

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	03/13/17	Open	Action	03/06/17

Subject: Regional Connect Card Transit Card Governance and "Daily Best" Fare

## ISSUE

Whether to execute a Memorandum of Understanding (MOU) with 8 partnering transit agencies (City of Elk Grove, City of Folsom, City of Roseville, County of Placer, County of Sacramento, El Dorado County Transit Authority, Yolo County Transportation District and Yuba-Sutter Transit Authority (collectively "Members") Regarding Governance of the Regional Connect Transit Card System and temporarily authorize a Daily Best Fare Type for Connect Card users ensuring that riders pay appropriate daily fares and simplifying the use of the Connect Card system.

## RECOMMENDED ACTION

- A. Adopt Resolution No. 17-03-\_\_\_\_, Approving and Authorizing the General Manager/CEO to Execute a Memorandum of Understanding Regarding Governance of the Regional Connect Transit Card System On-Going Operations; and
- B. Adopt Resolution No. 17-03-\_\_\_, Temporarily Authorizing a "Daily Best Fare" Type for Connect Card Users.

## FISCAL IMPACT

RT will act as the sole entity responsible for operating the Connect Card Regional Service Center (RSC). Executing this MOU will provide RT the opportunity to split operational expenses related to the RSC with all Members of the Connect Card consortium listed above. RT's cost share will be 78.8% in FY18 and is anticipated to remain near that in future years. The RSC draft budget is primarily comprised of labor and other hard costs that would otherwise be charged at 100% to RT. Staff anticipates that the cost sharing model will save RT approximately \$225,000 annually based on the projected FY18 RSC budget. However, staff anticipates that this amount may be lower in FY18 due to non-recurring consulting fees related to startup costs of the program.

Offering a Daily Best Fare Type for Connect Card may result in a loss of approximately \$4,273 for the 6 month pilot program. Assuming that the program is made permanent and the adoption rate of Connect Card increases significantly, staff estimates the annual impact of introducing the Daily Best Fare Type on Connect Card to be fewer fare revenues of approximately \$60,000 per year.

Offering a Daily Best Fare Type option for the Connect Card could have a cost savings as this would reduce the administrative and actual costs for purchasing, tracking, managing and selling paper daily passes. In addition, there would be a significant benefit to the rider as he/she would purchase based on his/her actual needs not anticipated needs.

Approved:

Presented:

Final 03/08/17

General Manager/CEO

Electronic Fare Collections Systems Administrator

J:\Board Meeting Documents\2017\04 March 13, 2017\Connect Card and Best Daily Fare.oso.edits.03.06.17.doc

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	03/13/17	Open	Action	03/06/17

Subject: Regional Connect Card Transit Card Governance and "Daily Best" Fare

## INTRODUCTION

The Regional Connect Transit Card (Connect Card) is an electronic fare payment system recently adopted by RT and eight partnering transit agencies. Staff is asking that the Board take two actions in regards to the Connect Card program. The first would approve and authorize RT's General Manager/CEO to execute a memorandum of understanding regarding governance of the Regional Connect Transit Card System on-going operations. The second would temporarily authorize a Daily Best Fare Type for Connect Card users, making the Connect Card a more user friendly way to pay fares and ensuring that riders receive the most value for their money.

## CONNECT CARD MOU DISCUSSION

The Connect Card has been adopted by all of the transit agencies listed below. Board/Council approval or anticipated approval dates of the memorandum of understanding regarding governance of the Regional Connect Transit Card System on-going operations are listed next to each agency:

- Sacramento Regional Transit District (March 13, 2017)
- City of Elk Grove (March 8, 2017)
- City of Folsom (February 28, 2017)
- City of Roseville (March 15, 2017)
- County of Placer (February 21, 2017)
- County of Sacramento (March 21, 2017)
- El Dorado County Transit Authority (March 2, 2017)
- Yolo County Transportation District (February 13, 2017)
- Yuba-Sutter Transit Authority (March 16, 2017)

RT Staff and other Members of the Connect Card have been working together with the Sacramento Area Council of Governments (SACOG) and project consultant Doug Carter to draft a MOU governing the on-going operations of the Connect Card and its Members.

