing with bus, that is, the daily pass would become the primary means to pay for a multi-leg trip. Assuming that \$1.00 transfers are restored for Connect Card users, rail riders wanting to ride multiple lines would be able to do so by either purchasing a daily pass or (if they have a Connect Card) by purchasing a single ride plus a transfer.

Conclusion – Further study is needed on both the mechanics of this proposal, with respect to the Connect Card, as well as the fiscal impacts. If the Board wants to pursue this option, staff would recommend an implementation that provides enough lead time to program and test the system change.

Central City Fare (CCF)

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

Description - Prior to 2009, RT provided a 50 percent discount for travel within the Central City Zone (defined as the area between the Sacramento River, American River, Alhambra Boulevard, and Broadway). The discount was applied to the single fare for buses and light rail. RT averaged approximately 200,000 boardings per year on the CCF, split 50/50 between bus and rail. Approximately 25 percent of CCF users also qualified for a student, senior, or disabled discount, allowing them to achieve a combined 75 percent discount. The CCF was discontinued in 2009.

Impacts - Staff estimates that fiscal impacts from restoring a CCF with a discount of 50 percent would range from a loss of \$15,000 to a gain of \$25,000 annually.

Discussion - One of the reasons for eliminating the CCF in 2009 was difficulty with enforcement:

Example: Route 67 runs between Arden Fair Mall and Florin Towne Centre, with a brief segment on Alhambra Boulevard. A patron could board Route 67 on Alhambra at the CCF rate. Technically, if the rider travelled beyond the CCF boundaries, he or she was required to pay the full fare, but from a practical standpoint, once the rider was aboard, the fare could not realistically be enforced.

If the CCF was reintroduced for Connect Card users only, the fare could be enforced by initially charging the rider the full price at the time of boarding, and refunding half the fare if and only if the rider tapped off within the CCF zone.

Restricting the CCF program to Connect Card users would likely reduce CCF utilization by an estimated 70 percent from what it was under the original program, to approximately 60,000 boardings annually, because it restricts the program to riders who *prepay*.

- Today, roughly 30 percent of single/daily riders prepay, using RT’s traditional pre-printed tickets and passes. The remaining 70 percent pay cash at the time of boarding, because they lack either the *inclination* or the *financial ability* to prepay for their transit fare.

Conclusion – If RT were to reintroduce a CCF program for the City of Sacramento, it should be done on a *pilot* basis. If fiscal impacts turn out to be positive or negligible, the term of the program could be extended by RT. If, for unforeseen reasons, fiscal impacts turn out to be adverse, RT could cancel the program and reintroduce it only on condition of reimbursement from the City of Sacramento. A comparable program could be introduced in other jurisdictions on comparable terms.

As mentioned earlier, fares within the Central City fare zone could be subsidized through a partnership with another entity.

Example: Seattle’s former downtown Ride Free Area was paid for by the City of Seattle, at a cost of roughly \$2.2 million annually, until the City refused to continue funding the program in 2012.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

If the Board wanted to pursue this option, staff would recommend allowing enough lead time to implement the program changes into the Connect Card system.

Special Event Fare

Discussion – When the Downtown Sacramento Entertainment and Sports Center (ESC) opens, RT may want to consider a special event fare. A special event fare could, for example, provide for a round trip to and from the arena for double the single fare (i.e., for \$5.00 round trip, at today’s base fare of \$2.50) which would price it slightly below RT’s daily pass price (currently \$6.00). The objective would be to minimize the number of persons needing to purchase or validate fares during the post-event peak activity period.

Example: Currently, because light rail tickets are stamped at the time of purchase, there is no way for a customer to purchase two \$2.50 light rail tickets on the day of the event at the beginning of a trip to the arena. If a rider wants to avoid having to stand in line at a ticket machine to purchase a return ticket after the game, the simplest option is to instead purchase a daily pass for \$6.00 at the beginning of the first trip.

