

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	12/11/17	Open	Action	12/1/17

Subject: Temporary Fare Reduction for Students

ISSUE

Whether or not to temporarily modify Resolution 16-03-0024 to provide additional discounts to Students by reducing Semi-Monthly Pass base price from \$27.50 to \$10.

RECOMMENDED ACTION

Adopt Resolution No. 17-12-___, Temporarily Modifying Resolution 16-03-0024 to Reduce the Price of Semi-Monthly Pass for Students.

FISCAL IMPACT

Staff performed a detailed analysis to determine that the fiscal impact of temporarily implementing (for a period of up to six months) a reduced Semi-Monthly Pass effective Monday, January 1, 2018 could result in a fare revenue reduction of \$96,591 in FY18. This analysis was based on SacRT's current discount fare policy as it relates to students compared to prior years, when deep discounts were provided to Students electing to purchase Semi-Monthly passes.

DISCUSSION

Recently there has been declining ridership trend across most transit agencies nationwide. This trend has also been observed at SacRT. In an effort to attract new riders to SacRT, Staff was tasked with developing ideas with potential for significant increases in ridership and relatively low risk of fare revenue loss or new operational costs to SacRT.

SacRT ridership peaked in FY2009 at approximately 35 million riders. Since then a combination of internal factors, such as fare increases, service reductions and increased fare inspections, as well as external factors, such as lower gas prices, changing travel patterns and increased telecommuting, have led to a steady decline in ridership. Over the past nine years ridership has declined at an average rate of approximately 5% per year. The following is a narrative briefly describing some of the ideas considered to reverse this trend.

Fare Structure Modification Options

Staff researched multiple fare structure modifications designed to build ridership for SacRT. Each item was measured against seven criteria to determine the effectiveness of the proposed change. A brief description of the criteria is provided below and Table 1 displays the scoring matrix for each of the fare proposals considered.

Approved:

Presented:

Final 12/06/17

General Manager/CEO

Electronic Fare Collection Systems Administrator

J:\Board Meeting Documents\2017\17 December 11, 2017\12-11-17 Student Fare Reduction (v5).doc

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	12/11/17	Open	Action	12/1/17

Subject: Temporary Fare Reduction for Students

Rating Criteria:

- Ridership Growth – Greater than 200k per year
- Fiscal Impact – Less than \$500k per year
- Cost per Passenger – Less than \$2.00
- Ease of Implementation – Impacts to operations, level of difficulty in administration
- Understandable to Customer – Does not complicate fare structure
- Implementation Timeframe – Implementation goal of Jan. 1, 2018
- Targets Demographic in Need – Low income, minority populations

Table 1

Benefits of Fare Reduction Options

Options	Ridership Growth	Fiscal Impact	Cost per Passenger	Ease of Implementation	Understandable to Customer	Implementation Timeframe	Target Demographic
Reduced Semi-Monthly Pass Price for Students (\$10)	X	X	X	X	X	X	X
Free Rides to All Students (K-12)*	X				X	X	X
Free Transfers on All Modes (90 minute ticket)	X				X		X
Reduced Fares on Weekends		X	X				X
Central City Fare		X	X		X		
Low Wage Earner Monthly Pass	X				X		X
Reduce Bus Only Fares							X

Assumptions used in the calculation:

Table 1 outlines each of the proposed fare structure changes and relative performance against each of the score criteria. Fare elasticity calculations were used to determine the ridership and fare revenue impact of each. A standard elasticity rate of (0.35) was used for all options, with the exception of fares on weekends and the reduced monthly pass price for students. Industry research suggests that off-peak riders, including weekend riders, are more sensitive to changes in fare and a higher rate of elasticity (0.50) is more appropriate. A historical approach was taken to determine the impact of reducing the semi-monthly pass price for students to \$10. More details into this analysis can be found following Chart 1 below.

Conclusion:

Limited ridership impact prevented the following items from moving forward to a recommended action: central city fares and reduced fares on weekends. Numerous options were considered by SacRT; however, due to significant risk of fare revenue loss and/or operational impacts the following were eliminated as viable options: free rides to students, free transfers on all modes, low wage earner passes, and reducing the bus-only fare were eliminated as viable options.