RT is identified as a voting Member in the MOU. As a voting Member of the Connect Card, RT will serve on a Committee made up of one voting representative from each Member entity. RT's General Manager/CEO may appoint an individual as his designee along with an alternate to represent the interests of RT on voting matters. It is important to note that actions requiring a vote of the Committee must be ratified by the affirmative vote of RT, as the largest interest, plus additional smaller interests. Given the current total number of voting Members, the vote requirement to ratify any action has been defined as RT plus at least 3 other Members. All matters that must be voted upon are defined as follows in the MOU:

Decisions reserved for the Committee and requiring a ratifying vote for authorization are:

- i) The addition or subtraction of a Member (excepting a Member may opt out with a 90-day notice period) to this MOU and the Committee, as set forth in Section D of this MOU.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	03/13/17	Open	Action	03/06/17

Subject: Regional Connect Card Transit Card Governance and "Daily Best" Fare

ii) The annual RSC operating budget, scope of services and cost responsibility (cost shares) as well as amendments and changes in excess of five (5) percent (cumulative across the fiscal year) of the annual approved RSC budget. Note that while budgetary variance of five (5) percent or less do not require a vote for approval, they must be reported to the Committee in a timely manner.

iii) The multi-year RSC regional capital plan (including cost, schedule and items to be purchased) for system upgrades, investment requirements and participant shares of upgrade/replacement costs, after accounting for any regional funding that may be available. Investments outside the approved plan likewise require approval by the Committee.

iv) Changes to the Regional Service Center (RSC) Provider, excepting that the current Provider can opt out with 180 days of notice pursuant to section B.2 of this MOU.

v) Legal actions and suits involving the Connect Card, including both the design and development project, and the Regional Service Center operations.

vi) Amendments proposed to this MOU and Committee recommendations on a proposed amendment to each Member's governing body.

vii) Adoption of the Connect Card Regional Operating Rules, along with significant updates and/or changes thereto when such update or change has a reasonable expectation of adverse impact to one or more Members. Minor updates and procedural changes that do not have a reasonable expectation of adverse impact to any Member do not require approval, but must be communicated to Members.

Notwithstanding the provisions of Section A.3, the following actions by the Committee will require a supermajority defined as the affirmative vote of at least 75% (and must include RT) of the Voting Representatives present at the meeting in which a vote is taken:

- i) Termination of the MOU pursuant to Section E.5; or
- ii) Removal of a noncompliant Member pursuant to Section E.8."

As a Member of the Regional Connect Transit Card system, RT has a number of roles and responsibilities. Among other items, these roles and responsibilities will require RT, along with all other Member, to abide by the Member adopted operating rules, comply with financial obligations and provides certain guidelines and protections during interactions with the Connect Card Regional Service Center (RSC) for which RT will act as the sole operator. These guidelines and protections include, but are not limited to items such as notification of fare policy changes (each Member will retain the authority to adopt and change its own fare policy), cooperation with RSC auditors and protections against funds deemed uncollectible by the RSC.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	03/13/17	Open	Action	03/06/17

Subject: Regional Connect Card Transit Card Governance and "Daily Best" Fare

As the operator of the RSC, RT will be subject to the additional roles and responsibilities of the RSC. These roles and responsibilities grant RT the authority to regularly update the Regional Operating Rules and Standard Operating Procedures (SOP's) unless otherwise required to bring the item in question to a vote of the Committee. RT would be responsible for the financial settlement and reconciliation of the Regional Connect Transit Card system. This includes collections from vendors as well as payments and collections from each of the Members. RT will also develop an annual operational budget as well as annual and long-term capital budgets for the RSC subject to approval by a vote of the Committee.

The MOU as written includes a cost sharing model for Members of the Regional Connect Transit Card system. Initially, regional cost shares will be determined based on each Member's verified share of regional annual unlinked passenger trips and fare revenue collected (weighted equally) for those services participating in Connect Card. Given this calculation, as of current, RT would be responsible for 78.8% of the total cost of the RSC. Understanding that certain costs associated with RSC operations would be charged 100% to RT should we choose not to execute this agreement, our ability to charge 21.2% of RSC costs to other Members could result in as much as a \$225,000 annual savings to RT. However, staff anticipates that there may be some non-recurring startup type costs and fees payable to non-Member entities (SACOG) that will reduce this amount in FY18. To combat the impact of these anticipated startup costs, RT staff is currently working on a sub-recipient agreement with SACOG to cover this amount up to \$175,000 in FY18.

While it is likely that the Regional Connect Transit Card may receive applications for Membership from other transit entities, it is also possible that new Connect Card applicants may include non-transit entities (e.g., parking, bike share, retail) with a different financial transaction profile than transit. The Committee will have the right to create a licensing agreement for non-transit participants that allows use of and participation in the Connect Card without representation on the Committee. Said participants will be referred to as Licensees and not as Members, and have responsibility for complying with the Regional Operating Rules. Funding contributions will be required upon the acceptance of any new Member or licensee to recover startup costs and operational cost shares.

## CONNECT CARD DAILY BEST FARE DISCUSSION

Under our current fare structure, a daily rider must make the upfront decision on whether to purchase a daily pass prior to embarking on their first ride. In some cases, a rider may purchase a daily pass, but never fully utilize the full value of the pass. In other cases, the rider ends up purchasing more than 3 tickets within a day because they did not initially intend on riding all day. In both cases, the customer would end up paying a higher cost to travel, which typically results with a customer who is dissatisfied with the experience.

One of the major benefits of offering electronic forms of payment such as the Connect Card to our riders is the fare flexibility that these systems can incorporate. The idea of Daily Best Fare Type is one of these capabilities. The Daily Best Fare Type will drastically simplify the purchasing process

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	03/13/17	Open	Action	03/06/17

Subject: Regional Connect Card Transit Card Governance and "Daily Best" Fare

and provide riders the assurance that they will be charged the appropriate fare amount every day that they choose to ride.

With Daily Best Fare Type implemented, riders will truly be able to just “tap and go”. Given our current fare structure and pricing model, riders will be charged the full fare amount (\$2.75 or \$1.35) for their first and second boarding of the day. If the riders choose to board RT a third time during the same service day, the Connect Card system will automatically adjust the fare amount charged to ensure the total daily fare paid by a card holder does not exceed the price of RT’s daily pass. In this case, the third boarding would be charged \$1.50 for full fare riders and \$0.80 for discount fare riders. All subsequent boardings beyond the third boarding would be free given that the customer has reached the daily charge limit. Implementing this program would simplify the purchasing process by eliminating the need for riders to choose between a daily pass or single ride each day when boarding RT.

In addition to the benefits described above, the new Daily Best Fare could also improve ridership as this may encourage unplanned short trips due to the third trip being heavily discounted. For example, many riders choose to purchase single ride tickets to commute back and forth to work. These riders may be discouraged to take an additional short trip during lunch or to other downtown meetings at an additional \$2.75 (full fare) per boarding. With the Daily Best Fare Type (available on Connect Card only), the additional trip would only cost \$1.50, since the total daily fee is capped at \$7.00.

The implementation of Best Fare on Connect Card will also help to meet RT’s goal of providing convenient service to our riders by improving boarding times. In FY17, staff projected that 52.6% of our daily pass and single ride revenue would come from the sale of daily passes. While daily pass sales on Connect Card are faster than those using cash or paper media, they do require operator intervention and take significantly more time than tap and go transaction such as single ride purchases do. Implementing the Daily Best Fare Type would essentially eliminate the need to sell daily passes for Connect Card users on the bus or at the light rail platform. Connect Card users would be able to simply tap on prior to boarding any bus or train without any operator interaction. Eliminating the need for operator interaction reduces boarding times and provides a better service for our riders and provides a more-positive customer experience that rewards customer loyalty.

Staff’s initial analysis seems to indicate that the decision to implement the Daily Best Fare Type on Connect Card does come at a cost however. At times, RT receives fare revenue above the price of a daily pass from riders who do not correctly predict their daily ridership pattern. For example, a rider may purchase single rides, but end up needing to buy four in one day (\$11). Or a rider may purchase a daily pass and only board twice. In either of these use cases, RT would see a reduction in revenue if a Daily Best Fare Type were implemented. Staff performed an analysis of the scenarios above and the initial results are shown in Table 1 and Table 2 displayed on the following page.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	03/13/17	Open	Action	03/06/17

Subject: Regional Connect Card Transit Card Governance and "Daily Best" Fare

Table 1

## Best Fare 6 Month Pilot Program

Media Type	Fare	Budgeted Revenues		Best Fare Impact	
		Est. Revenue	Count of Sales	Adj Revenue	Net Impact
Basic Single Fare - Bus	\$ 2.75	\$ 1,285,569	467,479	\$ 1,284,400	\$ (1,169)
Basic Single Fare - Rail*	\$ 2.75	\$ 1,335,570	485,662	\$ 1,335,570	\$ -
Discount Single Fare - Bus	\$ 1.35	\$ 382,538	283,361	\$ 382,226	\$ (312)
Discount Single Fare - Rail*	\$ 1.35	\$ 207,227	153,501	\$ 207,227	\$ -
Daily Pass	\$ 7.00	\$ 2,386,800	340,972	\$ 2,384,925	\$ (1,875)
Disc Daily Pass	\$ 3.50	\$ 1,188,908	339,688	\$ 1,187,991	\$ (917)
<b>Grand Totals</b>		<b>\$ 6,786,612</b>	<b>\$ 2,070,664</b>	<b>\$ 6,782,339</b>	<b>\$ (4,273)</b>

Single Fare Bus Impact Rate            2.0%  
 Daily Pass Impact Rate                1.0%  
 Connect Card Adoption Rate            10%

Table 2

## Best Fare Full Year Impact

Media Type	Fare	Budgeted Revenues		Best Fare Impact	
		Est. Revenue	Count of Sales	Adj Revenue	Net Impact
Basic Single Fare - Bus	\$ 2.75	\$ 2,571,137	934,959	\$ 2,554,775	\$ (16,362)
Basic Single Fare - Rail*	\$ 2.75	\$ 2,671,140	971,324	\$ 2,671,140	\$ -
Discount Single Fare - Bus	\$ 1.35	\$ 765,076	566,723	\$ 760,712	\$ (4,364)
Discount Single Fare - Rail*	\$ 1.35	\$ 414,454	307,003	\$ 414,454	\$ -
Daily Pass	\$ 7.00	\$ 4,773,601	681,943	\$ 4,747,346	\$ (26,255)
Disc Daily Pass	\$ 3.50	\$ 2,377,815	679,376	\$ 2,364,975	\$ (12,840)
<b>Grand Totals</b>		<b>\$ 13,573,223</b>	<b>\$ 4,141,327</b>	<b>\$ 13,513,403</b>	<b>\$ (59,821)</b>

Single Fare Bus Impact Rate            2.0%  
 Daily Pass Impact Rate                1.0%  
 Connect Card Adoption Rate            70%

### Assumptions Made

- 1) Rail Sales are not impacted by Best Fare. Round tripping presents a better value than Best Fare.
- 2) Best Fare only applies to Daily Ridership.
- 3) Impact Rates are low due to the fact that our fare policies have been in place for a long period of time. The riders who use our system know which fares to buy.
- 4) This does not account for any impact of the mobile app. The mobile app would lower the Best Fare impact on bus.

As the table illustrates, staff projected that 2% of RT's bus riders using single rides and 1% of RT's daily pass users are overcharging themselves by purchasing the wrong fare. Best Fare would help these riders by ensuring that they are charged the appropriate amount each day that

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
22	03/13/17	Open	Action	03/06/17

Subject: Regional Connect Card Transit Card Governance and "Daily Best" Fare

they ride at a minimal revenue reduction to RT. The increase in passenger satisfaction of paying the right amount would outweigh any reduction RT might see in revenues.

A separate analysis using Connect Card data collected from soft launch participants using the system was completed and found that there have been 43 occasions, by 22 different card holders to date where an individual using the Connect Card purchased an equivalent value of single rides higher than the price of the daily pass in a given service day or purchased a daily pass and failed to ride enough times to justify the daily pass purchase. Even considering this small number, many of these instances can be attributed to incidental misuse of the Connect Card system by either the rider or an RT bus operator. The additional revenue received from these transactions was 1.6% above the expected revenue had the rider purchased an appropriate fare. Keeping in mind the small sample size and potential misuse of the Connect Card system, extrapolating this data across the anticipated areas impacted by the Daily Best Fare Type found the anticipated annual fare revenue loss to be less than the \$60,000 initially projected by staff in the analysis shown above.

## CONCLUSION

RT is on the cusp of implementing the Connect Card which will make the rider experience more convenient, ensure a more accurate accounting of fares among the various systems in the region, and significantly improve efficiencies in our regional fare systems. The two actions the Board will take today will ensure that RT is compensated by the other transit agencies that are part of the Connect Card system for its role as the Connect Card administrator and that our riders will maximize the value of the fares they pay to ride our system. Thus, staff recommends that the Board approve the MOU regarding the governance of the Regional Connect Card System On-Going Operations and authorize the General Manager/CEO to execute the MOU. Given the potential benefit that a Daily Best Fare Type may provide and the limited negative financial impact it appears to place on the District, staff also recommends that the Board Temporarily Authorize a Daily Best Fare Type for Connect Card users and Staff will revisit this impact within 6 months. Six months will give RT the opportunity to study the impact that a Daily Best Fare Type will have on RT's ridership and fare recovery.

RESOLUTION NO. 17-03-\_\_\_\_\_

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

March 13, 2017

**APPROVING AND AUTHORIZING THE GENERAL MANAGER/CEO TO EXECUTE A  
MEMORANDUM OF UNDERSTANDING REGARDING GOVERNANCE OF THE  
REGIONAL CONNECT TRANSIT CARD SYSTEM ON-GOING OPERATIONS**

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

THAT, the Memorandum of Understanding between Sacramento Regional Transit  
District and the following entities regarding Governance of the Regional Connect Transit  
Card System On-Going Operations:

- City of Elk Grove
- City of Folsom
- City of Roseville
- County of Placer
- County of Sacramento
- El Dorado County Transit Authority
- Yolo County Transportation District
- Yuba-Sutter Transit Authority

is hereby approved.

THAT, the Board hereby directs the General Manager/CEO to execute the  
Memorandum of Understanding.

\_\_\_\_\_  
ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary



RESOLUTION NO. 17-03-\_\_\_\_\_

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

March 13, 2017

**TEMPORARILY AUTHORIZING A DAILY BEST FARE TYPE FOR CONNECT CARD USERS**

WHEREAS, by Resolution No. 09-10-0174, the Board of Directors amended and restated the Fare Structure for fixed-route service; and

WHEREAS, RT desires to implement, on a pilot basis, a Daily Best Fare Type for Connect Card users.

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

THAT, in addition to the other fare and pass types identified in Resolution No. 09-10-0174 and other resolutions modifying the Fare Structure, a new fare category entitled Daily Best Fare is hereby established on a temporary basis for a six-month period from first implementation.

THAT, the Daily Best Fare will only be applicable to Connect Card users.

THAT, the Daily Best Fare will limit the dollar amount of basic single ride purchases to an amount equal to that of the current basic daily pass price and limit the dollar amount of discount single ride purchases to an amount equal to that of the current discount daily pass price.

THAT, in the event of a conflict between this Resolution and Resolution No. 09-10-0174, this Resolution will govern as to the terms of use of the Daily Best Fare.

THAT, in all other respects, Resolution No. 09-10-0174, remains in full force and effect.

---

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary