

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
12	01/25/16	Open	Information	01/20/16

Subject: Financial Update and Fare Change Proposal

ISSUE

Release of a Title VI Fare Equity Analysis and Fare Change Proposal for a 30-Day Public Review.

RECOMMENDED ACTION

None. Information only.

FISCAL IMPACT

RT's Financial Forecasting Model (FFM) currently forecasts annual losses ranging from approximately \$2.4 million to \$5.0 million over the next 5 fiscal years, with a total estimated loss of approximately \$19.6 million, see Table 1. In order to sustain RT's vision and to balance its operating needs and improve service quality, staff recommends that RT implement the first planned fare increase on July 1, 2016.

To achieve RT's vision, the FY 2017 annual fare revenues need to be increased by a minimum of \$4.0 million. With the implementation of the proposed fare change, paired with future planned increases, RT could generate an additional \$31 million in fare revenue over 5 years, which could both close the projected deficit and allow the fulfillment of the Board's long-term visions.

DISCUSSION

The purpose of this Issue Paper is to provide information to the Board regarding RT's financial outlook, while working to implement Board-adopted fiscal policies to support RT's vision of providing clean, reliable, safe and attractive service, and implementing system improvements desired by the general public such as: investments in station refurbishment, developing evening service expansion to support Golden One Center events, and improvements to the downtown revitalization. In order to move forward with this vision, RT will begin by implementing the first in a series of biennial planned fare increases on July 1, 2016. This action is consistent with the Fiscal Policies that the Board adopted in November 2015. RT's consultant Doug Carter will be leading the discussion on the proposed fare changes (Attachment 1).

The Role of Fares

The California Transportation Development Act (TDA) and its amendments establish a minimum farebox recovery ratio of 23% (the percentage of operating costs covered by fare revenue) that RT must maintain in order to qualify for Local Transportation Funds (LTF) and State Transit Assistance (STA). The RT Board has adopted fiscal responsibility policies that further define RT's fiscal stewardship, which includes pursuing cost efficiencies, new revenue sources, and offering transit services to the public at about ¼ of the cost of providing those services.

Approved:
Final - **Revised 01/21/16 (Pages 4, 6, 7, 8 & Attachment 2)**
General Manager/CEO

Presented:
Acting Chief Financial Officer
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Recap of RT's Future Goals

RT is committed to meeting the expectations of the public and the business community by providing safe, clean, and reliable service. RT is working with its labor force and partners in the region to explore new ways of doing business to improve the overall customer experience at a low cost. RT has also been working diligently to improve system cleanliness, security, safety and reliability and is committed to accelerating those improvements.

Without the necessary funding for not only annual operating needs, but also capital investment such as new buses, rail cars, and station rehabilitation, this vision will be impossible to achieve. In accordance with these goals, RT adopted a Fare Change Policy on November 9, 2015 calling for fare increases every other year, beginning in July 2016.

Financial Overview

Fares represent a major component of RT's operating revenues and are projected to represent approximately 21% of all operating revenues in FY 2016. Over the past 5 years, fare revenues have decreased slightly from \$28.9 million in FY 2011 to approximately \$28.4 million in FY 2015.

Changes to RT's fare structure were last made in September 2009 when the Board amended the fare structure to increase the single ride and daily pass fares for RT's fixed route service, as well as the single ride and monthly pass fares for paratransit services. This change increased single and discount fares by approximately 11%.

Since 2009, RT has not implemented any fare changes and as a result, RT has been consistently facing fiscal challenges. Over the past 5 fiscal years, RT's operating costs have increased on average 5.23% per year as a result of service increases, wage and benefits costs, and inflationary increases in goods and services. For example, over the past 6 years, the Consumer Price Index (CPI) has grown over a 6 year period, which is a 12% increase to date. RT's actual costs have exceeded revenues in each of the last two fiscal years, which has resulted in the need to use operating reserves to balance the operating budget, leaving the current reserve balance at less than \$3.5 million.