Once it was determined that deeply discounting student fares appeared to be the best option based on the scoring criteria above, Staff researched the four major fare categories at SacRT to further determine whether or not singling out students for a fare reduction was appropriate.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	12/11/17	Open	Action	12/1/17

Subject: Temporary Fare Reduction for Students

Background and Support for Conclusion:

Discussion on Fare Categories

Prior to drawing conclusions on fare options, it is important to categorize and analyze the data. The starting point is the annual fare survey as it provides ridership statistics. The annual fare survey report generated by SacRT’s planning department segregates riders into 5 distinct fare categories:

- Basic – average rider between the ages of 19 and 61
- Student – K-12 students
- Senior – persons 62 and older
- Disabled – persons with disabilities
- Other - includes Los Rios, CSUS, DHA, Fare Evaders, Children < 5, etc.

The discussion and analysis below excludes the category for Other riders. A very high percentage of these passengers either ride for free or utilize fares that are stipulated by contracts and are therefore unaffected by standard fare structure changes.

Current Discounts

Traditionally SacRT has offered discounted fare media to students, seniors and persons with disabilities at 50% off the basic fare media equivalent. In addition to the standard discount, under Resolution 07-12-0158, the Policy for Discount Sale of Prepaid Fare media, SacRT offers a program whereby Students at participating districts can receive nearly 75% off of the full fare monthly pass price if eligible for the free or reduced meal program (FRMP).

Current pricing for the standard K-12 student semi-monthly pass and FRMP student semi-monthly passes are \$27.50 and \$15 respectively. See Attachment 2 for current fare structure in regards to Student pricing (Student eligibility criteria is now K-12, not ages 5-18 as referenced in exhibit B of attachment 2). Sacramento City Unified School District (SCUSD) is by far SacRT’s largest outlet provider of student semi-monthly passes. The average price that SacRT receives for the student semi-monthly pass is \$18.40, very near the \$15 rate offered to the FRMP qualified students at SCUSD. As a result, \$18.40 was used for all calculations when considering any potential ridership gains and fare revenue loss associated with a potential fare reduction for students purchasing a semi-monthly pass.

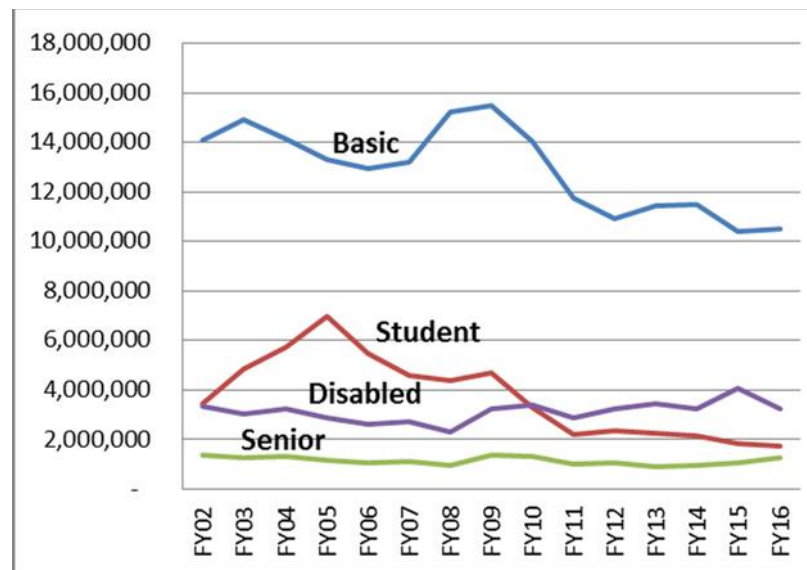
Staff performed an analysis of ridership by fare category (basic, student, senior, disabled) over the past 15 years at SacRT. Chart 1 shown on the following page displays total ridership by fare category for each of the four major ridership groups.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	12/11/17	Open	Action	12/1/17

Subject: Temporary Fare Reduction for Students

Chart 1

Ridership by Fare Category



Three conclusions that can be drawn from Chart 1:

- Basic ridership peaked in FY08/FY09 when the following external factors significantly changed: fuel prices increased dramatically, traffic conditions worsened and the economy experienced a significant downturn.
- Senior and Disabled ridership has been relative flat compared to the volatility displayed in the Basic and Student fare categories.
- There was a major spike in Student ridership when fares were deeply discounted (see analysis below, Chart 4).