Other options that have been raised by staff, Board members, and members of the public include a special rate for group travel, a special premium rate for express light rail service to RT’s more remote park-and-ride lots, a fare that would be included in the price of the event ticket, and utilization of a new mobile ticketing app for smart phones.

Conclusion – Additional work is under way on this subject as part of RT’s planning for ESC special event service.

Off-Peak Discounts

Description – Some transit properties offer reduced fares for customers riding during off-peak hours. Off-peak discounts incentivize midday travel, when overall demand is typically lower and when there may be more unused capacity. If a sufficient number of riders shift their travel times, this may allow the transit agency to reduce the number of peak-hour buses in service.

For budget forecasts, staff assumed that the off-peak discount would keep the single fare at \$2.50 while the peak-hour fare increased to \$2.75 (under a general 10 percent fare increase). Staff assumed the student/senior/disabled fare would not be subject to peak/off-peak pricing, that the off-peak discount would be available for Connect Card users only, and that weekends would be treated as off-peak.

Benefits – An off-peak discount would tend to benefit riders who travel more off-peak (e.g., college students, transit dependent, and workers with non-traditional work hours). Some of these riders may, however, already be receiving discounts under a college pass program, because of age or disability, or through a social service agency.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

Utilization - Staff estimates that approximately 400,000 boardings (1.4 percent of total boardings) would be made at the off-peak rate annually. As shown in Attachment 1a, existing non-discount single fare boardings using prepaid tickets currently total approximately 940,000 annually (3.6 percent of total boardings). Of these 940,000 boardings, approximately 400,000 are currently made off-peak. These 400,000 prepaid ticket users would be the approximate market for the off-peak discount.

- If the off-peak fare induced more riders to ride off-peak or if Connect Card induced more riders to prepay, this might increase participation; however, staff believes these differences would be marginal (i.e., less than the margin of error of the baseline ridership statistics).
- Although Connect Card may prove to be a more attractive version of RT’s existing prepaid ticket program, prepayment will likely remain a function of customer *ability* and *inclination* to prepay (i.e., a function of the customer’s income and frequency of riding). Likewise, the off-peak discount would incentivize off-peak travel, but travel times should remain largely dictated by travel *needs*, e.g., shift times, class schedules, appointment times, etc.

Impacts - Based on the ridership estimates above, staff estimates that the fiscal impact would be a loss of approximately \$43,000 annually. Staff does not believe changes in travel patterns would be sufficient to reduce RT’s peak vehicle requirement.

Capacity Utilization – Although an off-peak fare may theoretically incentivize travel during times with excess capacity, this may not necessarily be true in practice. Not all types of travel have their peak demand during the morning and afternoon rush hour. College ridership, for example, tends to peak during the midday or early afternoon. Because most transit agencies deploy fewer buses during the midday, even if total ridership is lower, crowding on individual buses may be as high or higher as during peak-hour.

Example: On RT’s bus system, several of the most crowded routes serve colleges (e.g., Routes 1, 56, and 82). Not only do the demand curves tend to peak earlier in the afternoon for these routes, but an off-peak discount would not affect most of the riders, as the students are, by definition, riding with an unlimited ride California State University Sacramento (CSUS) or Los Rios pass.

Example: On RT’s light rail system, RT responds to lower midday demand by reducing train sets to two cars; however, at two cars per train, in the early afternoon, the passenger load per car is often similar to that for a four-car train at peak. Bicycle capacity also tends to be particularly impacted during RT’s two-car periods. Induced off-peak demand might actually force RT to lengthen trains earlier in the afternoon, resulting in greater mileage costs.

Complexity – Implementing an off-peak fare on the Connect Card would make the fare simpler for customers and operators compared to implementation using traditional media; however, even with the Connect Card, a great deal of complexity would still be added to the fare structure.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

Example: RT’s public information (both printed and online) would become more complex, more difficult to proof, and more difficult to explain clearly to customers, especially those with language barriers or learning disabilities. Information Technology (IT) and Revenue staff assigned to investigate complaints and issues would have a more complicated scenario to reproduce. Operators, supervisors, fare inspectors, and customer service representatives would have to field questions on a more complicated fare structure. Planners and budget analysts would have an entirely new (yet relatively minor) class of fares to survey and analyze.