RT's farebox recovery ratio has steadily declined since 2012, to the point at which the yearly ratio is below 22%, something that has not been observed since Fiscal Year 2007. Due to these factors, RT has struggled to meet public expectations for cleanliness, security, and system appearance.

As a result of using operating reserves over the past 2 consecutive years, combined with the recent downward trend in both ridership and fare revenues, RT's financial position has been under close scrutiny by external agencies. As discussed at the June 22, 2015 Board meeting, RT's bank recently increased its financial oversight, requiring RT to meet or exceed certain quarterly financial metrics prior to borrowing funds. Failure to meet these metrics could result in a borrowing covenant violation, which would trigger a requirement to pay down the line of credit immediately. RT relies heavily on the line of credit to meet its day to day operating cash flow needs and does not have sufficient cash on hand to meet this demand. In addition to the financial oversight, the

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bank also increased the direct and indirect borrowing costs. Along with these banking changes, Standard & Poor's (S&P) and Moody's, the two prominent rating agencies that monitor RT's financial situation, have downgraded RT to A- and A3, respectively.

On February 23, 2015, staff presented information to the Board on RT's fare structure and provided discussions on steps that were being taken or could be taken to improve fare revenues. During the discussion, staff reviewed the deep discounts offered to various groups and discussed various changes that could be implemented.

In February 2015, the Board approved changes to the Los Rios Community College contract for discount fares to students. Although this change is anticipated to generate additional revenues, these revenues have already been accounted for in the Financial Forecast Model (FFM) numbers presented in Table 1.

In April 2015, Doug Carter was hired to perform a diagnostic review of the organization. On June 8, 2015, Mr. Carter presented an Interim Report to the Board, which identified cost reductions and revenue growth strategies. Mr. Carter presented to the Board four draft fiscal policies: Comprehensive Reserve Policy, Fiscal Sustainability Policy, Farebox Recovery Policy, and Fare Change Policy, which were adopted by the Board on November 9, 2015.

Implementation of Fiscal Policies

As discussed in the fiscal impact section of the issue paper, the FFM shows that without additional revenue sources, RT could experience a shortfall of approximately \$2.4 million with a cumulative projected shortfall of approximately \$19.6 million over 5 years. Table 1 below summarizes these results.

Table 1
Financial Forecast Model
Summary
(dollars in thousands)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues:					
Fare Revenues	\$ 31,146	\$ 31,700	\$ 32,087	\$ 32,634	\$ 33,818
State and Local	\$ 93,896	\$ 98,617	\$ 103,562	\$ 108,754	\$ 114,195
Federal	\$ 32,853	\$ 33,321	\$ 33,247	\$ 34,530	\$ 36,257
Other	\$ 4,515	\$ 4,622	\$ 4,731	\$ 4,843	\$ 4,998
Total Revenues:	\$ 162,410	\$ 168,260	\$ 173,627	\$ 180,761	\$ 189,268
Expenses:					
Bus O&M	\$ (83,601)	\$ (87,262)	\$ (90,636)	\$ (95,135)	\$ (99,956)
Rail O&M	\$ (65,833)	\$ (67,892)	\$ (69,794)	\$ (71,819)	\$ (73,974)
ADA Paratransit	\$ (15,318)	\$ (16,390)	\$ (17,557)	\$ (18,807)	\$ (19,952)
Total Expenses:	\$ (164,752)	\$ (171,544)	\$ (177,987)	\$ (185,761)	\$ (193,882)
Profit/Loss	\$ (2,342)	\$ (3,284)	\$ (4,360)	\$ (5,000)	\$ (4,614)

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Proposed Fare Changes

The following proposed changes are designed to balance existing revenues and expenses on the forecast model, set goals for service quality improvements, and estimated operating reserve targets while maintaining a compliant farebox recovery ratio. The result identified the need for a fare revenue increase of at least \$4 million for Fiscal Year 2017, which is approximately a 13% increase over currently projected fare revenues.

To accomplish this, RT would need to implement fare increases effective July 1, 2016, as follows:

- A fare increase of 20% with corresponding additional increases to Senior/Disabled and Student fares daily and monthly fares.
- A corresponding increase of 20% to the paratransit single fare, ~~phased in over two years.~~
- Elimination of RT’s paratransit monthly pass.
- Restructuring of RT’s student discount program.