Findings: Historical Ridership Patterns Amongst Ridership Categories

When researching the difference between the historical volatility in senior/disabled categories versus basic/student categories, Staff came to two predominant conclusions. First was the perceived level of transit dependency of each category, and second was the level of fare subsidy provided to each fare category.

The largest population of SacRT’s basic riders is made up of commuters who are typically not transit dependent and, therefore, this group appears to be very sensitive to changes in their environment. Internal factors that are under the Board’s control, such as service reductions and fare increases, can push away riders; basic riders are also quite sensitive to external factors such as lower gas prices or salary increases. Changes in these factors push them to choose to drive instead of riding public transit.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	12/11/17	Open	Action	12/1/17

Subject: Temporary Fare Reduction for Students

SacRT surveys show that student populations, typically considered low income, are not generally transit dependent. Students frequently live very close to school, making the option for parents to drive their kids to school, walk or find carpooling feasible alternatives. This makes the student population highly sensitive to changes in fare when it comes to making a decision whether or not to use public transportation. This is displayed in Chart 1 above. As demonstrated, Student fares began steadily increasing from FY06 to FY10, which corresponds to a decline in student ridership.

A second factor that can determine a fare category's rate of elasticity to fare or service changes is the amount of fare subsidy. While the fare subsidy provided to state employees is well known, there are many other social service type organizations that subsidize fares for transit riders as well. The illustrations below show the level of fare subsidy provided to each fare category.

Table 2

Fare Subsidy by Passenger Type

Fare Category	Est. Fare Revenue	Subsidy Received	Rider Paid Amount	Percentage Paid by Rider	Est. Total Ridership	Average Fare Collected by SacRT	Average Fare paid by Rider
Basic	18,703,081	5,838,082	12,864,999	69%	10,515,161	\$1.78	\$1.22
Student	1,649,136	166,445	1,482,691	90%	1,718,752	\$0.95	\$0.86
Senior	1,211,315	456,770	754,545	62%	1,262,207	\$0.96	\$0.60
Disabled	3,086,829	1,571,236	1,515,592	49%	3,216,517	\$0.96	\$0.47

**FY17 ridership counts not yet finalized*

Chart 2

Percentage of Fare Payment

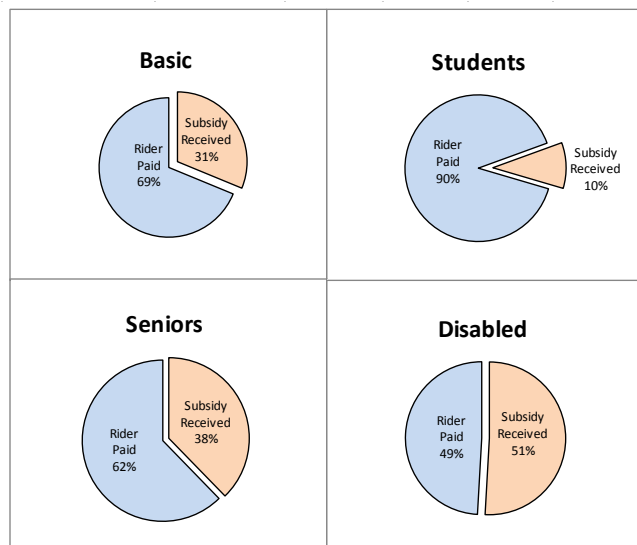
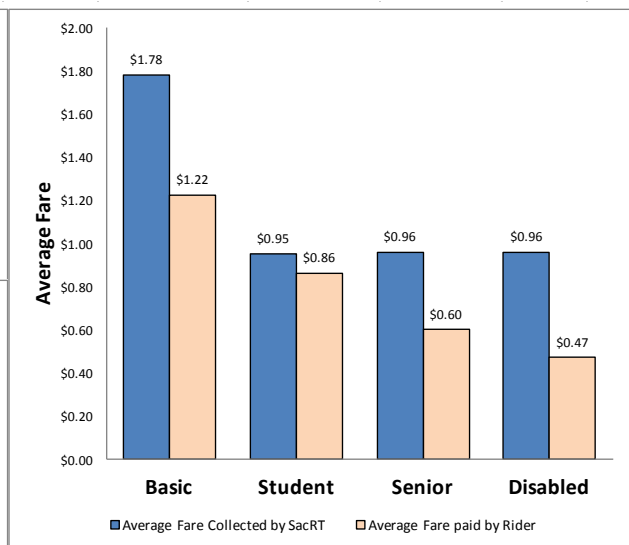


Chart 3

Average Fare by Category



Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	12/11/17	Open	Action	12/1/17

Subject: Temporary Fare Reduction for Students

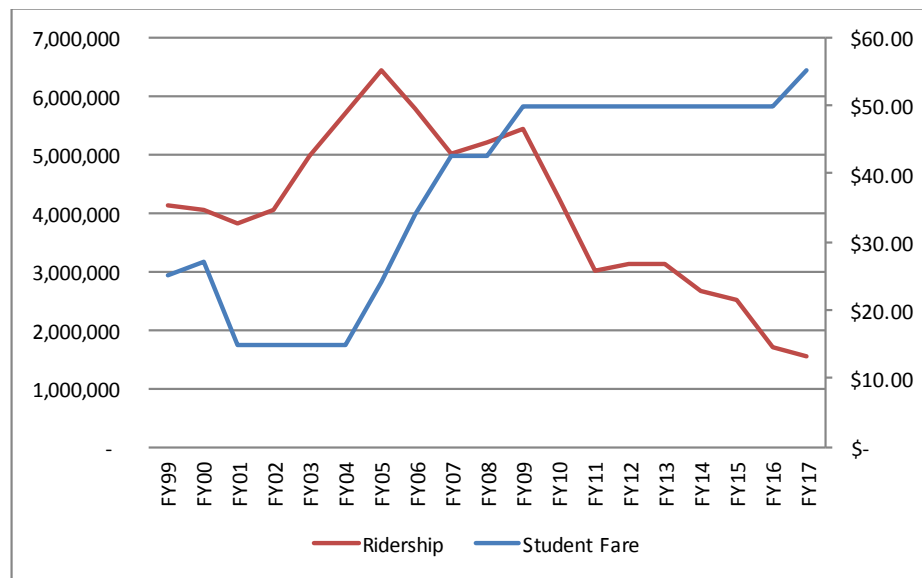
Employers, social service groups and other organizations do our riders a tremendous service by offering fare subsidies in an effort to bring down the cost of public transportation. These efforts have been particularly helpful to our senior riders and those with disabilities, which brings the average fare paid by each rider down significantly. While SacRT does offer a fare subsidy to students qualifying for the free/reduced meal plan at SCUSD, there appear to be very few other subsidies being offered to our students at this time. The analysis above suggests that student riders pay out of pocket on average 43% more per ride than seniors and 87% more per ride than those with disabilities.

Offering Deep Discounts to K-12 Students

In FY01 SacRT instituted a fare policy that deeply discounted the monthly fare for K-12 students. The student fare was reduced \$27 to \$15 per month (\$7.50 per semi-month) at the same time that standard fares were actually increased from \$55 to \$60 per month. This resulted in a steady increase in student ridership over the next 5 years until student fares were increased mid FY05. Student ridership peaked at approximately 6.4 million (not including transfers) in FY05. Incremental fare increases from the middle of FY05-FY10 drove student ridership back down. Chart 4 below shows the inverse relationship between student fares and student ridership.

Chart 4

K-12 Ridership vs Pass Price



Beyond the clear correlation between pass price and ridership for students, historically there was a delay between the time that fares were lowered and student ridership began to increase. SacRT plans to reduce this delay by attracting new student ridership quickly with an effective marketing campaign and outreach to student populations. This will be critical in ensuring that the fare reduction for all students does not simply result in a loss in fare revenue, but instead results in a positive impact to ridership.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	12/11/17	Open	Action	12/1/17

Subject: Temporary Fare Reduction for Students

Conclusion

Based on the research and discussion above, Staff believes that the most efficient way to increase ridership with a limited amount of financial resources is to target fare categories that are highly sensitive to reductions in fare or increases in service. The fare category that has been historically most sensitive to fare price is students. Staff believes that offering additional discounts to students will bring back riders who may have left due to recent fare increases and also encourage new ridership among students who choose not to use public transportation. An analysis was performed to determine the inflection point where further reductions to student fares became ineffective from a cost per rider perspective. The ideal semi-monthly pass price for students was determined to be \$10.