Conclusion – If the Board wants to pursue this option, staff would recommend allowing enough lead time to implement the program changes into the Connect Card system. An off-peak fare is not advisable on traditional media due to administrative difficulty.

Distance Based Fare

Description – Some transit agencies differentiate fares by distance (i.e., longer routes or longer trips are priced more expensively than local routes or shorter trips). The objective of a distance-based fare is to yield greater revenue from long-distance riders who are willing to pay more and to attract a greater volume of riders for short-distance travel through lower fares. A distance-based fare structure should result in greater fairness in pricing; however, it conflicts with the fare policy goal of having a simple and understandable fare structure.

Quality of Service – One reason for charging more for longer-distance travel is that there tends to be a correlation between longer distance travel and other premium qualities. Freeway express services, for example, typically offer higher end-to-end speeds than light rail, limited- or non-stop service, and more comfort and convenience options (e.g., vehicles with high-back seats, heavy-duty suspension, reading lamps, Wi-Fi, etc).

Geographic Considerations – A small transit system has little reason to enact a distance-based fare, because most routes will tend to be similar in length. Larger agencies may need distance-based fares in order to avoid extreme disparities in value.

Example: Denver Regional Transportation District (RTD) is the sole service provider for the entire Denver area and serves an area of 2,348 square miles (approximately ten times the area served by RT). Denver’s routes are classified into Local, Express, and Regional, with a graduated fare for each type of service. For travel on the Denver rail system, the Local, Express, and Regional fare permits travel through a certain number of fare zones. Monthly pass prices are similarly graduated.

Example: Sound Transit was established for the express purpose of providing regional service for the three-county Seattle area, on top of the various local county and municipal operators. Sound Transit operates express bus and rail services only in an area of 1,086 square miles. Fares on express buses are \$2.50 for riders who do not cross a county line and \$3.50 for all multi-county travel.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

On the RT system, some of the longest travel patterns include: (1) express bus service on Route 109 direct from Orangevale to Downtown Sacramento, (2) light rail service from Folsom to Downtown Sacramento; and (3) light rail service from either end of the Blue Line to a destination on the Gold Line such as Rancho Cordova.

In the Sacramento area, because transit service is fragmented into numerous transit agencies, most of the routes that might be classified as “premium” routes are actually operated by the suburban transit operators and are already priced at a premium. In this way, a form of distance-based fares are already in effect in Sacramento.

Example: Yuba-Sutter Transit, El Dorado Transit, and San Joaquin Regional Transit District (RTD) provide non-stop travel at freeway speeds on over-the-road coach buses for their Sacramento commuter express buses. One-way fares are \$4.00, \$5.00, and \$7.00, respectively.

Competition with Passes – A rider with a monthly pass, college pass, or even travelling on a daily pass would not need or be affected by a distance-based fare. Because these existing pass programs are highly popular, only approximately 5 percent of RT’s existing ridership would be affected by a distance-based fare unless one or more of these pass programs were eliminated.

- As shown in Attachment 1a, prepaid single ride tickets collectively constitute only approximately 5 percent of RT’s ridership (approximately 1.2 million boardings). This is approximately the subset of riders that would be affected by a distance-based fare.

Another 10 percent of RT’s riders are single ride cash users. Cash users would not be able to take advantage of a distance-based fare because it would be offered on Connect Card only. Most cash users are expected to remain cash users due to either inability to prepay or due to being new or infrequent riders.

- The remaining 85 percent of RT’s paying passengers currently board with a daily pass, monthly pass, college pass.

Example: The Bay Area Rapid Transit (BART) system is a long-distance, entirely enclosed rail system. Because travel patterns can range from intercity to just a few blocks, and because the gated nature of the system lends itself to a distance-based fare, BART has historically had a distance-based fare structure on a stored value card and never offered a monthly pass.

Implementation – A full discussion on implementation challenges is beyond the scope of this report; however, ability of riders to “defeat” the system is a legitimate concern.

Impacts – The fiscal impacts of a distance-based fare would depend on: (1) how many longer-distance riders continue to ride at the higher price, (2) the number of new short-distance riders

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	05/11/15	Open	Information	05/04/15

Subject: Informational Update on Potential Fare Structure Changes

who are induced to ride because of the lower price, and (3) the amount of revenue lost on existing shorter-distance riders who are given a new discount.

To forecast fiscal impacts, staff would need to begin by simulating the effects of a hypothetical distance-based fare schedule on existing riders. While reliable data exists indicating *average* trip length on the RT system, the *distribution* of trips by various lengths would require a considerable amount of analytical work to estimate, and would likely be subject to a significant margin of error. The Connect Card itself would provide additional *source data* for an exercise of this nature; however, the Connect Card will not make the *analytical process* any simpler. A preliminary exercise of this nature was completed in 2014, which could possibly be used as a starting point for more in-depth analysis. This may also be an area where Sacramento Area Council of Governments’ (SACOG) transportation analysts could provide technical assistance, either to RT or on behalf of the overall Connect Card consortium.

Conclusion – If the Board wants to pursue a distance-based fare, staff would need to return at a future date with a more detailed discussion on implementation issues as well as a scope of work and timeline for a simulation and fiscal impact analysis.

Parking Fees

Discussion – An internal study of RT’s parking fee program conducted in 2014 found that after program costs and ridership loss, the program was resulting in net gains of approximately \$40,000 to \$90,000 annually, although gross proceeds and net gain have both been decreasing over time. Although the study did not recommend *expansion* of the program, it did identify a risk from *discontinuation* of the program, because it would take multiple years for ridership to increase to a sufficient level to offset the lost parking fee revenue.

Summary

Attachment 2 provides a summary of the estimated impacts of all options. As shown in the attachment, the general fare increases would generate the most revenue for RT; however, staff expects that the net gains would decrease over time.

Other options with major fiscal impacts include elimination of the paratransit monthly pass and restructuring or elimination of the Los Rios pass program. A variety of other minor changes have also been included in the list.

Any fare changes would need to undergo a public review process, including a public hearing, a 30-day comment period, and a Title VI civil rights equity analysis.

Staff recommends that the Board provide additional direction at this time with respect to priorities, preferences, and desired next steps.

RT FARE SURVEY RESULTS FY 2014

Fare Category	Face Val	Revenue	Boardings	Avg Fare	% Boardings	% Revenue	
a. Single Cash - Bus	\$2.50	\$2,189,051	875,620	\$2.50	3.3%	7.5%	
b. Single Ticket - Bus	\$2.50	\$584,401	233,760	\$2.50	0.9%	2.0%	1
c. Single Cash - Rail	\$2.50	\$1,319,305	995,957	\$1.32	3.8%	4.5%	2
d. Single Ticket - Rail	\$2.50	\$1,211,225	706,354	\$1.71	2.7%	4.2%	
e. Disc Single Cash - Bus	\$1.25	\$633,673	506,939	\$1.25	1.9%	2.2%	
f. Disc Single Tkt - Bus	\$1.25	\$106,566	85,253	\$1.25	0.3%	0.4%	
g. Disc Single Cash - Rail	\$1.25	\$412,578	359,489	\$1.15	1.4%	1.4%	
h. Disc Single Tkt - Rail	\$1.25	\$45,959	211,781	\$0.22	0.8%	0.2%	
i. Daily Pass	\$6.00	\$4,175,576	3,840,988	\$1.09	14.6%	14.3%	3
j. Disc Daily Pass	\$3.00	\$2,073,429	2,108,262	\$0.98	8.0%	7.1%	
k. Monthly Pass	\$100.00	\$10,495,500	4,279,972	\$2.45	16.2%	36.0%	
l. Semi-Monthly Pass	\$50.00	\$378,850	578,195	\$0.66	2.2%	1.3%	
m. Student Semi-Monthly	\$25.00	\$860,888	874,506	\$0.98	3.3%	3.0%	
n. Senr/Disb Monthly/Semi	\$50.00	\$2,083,750	2,193,895	\$0.95	8.3%	7.1%	4
o. Los Rios		\$1,028,073	4,343,659	\$0.24	16.5%	3.5%	
p. CSUS		\$688,327	599,808	\$1.15	2.3%	2.4%	
q. DHA		\$1,938,225	883,977	\$2.19	3.4%	6.6%	
r. Fare Evader		\$0	1,522,877	\$0.00	5.8%	0.0%	
s. Child		\$0	551,267	\$0.00	2.1%	0.0%	5
t. Lifetime		\$0	226,069	\$0.00	0.9%	0.0%	6
u. Other Boardings			389,517		1.5%	0.0%	7
v. Transfer Agmts (Net)		-\$1,233,039				-4.2%	8
w. Plug for Reconciliation		\$164,185	-			0.6%	
		\$29,156,520	26,368,144	\$1.11	100.0%	100.0%	

1. Single fares are sold in one of three ways: cash paid into a bus farebox, cash paid into a Fare Vending Machine (FVM), or a prepaid ticket that is surrendered to the bus operator or time-stamped by an FVM validator.

2. Single fares on rail are valid for 2 hours, which allows riders to make multiple boardings on a single ticket, resulting in an average fare lower than the nominal price.

3. Daily pass categories include prepaid tickets, tickets purchased with cash from FVMs, and tear-off passes sold on buses.

4. Senior/Disabled monthly and semi-monthly pass ridership and sales amounts have been combined into one category and shown in the table at the \$50 full monthly price. Ridership and sales figures also include \$40 Super Senior monthly pass which uses same sticker as regular senior/disabled sticker.

5. Children under age 5 may ride for free when accompanied by an adult. Student fares apply for each additional child.

6. RT's Lifetime pass was formerly issued to riders age 75 and older, providing unlimited free rides. Issuance of new passes was discontinued on September 1, 2009; however, existing passes are still honored by RT.

7. "Other" includes RT employees and other transit agency passes honored by RT (e.g., Yolobus, Capitol Corridor transfers).

8. All revenue and average fare figures are presented before factoring for net payments by RT to other transit operators pursuant to transfer agreements. *Example 1:* A customer purchases an RT monthly pass for \$100. RT collects the \$100 cash. The customer boards an Elk Grove bus with the RT pass, which is honored, per agreement. The Elk Grove bus operator keeps an electronic tally of boardings on the RT monthly pass and Elk Grove sends a bill to RT for its share of revenue that RT received. *Example 2:* RT collects all of the contract revenue for the Los Rios pass; however, YCTD honors the Los Rios pass as valid fare and bills RT for each ride provided. This reduces net revenue from the Los Rios contract from a gross of \$1,028,073 to approximately \$885,000. This means that the average fare collected by RT, net of transfer agreements, over Los Rios boardings on RT alone is approximately \$0.20, whereas the table above shows the average fare at \$0.24, which is before transfer agreements are taken into consideration. Total net reimbursements from RT to other agencies was \$1,233,039 for all pass types combined.

TRANSIT FARES MAJOR SYSTEMS AND LOCAL PEERS

City - Agency	Base Fare	Premium Fare	Transfer	Day Pass	Monthly Pass
Buffalo - NFTA	\$2.00	none	none	\$5.00	\$75.00
Dallas - DART	\$2.50	none	free	\$5.00	\$80.00
Denver - RTD	\$2.25	\$4.00 - \$5.00	free	none	\$79.00
Elk Grove - e-Tran	\$2.25	none	\$0.50	\$6.00	\$100.00
Fresno - FAX	\$1.25	none	free	none	\$48.00
Los Angeles - MTA	\$1.75	none	none	\$7.00	\$100.00
Minneapolis - Metro	\$2.25	\$3.00	free	none	\$85.00
New York - MTA	\$2.75	\$6.00	free	none	\$116.50
Philadelphia - SEPTA	\$2.25	varies	\$1.00	\$8.00	\$91.00
Phoenix - Valley Metro	\$2.00	none	none	\$4.00	\$64.00
Portland - Tri-Met	\$2.50	none	free	\$5.00	\$100.00
Roseville Transit	\$1.50	\$4.00	none	\$4.00	\$58.00
Sacramento - RT	\$2.50	none	none	\$6.00	\$100.00
Salt Lake City - UTA	\$2.50	\$5.50	none	\$6.25	\$83.75
San Diego - MTS	\$2.25	\$5.00	none	\$5.00	\$72.00
San Francisco - SFMTA	\$2.25	none	free	none	\$68.00
Santa Clara - VTA	\$2.00	\$4.00	none	\$6.00	\$70.00
Seattle - King County Metro	\$2.75	\$3.25	free	none	\$99.00
St. Louis - Metro	\$2.00	none	\$1.00	\$7.50	\$78.00
Stockton - SJRTD	\$1.50	\$7.00	none	\$4.00	\$65.00
Yolo County Transp. Dist.	\$2.00	\$3.00	free	\$6.00	\$85.00

Notes:

Base fare, transfer, day pass, and monthly pass are for basic local bus and/or light rail service unless otherwise indicated.

1. Single fare is actually a 2-hour pass valid on all buses and light rail trains
2. Denver RTD offers three levels of fare: Local, Express, and Regional, priced at \$2.25, \$4.00, and \$5.00. Light rail fares are determined according to a system of four zones. Regional buses determine fare by origin/destination matrix. Monthly passes are also available in Local, Express, and Regional denominations for \$79, \$140, and \$176.
3. Local bus and light rail fares are discounted off-peak. Express buses have premium fare during peak. Monthly pass prices range from \$59 to \$113.50 depending on hours of travel allowed (\$85 pass allows unlimited all-day travel on local routes only).
4. Senior/disabled get 50 percent discount on express fare during off-peak hours.
5. Excludes regional rail system operated by SEPTA.
6. Single fare is actually a 2.5 hour pass valid on all buses and light rail trains.
7. Roseville residents get discount on commuter fare. Commuter monthly passes are \$155 (\$110 for residents).
8. Monthly passes valid on express buses are priced at \$198.
9. Express bus monthly pass is \$100. Rural routes are from \$5-10 each way, with no monthly pass available.
10. Express bus monthly pass is \$140.
11. Seattle has a \$0.75 surcharge for general public riders crossing the city limits at peak but also provides a \$0.25 general public discount for travel off-peak. Student/senior/disabled fares do not change by time of day or distance. Monthly pass prices are available in numerous denominations--one for whatever fare the customer normally pays.
12. Bus fares are \$2.00 for a single ride with the option to get a 2-hour ticket instead for \$3.00. Light rail fares are \$2.50 for a single ride, but the 2-hour ticket is also available for \$3.00.
13. San Joaquin RTD commuter expresses to Sacramento and to Dublin/Pleasanton BART are priced at \$7.00 each way.
14. Yolobus express bus fare is \$3.00.

Sacramento Regional Transit District Fare Structure History

<u>SINGLE FARES</u>	Price Effective 1/1/2000	Price Effective 1/1/2001	Price Effective 1/1/2002	Price Effective 9/1/2005	Price Effective 9/1/2006	Price Effective 9/1/2007	Price Effective 1/1/2009	Price Effective 9/1/2009
Basic Fare	\$1.50	\$1.50	\$1.50	\$1.75	\$2.00	\$2.00	\$2.25	\$2.50
Discount Fare	\$0.75	\$0.75	\$0.75	\$0.85	\$1.00	\$1.00	\$1.10	\$1.25
Central City Fare	\$0.50	\$0.50	\$0.50	\$1.00	\$1.00	\$1.00	\$1.10	eliminated
Discount Central City Fare	\$0.25	\$0.25	\$0.25	\$0.50	\$0.50	\$0.50	\$0.55	eliminated
Shuttle Service Fare	\$0.50	\$0.50	\$0.50	\$1.00	\$1.00	\$1.00	\$1.10	eliminated
Basic Transfer Fee	\$0.00	\$0.00	\$0.00	\$0.25	\$0.25	\$0.25	\$0.50	eliminated
Discount Transfer Fee	\$0.00	\$0.00	\$0.00	\$0.10	\$0.10	\$0.10	\$0.25	eliminated
 <u>PASSES AND STICKERS</u>								
Basic Daily Pass	\$3.50	\$3.50	\$3.50	\$4.50	\$5.00	\$5.00	\$6.00	\$6.00
Discount Daily Pass	\$1.75	\$1.75	\$1.75	\$2.25	\$2.50	\$2.50	\$3.00	\$3.00
Basic Monthly Pass	\$50.00	\$55.00	\$60.00	\$80.00	\$85.00	\$85.00	\$100.00	\$100.00
Basic Semi-Monthly Pass	NA	NA	NA	\$40.00	\$42.50	\$42.50	\$50.00	\$50.00
Senior Disabled Sticker	\$25.00	\$27.00	\$30.00	\$40.00	\$42.50	\$42.50	\$50.00	\$50.00
Senior Disabled Semi-Monthly Sticker	NA	NA	NA	\$20.00	\$21.25	\$21.25	\$25.00	\$25.00
Student Sticker	\$25.00	\$27.00	\$15.00	\$24.00	\$34.00	\$42.50	\$50.00	\$50.00
Student Semi-Monthly Sticker	NA	NA	\$7.50	\$12.00	\$17.00	\$21.25	\$25.00	\$25.00
Paratransit Group Pass	free	free	free	free	free	free	eliminated	eliminated
Lifetime Pass	free							
Super Senior Monthly Pass	NA	\$40.00						
 <u>PARATRANSIT</u>								
Basic Fare	\$3.00	\$3.00	\$3.00	\$3.25	\$3.50	\$4.00	\$4.50	\$5.00
Monthly Pass	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$125.00	\$125.00

Seniors age 62 and older, Medicare card holders, and individuals with disabilities with RT photo IDs, their personal care attendants, and students age 5 to 18 are eligible for RT's discount fare

Shuttle Service Fare was a policy whereby the single ride price was 50 percent less on RT's Neighborhood Ride routes (discontinued in September 2009)

Paratransit Group Pass allowed registered ADA paratransit riders to make unlimited free rides on fixed route and was eliminated in December 2008

Lifetime Pass was issued to persons age 75 or older but was discontinued in September 2009 (existing passes are still honored)

Super Senior Pass is a regular senior/disabled sticker sold at a discount from the standard student/senior/disabled discount price

Excludes CSUS pass program created in 1991, which provides unlimited rides for students and employees

Excludes South Natomas TMA pass program created in 1994 and ended in 2010.

Excludes Los Rios pass program created in 2004, which provides unlimited rides for students during Fall and Spring semesters

Excludes RT's group pass program, created in 2005 to provide sales discounts to bulk purchasers meeting certain criteria (e.g., free/reduced lunch students, Francis House)

RT FARE STRUCTURE CHANGES ESTIMATED FISCAL IMPACTS

Attachment 2

Updated 4/15/15

(all figures are annualized and in current year dollars)

Item	OPTION	DESCRIPTION	Low	Mid	High
1	10% Fare Increase	Increase single fare to \$2.75, daily pass to \$6.50, monthly pass to \$110, all discount forms commensurately. Low, mid, and high estimates represent ridership deflection of 6, 4, and 2 percent respectively.	\$873,202	\$1,433,110	\$1,993,017
2	20% Fare Increase	Increase single fare to \$3.00, daily pass to \$7.00, monthly pass to \$120, all discount forms commensurately. Low, mid, and high estimates represent ridership deflection of 12, 8, and 4 percent respectively.	\$1,450,468	\$2,668,929	\$3,887,389
3	Eliminate Paratransit Monthly Pass	The paratransit monthly pass currently offers unlimited ADA paratransit rides for \$125.00 per month. Staff estimates ridership on pass would decrease by 10 percent from 94,300 to 85,200, saving RT \$380,000 on transportation costs. Fare payment per ride would also increase from \$3.79 to \$5.00, generating an additional \$70,000 in revenue.	-	\$450,000	-
4	Reintroduce Transfers (\$1.00)	Reintroduce transfers priced at \$1.00 (\$0.50 for discount eligible riders) for Connect Card users.	-	(\$50,000)	-
5	Eliminate Free Rail-to-Rail Transfers	The single fare on rail would no longer be honored for two hours. Instead, the single fare on rail would be honored for one single ride only. Riders wanting to transfer between lines would have to purchase a daily pass.	-	\$165,000	-
5	Reintroduce Central City Fare	Travel within the Central City Fare zone would be priced at discounted rate for Connect Card users, with an additional 50 percent discount for student/senior/disabled riders.	(\$15,000)	\$5,000	\$25,000
6	Introduce Off-Peak Discount	Introduce a discount on the single ride fare for off-peak users with Connect Cards. For eligible riders, the fare for a single ride would roll back from \$2.75 to \$2.50 for single rides made from 9:30 a.m. to 3:30 p.m. (assuming the base fare had already been increased from \$2.50 to \$2.75).	-	(\$43,000)	-
7	Restructure Los Rios Agreement	Assumes an increase in student fees to a top rate of \$35.00, with pro-rated fees for part-time students. Terms and dollar amounts are subject to negotiation and agreement with Los Rios. More revenue might be possible from an alternative arrangement. The amount presented represents the simplest, lowest-risk option of simply increasing student fees.	-	\$1,130,000	-
8	Student Discount Cost-Sharing Program	Secure contributions from schools for student monthly/semi-monthly passes. If local schools or other parties acting on behalf of schools made total contributions of \$460,000, approximately equalling RT's existing FRPM student discounts, this would be approximately the equivalent of a 20/80 match between the schools and RT for the total discounts provided to students from the general public pass price.	-	\$460,000	-
9	Distance-Based Fare	Institute fare zones or a mileage-based rate structure for stored value Connect Card holders. Fiscal impacts unknown.	-	-	-
10	Special Event Fare	Being developed as part of RT's ESC planning.	-	-	-

All figures represent incremental gains (or losses) from a baseline, i.e., increments up or down from whatever fare revenues would be without the change.

Fare Structure Options

May 11, 2015

Purpose/Objectives

- **Context**
 - RT policy calls for periodic fare increases (policy established 2005)
 - Financial Forecast Model assumes step increase in fare revenue in January 2016
 - Upcoming introduction of Connect Card
 - Staff began exploring options, impacts, etc. mid-2014
 - Requests from public for new discounts early 2015 (e.g., military, low-income)
 - Projected FY 2016 budget deficit
 - Concerns about impact on customers
- **Approach**
 - Avoid piecemeal/crisis-response
 - Pursue top-down holistic approach
 - See fare policy discussion April 13, 2015
- **Scope of today's report**
 - Feasibility and impacts of various options
 - Soliciting Board feedback on next steps, where to take deeper dive

Key Findings

- Impacts uncertain from across-the-board fare increase
 - Fiscal impacts vary depending on ridership loss (see table on Page 4 of issue paper)
 - Follow-up work would be needed on the ratio *between* single/daily/monthly pricing
- Two large discount programs with potential savings
 - Paratransit monthly pass
 - Los Rios pass (currently being renegotiated)
- Student discounts are considerable, but less opportunity for savings
 - Not necessarily advantageous to eliminate or expand the existing program
 - Need/opportunity for different approach (i.e., “outside the box” thinking)
- One potential new policy directive
 - Condition discounts on willingness of counterparties to pay “fair share” or “matching funds”
 - Already partially in effect (e.g., DHA and Francis House low-income programs)