In order to mitigate the effects of these changes, staff proposes that several targeted discount programs be instituted. These programs would help keep transit affordable and competitively priced. Each of these aforementioned changes are described in greater detail below:

- Reintroduction of a Central City Fare zone for Connect Card users.
- Reintroduction of transfers for Connect Card users.
- Reduced fare for off-peak travel.
- Introduction of a time-based fare through the Mobile Phone Application and the Connect Card.

General Fare Increase

Staff recommends a 20% increase to existing fare media and modifications in discount percentages. This would increase RT’s average fare from \$1.10 per trip to \$1.20. RT is also looking at different methods to increase passenger inspection to reduce fare evasion; the current passenger inspection rate is about 10% and our goal is to increase that level to 20% of light rail passengers. Additionally, RT is exploring different methods to collect fares that may increase fare revenue, such as smartphone based applications, Connect Card, and additional credit/debit enabled fare vending machines. The results of these efforts would improve RT’s average fare. The complete proposed changes are shown in Table 2 below:

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**Table 2
Proposed General Fare Changes**

Media Type	Current Fare	Proposed Fare	Net Revenue Impact	Net Boardings Impact
Basic Single Fare - Bus	\$ 2.50	\$ 3.00	\$ 238,080.58	(56,748)
Basic Single Fare - Bus (Subsidized)*	\$ 2.50	\$ 3.00	\$ 288,899.06	75,574
Basic Single Fare - Rail	\$ 2.50	\$ 3.00	\$ 126,130.70	(59,370)
Basic Single Fare - Rail (Subsidized)*	\$ 2.50	\$ 3.00	\$ 1,138,537.31	278,431
Discount Single Fare - Bus	\$ 1.25	\$ 1.50	\$ 85,735.33	(40,871)
Discount Single Fare - Rail	\$ 1.25	\$ 1.50	\$ 46,461.65	(30,061)
Daily Pass	\$ 6.00	\$ 7.50	\$ 619,757.20	(314,563)
Discount Daily Pass	\$ 3.00	\$ 3.75	\$ 308,713.17	(201,382)
Monthly Pass	\$ 100.00	\$ 120.00	\$ 312,778.57	(78,133)
Monthly Pass (Subsidized)*	\$ 100.00	\$ 120.00	\$ (270,374.67)	(559,617)
Semi-Monthly Pass	\$ 50.00	\$ 65.00	\$ 61,559.95	(28,847)
Student Semi-Monthly	\$ 25.00	\$ 30.00	\$ 87,205.60	(52,291)
Senior/Disabled Monthly Pass	\$ 50.00	\$ 70.00	\$ 409,152.80	(399,079)
Senior/Disabled Semi-Monthly Pass	\$ 25.00	\$ 35.00	\$ 3,376.20	(3,310)
CSUS**	\$ 1.25	\$ 1.50	\$ 152,023.53	-
Grand Totals			\$ 3,608,036.98	(1,470,268)
% Change			13%	-6%

*Indicates a fare type where a major employer pays for half or more of the price of the fare on behalf of the employee riders. Because of the employer subsidy, these users should not exhibit the same sensitivity to retail price changes.

**RT's contract w/CSUS fixes the per-passenger billing rate to RT's student fare rates, so an increase in RT's student single fare to \$1.50 would also change the per-passenger fare for CSUS to \$1.50.

Additionally, the current light rail single ride full and discount fare provides a 2 hour time period. Under this proposed fare change, staff recommends reducing this time period to 90 minutes. Staff anticipates that this change will also increase fare revenues and improve our average fare.

The ridership impacts shown on Table 2 reflect and assumed -0.35 price elasticity. That is, for every 10% increase in price, ridership will decrease by 3.5%. The model also takes into account cross-deflection of ridership from one fare to another.

When developing these recommendations, staff considered the following guidelines:

- Increase the overall average fare;
- Generate additional revenues while minimizing ridership deflection;
- Equalize the impacts on all riders without burdening one group more than another;
- Meet equity and civil rights principles; and
- Balance fare pricing with value.

Elimination of the Paratransit Monthly Pass and Increase to the Paratransit Single Fare

Elimination of the paratransit monthly pass is estimated to generate nearly \$409,000 of cost savings, while the single fare increase could generate additional revenues of approximately \$168,375 for Fiscal Year 2017.

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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 and certain other areas within RT’s core service area for persons who are unable to use the regular bus fixed route system.

- Unlike the fixed-route system where an additional rider does not change RT’s operating cost, every additional paratransit rider *directly* increases RT’s costs.
- The ADA does not allow RT to refuse any eligible trip request.

Since the creation 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% 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 and at least \$1.0 million in FY 2017 to \$15.3 million.

Existing Fare Structure – The fare for RT’s complementary ADA paratransit service is currently \$5.00 each way. The FY 2016 cost for this service is \$40.53 per passenger, which results in a recovery ratio of 12.3%; this is well below the **RT’s overall TDA fare recovery ratio requirement of 23%, which is higher than the TDA fare recovery ratio for ADA paratransit.** 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% of RT’s paratransit service is consumed by the 9% 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% 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 of Monthly Passes - Approximately 20% 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.

Peer Comparison – 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 to a punch card that expires at the end of the month. The

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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 for RT's ADA paratransit service).

Adverse Affects of the Paratransit Monthly Pass

- 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 \$40.53, 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. As long as the rider meets ADA eligibility requirements, the pass allows unlimited rides, regardless of whether the trip purpose is work, medical, or personal.

Impacts Related to Elimination of Paratransit Monthly Pass

- The majority of the gain is projected to result from savings due to reduced paratransit utilization. Staff believes that elimination of the pass would decrease paratransit ridership among existing pass users by 10% from approximately 100,800 to approximately 90,700 trips per year. As mentioned earlier, at the per-trip net of revenues cost of \$40.53, this could save RT approximately **\$409,000** annually.
- Currently a Paratransit monthly pass holder is paying on average \$3.79 per trip. Under the new fare structure, the rider will need to pay \$6.00 per trip, which is a difference of \$2.21 per trip. It has been determined by staff that approximately 16% of these riders do not generate a fare, as they are exempt (personal care attendants). Therefore, implementing this change would generate approximately **\$168,375** per year, which is calculated by assuming that 84% of the 90,700 trips mentioned above are paying the additional \$2.21 per trip (which is full single ride fare).

Increase to the Paratransit Single Fare – As stated earlier, the current single fare for paratransit is priced at \$5.00 per ride. With a per-trip cost of \$40.53 per ride, it is necessary to propose a fare increase, as the current fare recovery ratio of 12.3% is well below **RT's farebox recovery** standard. Although the cost per ride for this service is higher than what is offered to the general public, this fare increase to \$6.00 per ride is consistent with the percentage increase that is proposed for the general public.

Reduce the Effective Student Lunch Programs Discount to 67%

The reduction of the Student Lunch Program Discount is anticipated to generate nearly **\$95,000** in fare revenues for Fiscal Year 2017.

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RT currently provides two types of discounts for K-12 students based on the student's eligibility in the state's free/reduced lunch program. Students who do not qualify for this program receive a discount of 50% off of the full fare. Students who do qualify for the free/reduced lunch program receive an additional 50% discount off of the already reduced student rate. This additional discount is valid only on semi-monthly passes (single rides and daily passes are not eligible) and results in the equivalent of providing these students a 75% discount off of the basic adult fare.

This proposal would reduce the additional discount given to students who qualify for the free/reduced lunch program from 50 to 33%. The adjustment in this additional discount would effectively lower the qualified students overall discount from 75 to 67%. Out of pocket cost to the free/reduced lunch student would increase the semi-monthly pass price from \$12.50 to \$20.00, assuming the student semi-monthly sticker price is also increased as discussed in Table 2.

There would be an estimated reduction in total ridership of 90,000 riders in Fiscal Year 2017 related to this proposal.

Future Fare Change Options

The implementation of electronic media will allow RT to explore new fare options that were either not considered in the past or were eliminated due to their complexity. As these options become available, RT staff will seek approval from the Board to introduce them as new fare media.

RT staff has identified the following new fare options that would mitigate the effects of these changes. These changes could help keep transit affordable and competitively priced.

- Time-based fares
- Reintroduction of a Central City Fare discount
- Penalty tickets for fare evasion

Time-Based Fare through Mobile Phone Application and Connect Card

The time-based fare proposal would be available on both RT's mobile ticket application (mobile app) and the Connect Card. The implementation of this fare program would allow riders to customize their ticket based on their current trip needs. This program would allow riders to board bus and rail throughout a fixed duration of time. Potential pricing options are outlined in Table 3 below:

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**Table 3
Proposed Time-Based Fares**

Time of Ticket	Full Fare		Discount Fare	
	Hourly Rate	Total Cost	Hourly Rate	Total Cost
First 90 Min.	\$3.00	\$3.00	\$1.50	\$1.50
1 st Addl. Hour	\$1.00	\$4.00	\$0.50	\$2.00
2 nd Addl. Hour	\$1.00	\$5.00	\$0.50	\$2.50
3 rd Addl. Hour	\$1.00	\$6.00	\$0.50	\$3.00
Daily Pass	N/A	\$7.50	N/A	\$3.75

Connect Card users would be presented with multiple options when purchasing their fare. The rider would be able to purchase a 90 minute pass (default pass), 2.5 hour pass, 3.5 hour pass, 4.5 hour pass, or a daily pass when boarding the bus or on the light rail platform. The chosen pass would be transferable on bus and rail within the allotted time frames. However, only the daily pass would be transferrable to partner transit providers.

The mobile app pilot program is already in place and provides riders with the opportunity to experience time based fares in a limited fashion (90 minute ticket, valid on all modes). This proposal would expand the current program and give riders even more flexibility. Mobile ticket users would be able to pre-purchase both 90 minute tickets and additional hour tickets. Riders would be required to activate a 90 minute ticket upon boarding. If the rider anticipated their trip continuing beyond the first hour, the rider would add an additional hour at any time prior to expiration. This functionality is not available with the current mobile app, but will be requested when a permanent mobile app is purchased.

Reintroduction of Central City Fare

RT staff is also proposing a pilot program that would reintroduce the Central City Fare, with an anticipated start date of January 1, 2017. Initially this program would be available to Connect Card users only because the Connect Card specifications were designed to sell and inspect tickets by geographic region, whereas the permanent phone application has yet to be developed. Furthermore, introducing this new fare without changes to the existing phone application could result in incorrect fare collection and limits RT’s ability to gather valuable ridership data.

The anticipated price range for this new fare is expected to be between \$1.00 to \$1.50. Connect Card patrons who board light rail trains within the Central City zone during off-peak hours would be eligible for a Central City fare. Off-peak only hours were selected for this pilot, as it is anticipated that offering this fare during peak hours could create a more significant decrease in fare revenues. Additionally, the trains operating during peak hours tend to be full, so offering additional discounts during this time will begin to create capacity issues, which could lead existing riders to miss trips or experience an unpleasantly crowded trip. This fare would have a one hour time allotment and would be valid only if the rider both taps on and taps off within the Central City zone; failure to tap off would result in the rider paying a higher fare.

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The Central City pilot program will last for six months, during which time a thorough analysis will be conducted to determine the feasibility of the program moving forward. Expansion of the program to areas other than downtown Sacramento could be considered at that time. The reintroduction of the Central City Fare is initially anticipated to result in a loss of **\$15,000** in fare revenues for Fiscal Year 2017; however, staff believes that this is acceptable because it is consistent with a policy of providing limited, focused discounts to highly-specific target markets where price sensitivity is believed to be greatest, rather than large wholesale discounts.

Penalty Tickets

RT staff is also proposing the implementation of a penalty ticketing program that would discourage fare evasion. This program would provide an opportunity for fare evaders to pay a penalty ticket fee at the time of fare inspection to avoid a citation. The penalty ticket would be priced at or near three times the cost of the full fare daily pass, as compared to the cost for a fare evasion citation, which is approximately \$151 (\$20 base citation, \$131 in court fees). Should a rider choose to pay the penalty ticket, he/she would be provided with a daily pass for the remainder of the day. Fare inspectors would be provided with a handheld device capable of processing payment for the penalty ticket. Introduction of a Penalty Ticket Fare is anticipated to generate nearly **\$80,000** in fare revenues for Fiscal Year 2017. Implementation of this program is contingent on funding handheld devices, training the officers, and educating the public. A planned rollout could begin as early as July 1, 2017.

Public Review and Comment

RT's Fare Change Policy and Title VI of the Civil Rights Act of 1964 requires RT to solicit public input on this fare proposal and on a Title VI equity analysis for the proposed changes. Under Title VI, prior to Board approval of any changes to RT's fare structure, a public review period of 30 days is required. In order to provide greater availability to riders, staff will hold two open houses at different times of the day. Please see the schedule in Table 4. Based on public input, staff may adjust the proposed changes to meet requirements, goals, and customer interests. Following tonight's meeting, and not later than February 1, staff will make available to the public both this report as well as a draft Title VI fare equity analysis. Please see Attachment 2 for the Fare Change Proposal Summary.

Summary

In order for RT to continue operating reliable and attractive service, it is critical that RT operates a system that meets the minimum farebox recovery requirement of 23%, while building a strong reserve and improving RT's financial position to weather future financial challenges. As noted earlier, RT's last fare increase was in September 2009, which is nearing seven years without a change to RT's fare structure. Therefore it is imperative that RT adhere to an accelerated schedule as shown in Table 4. The next step is for staff to return to the Board on March 14, 2016 with all public comments, a final proposal, and a final Title VI fare equity analysis for Board approval.

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**Table 4
Proposed Fare Change Timetable**

Release Fare Change Proposal and Draft Title VI	February 1, 2016
Post Online and Begin 30-Day Comment Period	February 1, 2016
Announce Open Houses in Various Formats/Media	February 1, 2016
Proposed Open House for Public Comment – RT Main	February 16, 2016
Proposed Open House for Public Comment – Citrus Heights	February 23, 2016*
Anticipated Close of 30-Day Comment Period	March 2, 2016 March 1, 2016
Bring Comments, Final Proposal, and Final Title VI to RT Board for Approval	March 14, 2016
Reprogram Machines and Update Web and Printed Materials	April - June 2016
Fare Changes Take Effect	July 1, 2016

*Tentative

Interim Report

Regional Transit Proposed Fare Change



Sacramento, CA
January 25, 2016

Fare revenues play an important role in the delivery of quality transit services to the public.

- The California Transportation Development Act, and its amendments, require RT to cover at least 23% of all operating costs from passenger fares*. Failure to do so risks the loss of state funding.
- The California Public Utilities Code requires the RT Board to review and set fares.
- RT adopted four fiscal responsibility policies to guide financial decisions, including fares:
 - Update to Comprehensive Reserve Policy
 - Fiscal Sustainability Policy
 - Farebox Recovery Policy
 - Fare Change Policy
- Staff has developed a fare proposal and is sharing that proposal with the Board as an information item before engaging the public in meetings to gain input consistent with those policies.

*RT may be able to use local funds as supplemental revenues, as permitted.

Our recent history sets the stage for the proposed fare change.

- RT's fares have been held constant since September 2009. As a result farebox recovery has declined from 26.1% in FY 2011 to 21% in FY 2015. State funding is at risk.
- Assuming a fare change July 2016, the next fare change after this would be FY 2019. This fare change needs to meet fiscal needs in the 10 year period between 2009 and 2019.
- RT's buying power will have declined about 20% between FY 2009 and FY 2019, consistent with inflation and the average wage index.
- RT has struggled to deliver a quality service with far fewer resources. Staff has implemented new ways of doing business to improve efficiency and effectiveness, but continue to fall behind. The desire for improvements in cleanliness, security, reliability and system condition are clear.
- RT has used reserves and deferred capital investment to balance the budget each of the last two years. Cash reserves are the lowest among peers and well below policy minimums.

RT is working to deliver improvements now and forward.

- RT is working hard to improve service quality while meeting financial needs (e.g., cameras in stations, cleaning partnerships, earning clean fuel credits, selling excess property, reducing headcount).
- Going forward, RT is investing in improved cleanliness, security, system condition and reliability at low cost. Labor and management are exploring ways to increase the security presence, and expand cleaning capacity at low cost.
- Increased evening service is planned to support Golden 1 Center activities and downtown economic revitalization.
- RT will refurbish key light rail stations, light rail vehicles and buses.
- RT is launching new fare payment options including a mobile phone application and the Connect Card, with additional protections and benefits for riders.
- Customer communications are being expanded using social media and other forums to get accurate information to customers quickly and clearly. Public outreach for the proposed fare change includes three townhall meetings at different locations.

We are proposing a fare change to help deliver improvements.

- The fare increase proposed is about 20%, consistent with inflation and average wage increase statistics between FY 2009 and FY 2019.
- The resulting fare revenue growth is roughly \$4M (about 14%), requiring a continued focus on new ways to do business to increase efficiency and effectiveness while delivering improvements.
- The proposal is designed to meet mandated farebox recovery requirements through FY 2019, protecting our state funding over this period.
- The current average fare of \$1.10 is estimated to increase to \$1.20.
- The proposal includes opportunities to address new markets (e.g., reduced central city fare), reduce fare evasion (penalty fare), and address options (e.g., time based fares, demand responsive unlimited ride pass).
- Future fare changes would be lower after this catch-up price adjustment, anticipating smaller changes to be considered every other year.

Our proposed fare change will deliver positive impact.

- RT will meet state mandated farebox recovery, securing access to funding and delivering transit services to the public at a quarter of the cost.
- RT will balance operating revenues and operating costs, and begin righting the ship by building reserves for capital, risks and operating contingencies.
- We will expand quality evening services to support Golden 1 Center activities and downtown revitalization.
- We will improve quality for all riders, focusing on cleanliness, security, safety, reliability and system appearance.
- We will refurbish and replace assets that are beyond their useful life, including several rail stations, light rail cars and buses.
- Even with the fare change, our revenues are growing at a pace less than inflation. This serves as incentive to keep us focused on new ways to do business (e.g., labor productivity, technology, business processes, partnerships) effectively and efficiently.



Second Revision
1/21/16

RT is currently seeking public comments on a proposed fare increase.
If approved, the following changes would take effect on July 1, 2016:

Fare Category	Current Price	Proposed Price
Single Ride	\$2.50	\$3.00
Single Ride Ticket – Light Rail Only	Time limit reduced from 120 to 90 minutes	
Discount Single Ride	\$1.25	\$1.50
Daily Pass	\$6.00	\$7.50
Discount Daily Pass	\$3.00	\$3.75
Monthly Pass	\$100.00	\$120.00
Semi-Monthly Pass	\$50.00	\$65.00
Student Semi-Monthly Sticker	\$25.00	\$30.00
Student Semi-Monthly Sticker Free/Reduced Lunch Eligible Students	\$12.50	\$20.00
Senior/Disabled Monthly Sticker	\$50.00	\$70.00
Senior/Disabled Semi-Monthly Sticker	\$25.00	\$35.00
Paratransit Single Ride	\$5.00	\$6.00
Paratransit Monthly Pass	\$125.00	Eliminated

For more details on the proposed changes and to review the draft Title VI fare equity analysis, please visit sacrt.com.

Please send comments to:

<http://feedback.sacrt.com>

Phone: (916) 557-4545

Email: cad@sacrt.com customeradvocacy@sacrt.com

TDD: (916) 483-HEAR (4327)

The last day to comment is ~~Monday, February 1, 2016~~. **Tuesday, March 1, 2016**