Therefore, Staff is recommending that the Board adopt a promotional fare reduction for a six-month period for Students that would lower the Semi-Monthly Pass price to \$10. The fare reduction would commence on January 1, 2018 and continue until June 30, 2018.



Ridership Building Initiative

Strategic Ridership Improvement Initiative

- Increase ridership through fare incentives and/or service enhancements while ensuring regulatory compliance
- Goals must be:
 - Low cost
 - Building partnerships with local businesses
 - Serving new markets
 - Affordable and or employer subsidized fares
 - Expand electronic fare options

Evaluated Fare Options

- Reduce Semi-Monthly Pass Price for Students K-12 to \$10
- Free Rides to all students (K-12)
- Free Transfers on All Modes
- Reduce Fare on Weekends
- Central City Fare
- Low Wage Earner Monthly Pass
- Reduce Bus Fares Only

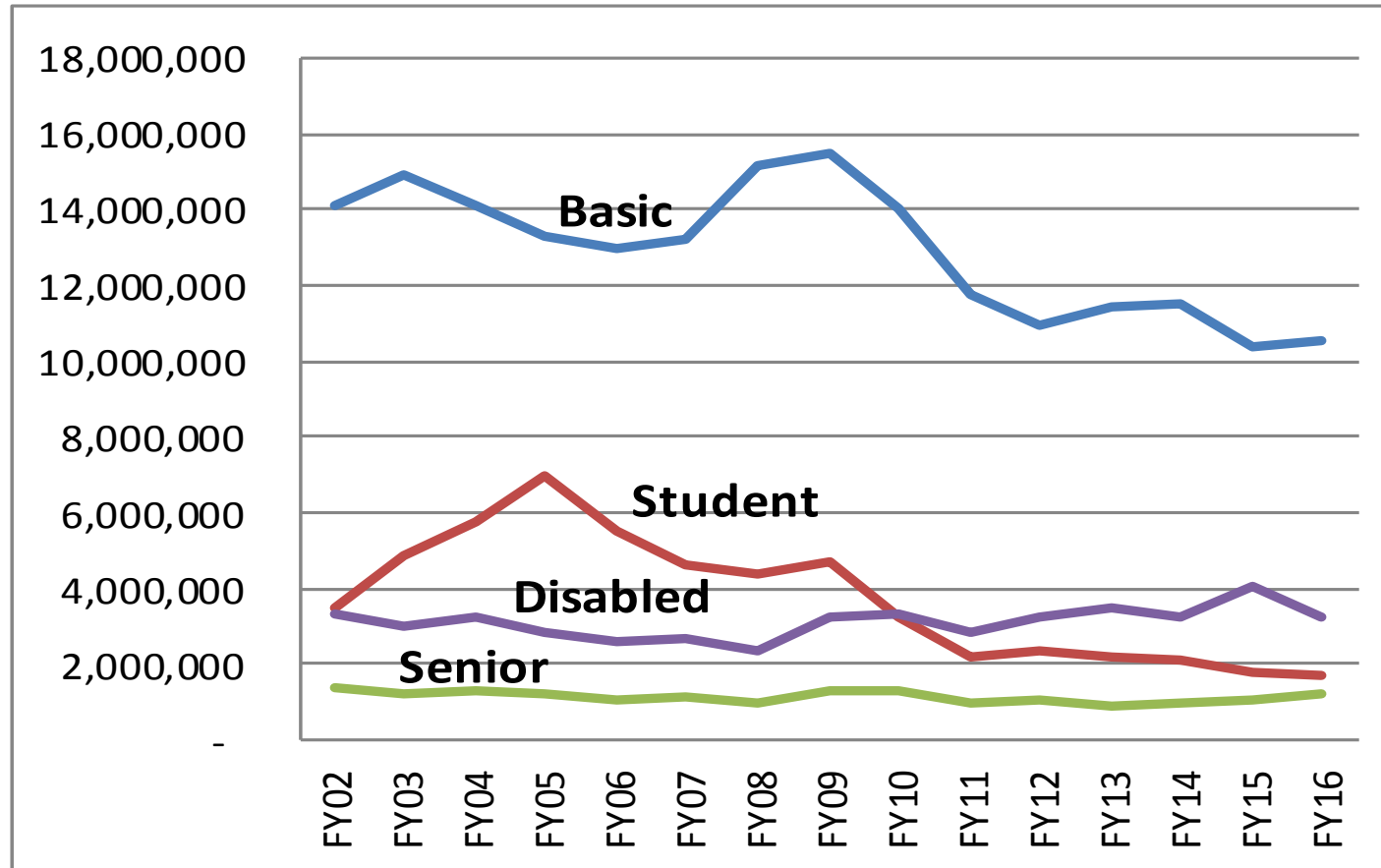
Evaluation Criteria

- Ridership growth greater than 200k per year
- Fiscal impact less than \$500k per year
- Cost per passenger less than \$2.00
- Ease of Implementation (impacts to operations)
- Understandable to customer
- Targets demographics in need

Support for Recommendation

- Discussion on Ridership Categories:
 - Basic
 - Student
 - Senior
 - Person(s) with Disabilities
 - Other (analysis excludes other category)

