

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	09/25/17	Open	Information	09/20/17

Subject: Free Rides for Seniors Age 75 and Over

ISSUE

Public request for SacRT to consider offering free rides to seniors age 75 and over.

RECOMMENDED ACTION

Information only.

FISCAL IMPACT

Offering free passes for seniors 75 and over would result in a reduction of approximately \$55K in fare revenues, however this option cannot be offered without including all disabled riders, due to the requirements of the Public Utilities Code. Therefore, to offer this program, it would require SacRT to also offer free passes to disabled riders, which would increase the loss of revenue to approximately \$3.1M.

DISCUSSION

In 1992, in the effort to encourage ridership by seniors, the Board adopted a resolution providing for a free Lifetime Pass for those passengers age 80 years or older. Subsequently, in 2003, SacRT revised the Lifetime Pass program by lowering the age requirement from age 80 to 75. When the Lifetime Pass was created, and then revised, SacRT was not aware of the Public Utilities Code (PUC) requirements requiring a matching discount for disabled riders (described in more detail in the following section). During the economic downturn, when most public agencies including SacRT were struggling financially due to the loss of anticipated operating revenues, RT found it absolutely necessary to revise its fare offerings and discontinue the life time pass program along with other fare changes.

During the past seven months there has been public interest in bringing back or implementing a new free Lifetime Pass for those age 75 and over. The suggestion was first proposed during the February 27, 2017 Board of Directors meeting, which focused on strategic initiatives. Staff proposed that with additional funding, SacRT would be able to address key fare priorities, including keeping fares affordable for all and a free fare for K-12 students.

When considering offering free passes for those age 75 and over, SacRT must first consider statutory and regulatory issues. Secondly, SacRT must find a balance whereby the programs do not degrade the financial stability of the organization, nor conflict with the four financial policies adopted by the Board in November 2015.

Approved:

Presented:

Final 9/20/17

General Manager/CEO

VP, Finance/Chief Financial Officer

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Statutory and Regulatory requirements:

Section 99155 of the PUC requires that a transit operator offering a reduced fare for seniors must also offer reduced fares to disabled persons, as defined by PUC Section 99206.5. Under this code section, a disabled person, as defined by Section 295.5 of the Vehicle Code, and disabled veterans, as defined by Section 295.7 of the Vehicle Code, should be provided the same discount rate established for senior citizens. The code does not specify an age limit associated with the free rides to disabled persons; therefore, offering free passes to seniors would require SacRT to provide free passes for all disabled individuals as well. Based on the forgoing, it appears that SacRT's super senior discount fare may not comply with the recently discovered PUC ruling and further analysis will be needed conducted.

SacRT is required to follow the FTA reduced fare requirements and Title VI civil rights requirements. Though offering discount fares to those 75 and older would comply with 49 CFR part 609, Title VI requires additional analysis and reporting to the Board to determine whether there are any equity issues that arise from providing an additional discount to a specific group of individuals. While conventional wisdom would assume that those age 75 and over are likely living on fixed income and would qualify as low income under a Title VI analysis, recent demographic ridership data shows that this is not the case for SacRT riders. Therefore, staff has some concerns that offering a Lifetime Pass to those age 75 and over could have an adverse fare impact to other low income riders under age 75, such as students, or persons with disabilities, when evaluated under Title VI standards. This issue requires further analysis.

SacRT receives state and local sales and diesel tax revenues, through the Transportation and Development Act (TDA) to provide transit service. Although the TDA does not have specific requirements related to transit operators offering discounts, the TDA does have an annual fare recovery ratio requirement of 23%. This is also inline with the farebox recovery ratio established in the Board approved farebox recovery policy. To meet this requirement, SacRT must disclose in its annual audited financial statements that the farebox recovery ratio meets or exceeds 23%. Currently to meet this requirement, SacRT must supplement its fare revenues collected with local funds. At the end of fiscal year 2016, SacRT needed \$6,764,719 in supplemental Measure A funds to meet the annual requirement. Although these funds were not expended, this shortfall shows that the fare revenues collected are not sufficient to meet the TDA requirements on a standalone basis.

Fiscal Analysis:

The estimated reduction in operating revenues for implementing a program that provides those age 75 and over and all disabled persons with a free pass is conservatively estimated to decrease fare revenues by approximately \$3.1 million annually. This calculation was determined using the fiscal year 2016 survey data as a base and adjusting it for budgeted fiscal year 2018 ridership. SacRT also included an estimate for the riders that are currently using a senior pass (age 62 and older), but could potentially qualify for the disabled status. The impact does not include an assumption for a potential increase in disability certifications. In addition, this would increase the requirement to supplement the fare box recovery ratio to

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approximately \$9.8M. From a fiscal impact standpoint, offering free passes to those 75 and over and all riders with disabilities would require a supplemental revenue source. Without this source, the budget would not be balanced.

Peer Analysis:

From a peer comparison standpoint, SacRT examined other agencies fare structures to understand if these agencies offer a similar program. Upon review of Santa Clara VTA, Los Angeles Metro, San Mateo County Transit, San Diego Metro, and Alameda-Contra Costa Transits fare structures none of the agencies offer those age 75 and over free pass. However, San Francisco Muni offers a free pass for seniors and all disabled persons that meet certain low income level thresholds. From a local prospective, no other agencies in the region offer this type of program. Additionally, SacRT examined the non-California peers discussed in the prior financial reports and concluded that these peers also did not offer this type of pass.

Conclusion:

Because the Public Utilities Code requires transit agencies to provide the same free pass to disabled persons if such a pass is provided to those over age 75, a more comprehensive analysis is required to be completed, including a Title VI analysis. The cost of offering the service appears to be financially significant, which would be difficult for SacRT to offer at this time.

If the PUC did not have the matching requirement for persons with disabilities, the financial loss of revenues would be approximately \$55,000 in annual revenue. In fact, by offering free passes to this group of customers, staff analysis concluded that bringing back the Lifetime Pass could generate as many as 100,000 additional boardings in FY18 and up to 225,000 additional boardings per year after that. This was determined by calculating the percentage of total SacRT ridership using the Lifetime Pass in FY09 (the last year prior to elimination of the pass), applying that percentage to the budgeted total ridership in FY18, and subtracting the current anticipated ridership count.

Therefore, as part of the strategic goals established by SacRT in February 2017, Staff recommends continuing to pursue this option if and when additional local funding would be available to make this and other discounted fares possible.