

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
8	08/27/18	Open	Action	08/23/18

Subject: Building Ridership through Fare Reductions

ISSUE

Whether or not to temporarily approve fare reductions in an effort to build ridership.

RECOMMENDED ACTION

Adopt Resolution No. 18-08-_____, Temporarily Modifying the Fare Structure (Resolutions No. 09-10-0174 and 16-03-0024, as Amended) to (1) Include Transfers as Valid Prepaid Fare; and (2) Reduce Fares.

FISCAL IMPACT

A fiscal impact study of the proposed action was performed by Staff and the results can be seen below.

Proposal	Proposed Start Date	Net Cost (6 months)
Overall Fare Reduction*	10/01/2018	\$594,676
\$0.25 Transfers	10/01/2018	\$273,970
Total		\$868,646

**Fare reduction applies to full fare and discount single ride and monthly passes, respectively, and is described in detail in below.*

Neither of these changes were included within the original FY 2019 budget. The funds that will be used to pay for these additional costs will be through efficiency and structural cost saving measures.

Note: While the Board is not being asked to approve the increase to light rail service, for informational purposes, the fiscal impact of that change has been estimated at \$389,775.

SUMMARY

On many occasions, Staff at SacRT has reported to the Board the declining ridership trend experienced by many transit agencies. Late in 2017, Staff began putting together ridership building initiatives with the goal of improving ridership at SacRT and the Board has adopted the following items to date:

- Fare Reductions for Students (from \$55 to \$20 per month)

Approved:

Presented:

Final 08/24/18

General Manager/CEO

VP, Finance/CFO

J:\Board Meeting Documents\2018\11 August 27, 2018\08-27-18 Ridership Initiative v4 (Fare Reductions and Service Enhancements).docx

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- Temporary Fare Reductions for Los Rios Students taking 3 units or less (from \$20 to \$5 per month)

Table 1 below summarizes the anticipated ridership increase from the approved, proposed and planned ridership initiatives.

Table 1

Ridership Initiative	Board Action	Presentation to Board	Anticipated Start Date	Impact on Ridership
Student Fare Reduction	Approved	12/11/2017	01/01/2018	225,000 (annual)
Los Rios Phase 1 (Fare Reduction)	Approved	08/13/2018	09/01/2018	100,000 (through December 31, 2018)
Overall Fare Reduction	Proposed	08/27/2018	10/01/2018	171,000 (six months)
\$0.25 Transfers	Proposed	08/27/2018	10/01/2018	108,000 (six months)
15m Headways Weekend Light Rail	N/A, General Manager approval only		01/01/2019	163,000 (six months)
Los Rios Phase 2 (Contract Update)*	Planned	12/10/2018	01/01/2019	400,000 (for remainder of Fiscal Year 2019)
Total Ridership Gain in FY19				1,167,000

**Staff anticipates renegotiating the Los Rios contract and bringing that to the Board in December of 2018.*

As shown in Table 1 above, the total ridership gain related to the initiative could be in excess of 1,000,000 boardings during this fiscal year.

In addition to the ridership initiatives previously approved by the Board and those being proposed today, Staff would like to briefly discuss a couple of other proposals that we are working on to increase ridership even further including creative ways to fund ridership for all Students (K-12) and provide them with free and unlimited access to public transportation. SacRT collects approximately \$1.5M in fare revenue from Students each year. If an alternative funding source can be found to offset this amount, plus potential additional funding for increased levels of service, SacRT could provide free transportation for Students.

Staff is also reaching out to all higher level and adult education programs in our service area in an effort to reach agreements with each of them on group pass programs similar to those utilized by Sac State and Los Rios. Under the Sac State and Los Rios programs all students

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(except for special exemptions) pay a nominal transportation fee as part of their registration. Payment of this fee grants the student access to a special semester pass that is valid for unlimited trips on all of SacRT’s services. These agreements have been very successful at both generating revenue and ridership for SacRT and Staff would like to expand these group pass programs in the future.

DISCUSSION OF OVERALL FARE REDUCTION

In FY16, Staff recommended and the Board approved sweeping fare increases of approximately 10%. This marked the first time in approximately 7 years that SacRT had raised its fares. Since that time, SacRT has been able to control costs through organizational changes and operational efficiencies. These efficiencies have helped to build reserves of approximately \$10M and promote a more stable long term financial outlook. Given the success SacRT has had controlling costs, Staff feels the Board now has more flexibility to address the ridership losses through fare reductions and other measures.

Initially, SacRT saw an improvement in both fare revenues and the system wide average fare relative to the fare increase. However, the positive revenue return from the fare increase is beginning to erode due to declining ridership. In addition, SacRT consistently receives feedback from riders that are discouraged from riding on the basis of high fares and lack of transfer options (addressed below).

The fare reductions proposed today would temporarily lower single ride and monthly pass fares to levels prior to the fare increase imposed in July 2016 for the period from October 1, 2018 to March 31, 2019. A full listing of the proposed fares for the period October 1, 2018 to March 31, 2019 can be found in Exhibit B-3 to the proposed Resolution (Please note that Exhibit B-3 also displays the transfer fee discussed later). If approved, full fare single ride tickets will drop from \$2.75 to \$2.50 and discount single ride tickets will be reduced from \$1.35 to \$1.25. Full fare monthly passes will go down from \$110 to \$100, discount monthly passes prices will be cut from \$55 to \$50, and Super Senior monthly passes will be reduced from \$42 to \$40.

Staff also recommends returning to FY16 fare policies that allowed for semi-monthly passes to be purchased at 50% of the price of the equivalent monthly pass.

It is important to note that Paratransit single ride fares will also need to be cut during this temporary fare reduction as federal regulations require that the Paratransit single ride fare be no more than two times the base fare for fixed route service.

Staff believes that the cumulative effect of these temporary fare reductions could lead to an increase in ridership of approximately 171,000 boardings during the six-month period of the reductions. Fare reductions do come at a cost and Staff is anticipating a fare revenue loss of approximately \$600,000 associated with this temporary offering.

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To benefit the largest percentage of riders and implement the temporary fare reduction as quickly as possible, prepaid tickets purchased by riders at the higher fare would not be exchanged or refunded. Staff encourages riders to use up any tickets that were previously purchased and buy additional tickets after the fares are reduced. To promote price flexibility and in anticipation of future fare changes, SacRT began purchasing prepaid ticket stock that does not have the ticket price printed on the ticket. Instead, tickets are validated on the basis of the ticket type being used rather than the price paid. This practice allows Staff to adapt quickly to the new pricing structure, but limits SacRT’s ability to exchange tickets prior to their expiration (currently 06/30/2019). New ticket orders can take months to receive and are costly to order. Allowing for a ticket exchange will require the purchase of new ticket stock, delay the fare reduction, and add additional fiscal impact for the temporary reduction.

It is important to note that there is no recommendation at this time for the Board to reduce fares for the daily pass, as this would be redundant in many ways with the proposal to bring back transfers.

DISCUSSION OF \$0.25 TRANSFERS

In September 2009, transfers were eliminated from the fare structure. Prior to that, riders were allowed to purchase a transfer slip from bus operators for \$0.25 allowing them to make a single transfer onto another bus or light rail. Riders on light rail who purchased or validated a single ride ticket and who wanted to make a transfer onto a bus route could also present and surrender the single ride ticket to board that bus for a \$0.25 cash payment.

Part of the rationale for eliminating transfers in 2009 was that customers could use a daily pass as an alternative. At the time, single ride fares were \$2.50 and transfers were \$0.25, but they were poised to increase to \$0.50. Compared to a daily pass (priced at \$6.00 at the time) for someone making a round trip with multiple legs in each trip, the daily pass would have had the same out-of-pocket cost as a two single rides plus two transfers. Since that time, however, elimination of transfers has persisted as one of the top customer complaints. The design of the SacRT transit network, with light rail as the backbone of the system, makes SacRT a very transfer-dependent system with the effect that the elimination of transfers imposed a significant barrier to new riders.

The Resolution would temporarily restore transfers for customers with paper tickets or cash fare at a price of \$0.25. For a person initially boarding a bus and desiring to later transfer to another bus or light rail, transfer tickets would be printed onto paper tickets from the farebox upon payment of the single ride fare plus the transfer fee. For a person transferring from light rail to bus, the procedure would be the same as before -- a customer boarding a bus, presenting a valid paper single ride ticket from light rail, would be allowed to board a bus for a cash payment of the \$0.25 transfer fee. The proposed definition of transfer and the parameters for its use as a Prepaid Fare would be written into the fare structure is shown below:

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Definition:

“Transfer (n.) means the Prepaid Fare that is issued to a passenger by a Bus operator.”

Validity of Prepaid Fare:

“Transfer – A Transfer that is purchased on a Bus is valid for 90 minutes beginning on the date and at the local time that the Transfer is purchased. A paper Validated Fare Ticket constitutes a Transfer that is valid on the date and at the local time it is purchased until 90 minutes thereafter, if the person surrenders that ticket to the Bus operator upon Boarding a Bus and Pays the Transfer price. Only a person that Pays the Basic Fare or Discount Fare (as applicable) with either U.S. currency, a Fare Equivalent, or a Fare Ticket that has not been Validated will be issued a Transfer upon payment of the price therefor. Individuals presenting a Prepaid Fare on electronic fare media are not eligible to purchase a Transfer.”

Single ride tickets purchased on electronic fare media already include the right to transfer between vehicles and modes for a period of 90 minutes; therefore, no transfers are needed for those forms of fare media. The 90 minute ticket on these platforms will also be reduced from \$2.75 to \$2.50 as shown in Exhibit B-3. The \$0.25 covers the cost to offer the Transfer and to reduce the volume of transfer tickets that will be printed from the fare box, as well as to incentivize riders to transition to electronic fare media. By offering this new product, SacRT will incur additional costs including paper stock, wear and tear on fare boxes, and additional labor for Service Workers to repair and maintain the fare boxes.

DISCUSSION OF LIGHT RAIL WEEKEND HEADWAY IMPROVEMENTS

In 2010, due to major reductions in state funding, SacRT made service reductions amounting to 20 percent of the fixed-route bus system, as well as major cuts to light rail, which included lengthening weekend headways from 15 to 30 minutes.

To further increase ridership, as a minor service change, the General Manager/CEO intends to improve light rail headways on weekends from the current 30 minutes to 15 minutes. On Saturdays, the 15-minute headways will cover approximately 12 hours, from approximately 8:00 a.m. to 8:00 p.m. On Sundays and holidays, the 15-minute headways will cover approximately 8 hours, from approximately 10:00 a.m. to 6:00 p.m. Each new train will be staffed with one transit agent.

This improvement was one of the top suggestions in SacRT’s 2012 Transit Renewal study and has been one of the top suggestions discussed thus far in the SacRT Forward route optimization project. The SacRT Forward project has been budgeted as a cost-neutral bus-only redesign with the light rail system taken as a given; however, there has been unanimity among the project team that restoration of 15-minute weekend headways on light rail is essential to creating a new network, and that, if funding permits, should be done and will complement the efforts underway with SacRT Forward bus network redesign project.

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Staff believes this change will not only increase ridership on light rail but also have a positive impact on bus ridership, particularly service that is linked to light rail transfers. This will be even more impactful with the restoration of \$0.25 transfers.

DISCUSSION OF TITLE VI

SacRT policy requires a 30-day public review and Board approval of a Title VI equity analysis before enacting any permanent fare changes or any major service changes. Temporary or promotional fare reductions lasting no more than six months and designed to increase ridership do not require a Title VI analysis. Temporary or demonstration service lasting up to one year is defined as a minor service change and can be implemented by the General Manager/CEO without a Title VI equity analysis.

In the interest of making concrete steps to arrest and reverse SacRT's ridership decline, Staff is recommending that the fare changes be approved immediately and that public review and Title VI analysis be performed over the coming six months, following which all initiatives can be brought back for final approval or discontinuation.

If the Board approves the temporary fare reductions and indicates a desire to proceed with both the fare and service changes on a long-term basis, Staff intends to prepare a draft Title VI equity analysis for release for public review. Following a 30-day review period, a final version will be brought back for Board approval, prior to the end of the six month promotional period. At that point, with further information about the impacts of these changes on groups covered by Title VI, as well as the impacts on ridership and revenue, the Board would have an opportunity to vote whether or not to make the fare and service changes permanent.

Conclusion

SacRT is focused on building ridership and promoting the use of a system that is clean, safe and convenient for our passengers. Staff believes that the fare reductions, re-introduction of transfers and service improvements proposed here will further SacRT's progress by making the network more convenient for riders to use. Therefore, Staff is recommending that the Board approve the resolution to temporarily reduce fares and re-introduce transfers.

RESOLUTION NO. 18-08-_____

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

August 27, 2018

TEMPORARILY MODIFYING THE FARE STRUCTURE (RESOLUTIONS NO. 09-10-0174 AND 16-03-0024, AS AMENDED) TO (1) INCLUDE TRANSFERS AS VALID PREPAID FARE; AND (2) REDUCE FARES

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

THAT, the following definition of the term Transfer is added to the Fare Structure for a six-month period commencing October 1, 2018:

“Transfer (n.) means the Prepaid Fare that is issued to a passenger by a Bus operator.”

THAT, for a six-month period commencing October 1, 2018, a Transfer is valid as a Prepaid Fare (as defined in the Fare Structure) as follows:

“Transfer – A Transfer that is purchased on a Bus is valid for 90 minutes beginning on the date and at the local time that the Transfer is purchased. A paper Validated Fare Ticket constitutes a Transfer that is valid on the date and at the local time it is purchased until 90 minutes thereafter, if the person surrenders that ticket to the Bus operator upon Boarding a Bus and Pays the Transfer price. Only a person that Pays the Basic Fare or Discount Fare (as applicable) with either U.S. currency, a Fare Equivalent, or a Fare Ticket that has not been Validated will be issued a Transfer upon payment of the price therefor. Individuals presenting a Prepaid Fare on electronic fare media are not eligible to purchase a Transfer”

THAT, effective as of October 1, 2018, Exhibit B-2 of Resolution No. 16-03-0024 (as adopted by Resolution No. 18-06-0061) is temporarily replaced with the attached Exhibit B-3.

THAT, this temporary promotional fare reduction will terminate, without further Board action, on March 31, 2019, and the prices specified in Exhibit B-2 will be restored for all fares purchased for April 1, 2019 onward.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

**Exhibit B-3
Effective 7/1/2018**

Regional Transit Fare Changes

Fare Category	Current Fare	Proposed Fare Effective 10/01/2018
Single Ride	\$2.75	\$2.50
Single Ride - Electronic Fare Media (valid for unlimited rides for 90 minutes)	\$2.75	\$2.50
Discount Single Ride *	\$1.35	\$1.25
Discount Single Ride - Electronic Fare Media (valid for unlimited rides for 90 minutes)	\$1.35	\$1.25
Transfer Ticket (valid for one transfer on either the bus or light rail)	N/A	\$0.25
Daily Pass	\$7.00	\$7.00
Discount Daily Pass *	\$3.50	\$3.50
Monthly Pass	\$110.00	\$100.00
Semi-Monthly Pass	\$60.00	\$50.00
Student Semi-Monthly Sticker**	\$10.00	\$10.00
Student Monthly Pass** (on electronic fare media only)	\$20.00	\$20.00
Senior/Disabled Monthly Sticker	\$55.00	\$50.00
Senior/Disabled Semi-Monthly Sticker	\$30.00	\$25.00
Super Senior Monthly Sticker	\$42.00	\$40.00

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.

** Price applies to all Students including those who qualify for Free/Reduced Meal Programs