Historical Ridership by Fare Category

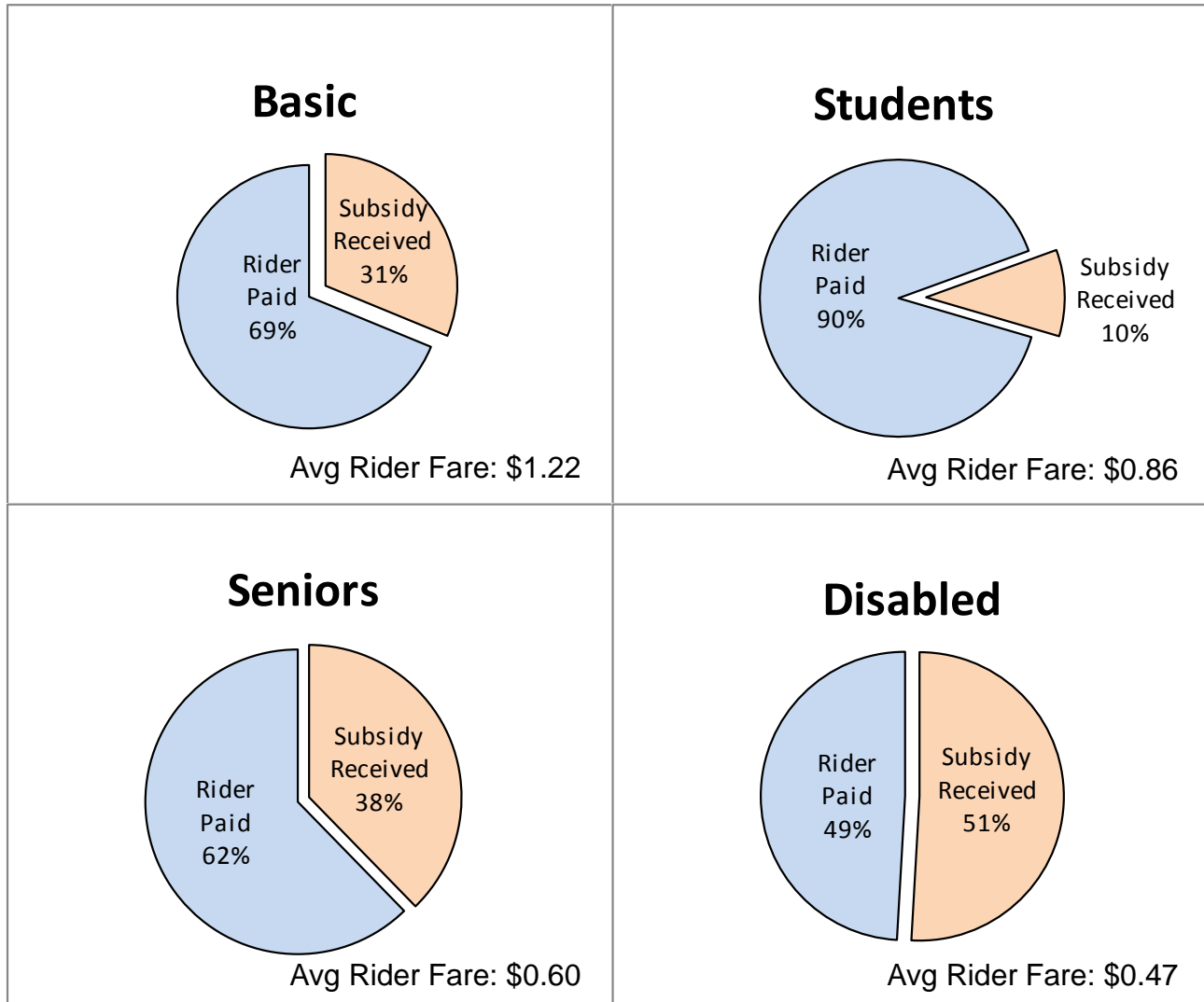


**Student fares were deeply discounted from FY02-FY05 and increased incrementally from FY06-FY10.*

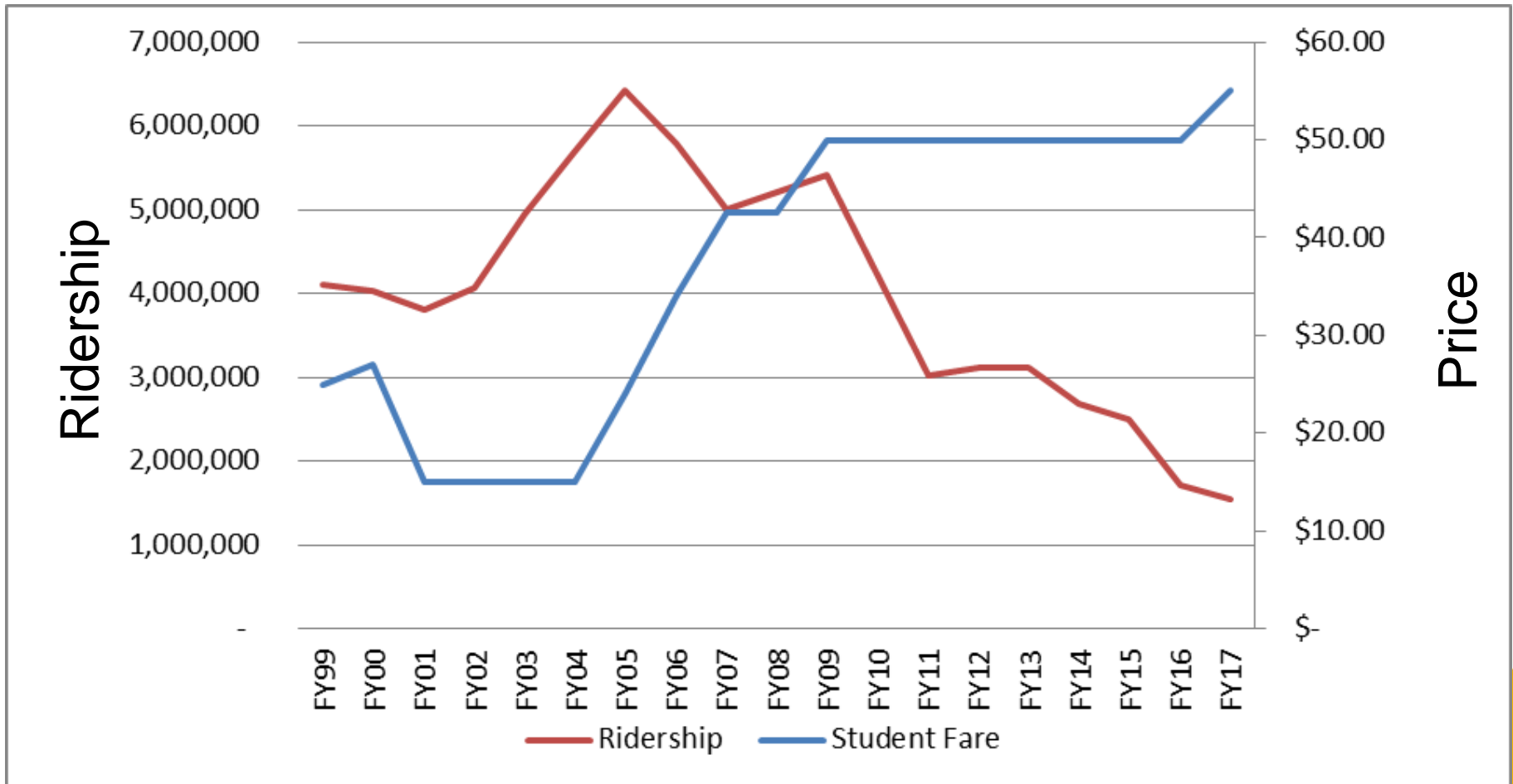
Sensitivity to Fare Changes

- **Basic Riders (Commuters)**
 - Some sensitivity to fare changes due to alternative transportation options
- **Basic Riders (Non-Commuters)**
 - High percentage low income and quite sensitive to fare changes.
- **Student Riders**
 - High percentage low income and have alternative travel options
 - Close proximity to school makes them even more price sensitive (carpool, walk, etc).
- **Seniors and Persons with Disabilities**
 - Rider subsidies reduce sensitivity to fare change

Subsidies Offered by Fare Category



Student (K-12) Ridership vs Pass Price



Conclusion

- Best option considering all rating criteria
 - Reduced Semi-Monthly Pass Price for Students K-12 (\$10)
- Rationale for selection:
 - Highest ridership increase with lowest fiscal impact
 - Benefits disadvantaged youth
 - Immediate implementation
 - Historical proof of concept at SacRT

Timeline for Implementation

- Effective Date: December 20, 2017
 - All January pass sales will be at the new rate, new and existing customers
 - Provide quarterly ridership updates
 - Marketing efforts
 - Outreach to parents and schools
 - Potential radio advertising
 - Social media and website

Recommended Action

- Reduce student semi-monthly pass fare (K-12) from \$27.50 to \$10
 - Six month trial period
 - Fiscal impact FY2018 (6 months)
~\$100,000
 - Staff to return in spring with Title VI analysis and long-term recommendation



Ridership Building Initiative

Fare Reduction for Students Grades K-12

Attachment 2

Exhibit B**Regional Transit Fare Changes**

Fare Category	Current Price	Price Effective July 1, 2016
Single Ride	\$2.50	\$2.75
Single Ride Ticket – Light Rail Only	Time limit reduced from 120 to 90 minutes	Time limit reduced from 120 to 90 minutes
Discount Single Ride *	\$1.25	\$1.35
Daily Pass	\$6.00	\$7.00
Discount Daily Pass *	\$3.00	\$3.50
Monthly Pass	\$100.00	\$110.00
Semi-Monthly Pass	\$50.00	\$ 60.00
Student Semi-Monthly Sticker	\$25.00	\$ 27.50
Student Semi-Monthly Sticker Free/Reduced Lunch Eligible Students	\$12.50	\$ 15.00
Senior/Disabled Monthly Sticker	\$50.00	\$55.00
Senior/Disabled Semi-Monthly Sticker	\$25.00	\$30.00
Super Senior Monthly Sticker	\$40.00	\$42.00

Single ride tickets and daily passes may be sold in booklets often.

* Discount single rides and daily pass fares are available to qualifying students age 5-18, seniors age 62 and over, and eligible disabled persons.

RESOLUTION NO. 17-12-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

December 11, 2017

TEMPORARILY MODIFYING RESOLUTION 16-03-0024 TO REDUCE THE PRICE OF SEMI-MONTHLY PASS FOR STUDENTS

WHEREAS, pursuant to the adopted Fare Structure (Resolution No. 09-10-0174), as amended, including by Resolution 16-03-0024, SacRT provides discount fares for Students, as defined in Resolution No. 17-03-0027.

WHEREAS, pursuant to the SacRT Policy for Discount Sale of Prepaid Fare media, SacRT offers an additional discount to Students who qualify for the federal free and reduced meal program and purchase fare media through school districts.

WHEREAS, SacRT desires to implement, on a temporary basis, an additional promotional fare reduction for Students to increase ridership.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, effective January 1, 2018, Exhibit B of Resolution 16-03-0024 is temporarily modified to specify that the price for: (1) Student Semi-Monthly Sticker; and (2) Student Semi-Monthly Sticker – Free/Reduced Lunch Eligible Students is \$10, rather than \$27.50 and \$15, respectively.

THAT, this temporary promotional fare reduction will terminate, without further Board action, on June 30, 2018, and effective for stickers purchased for July 2018 onward, the prices specified in Exhibit B will be restored to \$27.50 and \$15, respectively.

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary