

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NO. R2009-01

Adoption of Link Fare Structure and Pricing

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	2/5/09	Discussion	Ric Ilgenfritz, Executive Director	(206) 398-5239
Executive Committee	2/5/09	Discussion	Greg Walker, Planning and Policy Officer	(206) 398-5070
Board	3/26/09	Action		

PROJECT NAME

Adoption of fare structure and pricing for use on Link light rail

PROPOSED ACTION

Establish a distance-based fare structure for use on Link light rail, and adopt the corresponding fare level of \$1.75 base fare with a \$.05 per mile charge rounded up or down to the nearest quarter to be charged for riding Link light rail along the entire alignment, including the Downtown Seattle Transit Tunnel (DSTT).

KEY FEATURE of PROPOSED ACTION

Establishes the fare structure and pricing level to be charged to customers of Link light rail.

BUDGET IMPACT SUMMARY

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from parties other than what is already assumed in the financial plan.

BUDGET and FINANCIAL PLAN DISCUSSION

The Adopted 2009 Budget for Central Link farebox revenue is \$3 million. In October, the financial plan was updated to reflect the estimated farebox revenue for 2009 at \$3.109 million.

If the proposed fare structure and pricing level are adopted, the farebox revenue is projected to exceed the financial plan estimate.

BUDGET TABLE

Not applicable for this action.

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

In June 2008, the Executive Committee provided direction to staff to analyze four potential fare structures for implementation on Link light rail. These structures included:

- Flat fare (equal fare charged for all paid trips within each rider category)
- Distance-based fare with a mileage surcharge (similar to the Sounder fare structure)
- Distance-based fare with an incremental station-to-station charge
- Zone structure (similar to that currently employed on King County Metro buses)

Staff conducted an analysis of the various structures and evaluated them in terms of the pricing level required to reach the approximate 52% farebox recovery referenced in Sound Move by the completion of

University Link in 2017 (the first full year of light rail operation from the University of Washington to Sea-Tac Airport) and other factors such as consistency with other regional structures, convenience for the customer, regional equity issues, and fare enforcement considerations.

That analysis, combined with internal staff and management review and initial public outreach, was presented to the Executive Committee on December 4, 2008 with a staff recommendation to seek public review and comment on the distance-based fare structure model in which customers are charged a base fare along with an additional mileage surcharge. The major consideration in determining Link pricing is whether to charge fares in the Downtown Seattle Transit Tunnel (DSTT). The Executive Committee directed staff to conduct public outreach on one distance-based fare structure and two pricing options – one based on charging fares in the tunnel and the other without charging fares in the tunnel.

Staff has spent the last two months participating in public outreach events and taking comments via email, the website and by phone. Results of these public outreach efforts are reported in the public involvement section of this staff report.

FARE STRUCTURE AND PRICING

Pricing Proposal - \$1.75 base fare and a \$.05 per mile surcharge

Fare	2010 Analysis (Central Link Only)	2017 Analysis (University Link)
Adult	\$1.75 - \$2.50	\$2.00 - \$2.75
Youth	\$1.25 - \$2.00	\$1.50 - \$2.00
Senior/Disabled	\$0.75 - \$1.25	\$1.00 - \$1.25
Farebox Recovery Ratio	23%	52%

The pricing proposal staff presented to the public is a \$1.75 base fare with a \$.05 per mile charge rounded up or down to the nearest quarter. Riders would pay the base fare at the station where they first board and the and the additional per mile surcharge based on where they enter and exit. The maximum adult fare to ride the entire Link initial segment from Westlake Station to the airport would be \$2.50. This pricing option achieves a forecasted farebox recovery of 52 percent in 2017 and assumes one scheduled fare increase between Link opening in 2009 and 2017.

Youth Fares

Link youth fares are proposed to comply with regional policy that youth fares are no more than 75 percent of adult fares. King County Metro offers an additional fare reduction that drops the youth fares well below 75 percent of adult fares. Youth riders on Link will pay a higher fare than they would otherwise on King County Metro.

Senior/Disabled Fares

Link fares are proposed to comply with FTA regulations and regional policies that set a senior/disabled fare at no more than 50 percent of an adult fare. Similar to youth fares, the current King County Metro senior/disabled fares are significantly lower than fifty percent of adult fares.

Alternative Pricing Option - \$2.00 base fare and a \$.05 per mile surcharge with free rides in the DSTT

This alternative option presented to the public charges a base fare of \$2 with a \$.05 mileage surcharge rounded up or down to the nearest quarter. Like the pricing proposal described above, riders would pay the base fare and the additional per mile surcharge based on where they enter and exit.

Under this alternative, the maximum adult fare to ride the entire Link initial segment from Westlake Station to the airport would be \$2.75. This higher base fare would offset the foregone revenue resulting from free trips in the DSTT (four stations); averaging approximately \$2 million annually. To achieve a 52 percent farebox recovery in 2017, this alternative option also requires one scheduled fare increase between the opening of Link in 2009 and 2017.

While both pricing options result in an eventual farebox recovery of 52 percent, this option's revenue production is slightly slower with an average fare per boarding of \$1.31 in the initial years between 2009 and 2016. This option is more financially burdensome to riders not using the DSTT as they subsidize free tunnel rides. This option generates higher ridership in the initial years of operation while Link participates in the ride-free zone in the DSTT but would decrease Sound Transit's share of revenue distributed via the ORCA system.

The current agreement between the City of Seattle and King County Metro provides for the ride-free zone in downtown Seattle during most of the hours the DSTT is open (6:00 am to 7:00 pm). Outside those hours, King County Metro charges its normal fares downtown, a practice that Metro will continue in the tunnel once Link opens and tunnel hours are extended. King County Metro is reimbursed by the City of Seattle for at least a portion of the passenger revenue foregone through the agreement.

Current Sound Transit Policy

Sound Transit practice has been to honor the ride-free zone within downtown Seattle for ST Express because Sound Transit provides a minimum amount of total service for local trips in downtown Seattle, consistent with Sound Transit policy. Specifically, the Sound Transit policy (Resolution 99-2-2) on fare collection states:

"The Executive Director is authorized to establish ride-free zones ensuring a safe, secure, and convenient trip for customers given one or all of the following conditions:

- Cost of fare collection is greater than the revenue to be collected, or
- Sound Transit will provide a minimal amount of total service through an existing ride free zone, or
- Local jurisdictions and Sound Transit work out an agreement to cover lost revenue."

With the significant increase in Sound Transit ridership downtown with the opening of Link, the current practice of honoring the ride-free zone due to Sound Transit's provision of only a minimal amount of service will no longer apply. This change affects the applicability of this provision for both Link and ST Express service.

Applying the current practice of honoring the ride-free zone in Seattle to Link in the DSTT would require either entering into an agreement with the City of Seattle whereby Sound Transit would be reimbursed for the lost passenger revenue (estimated to be approximately \$2 million annually over the next six to seven years), or a change in the Board policy for fare collection and an overall adult fare increase of \$0.25 to recoup the projected lost revenue from those customers riding outside the DSTT and to maintain revenue recovery targets.

The following assumptions were used in the fares analysis and support the findings related to charging fares in the DSTT:

- Resolution 99-2-2 stipulates conditions under which the chief executive officer is authorized to establish ride-free zones. Because the condition to provide a minimal amount of total services through an existing ride free zone is not met with the introduction of Link, staff assumes that fares will be charged on Link for the entire system.
- Nearly 50 percent of future Link riders are assumed to have a regional Puget, Flex or other pass that makes them indifferent to a fare charge inside the DSTT.
- The other 50 percent of customers using cash for fare payment would have incentive to ride buses in the ride-free zone, reducing Link ridership.

PRIOR BOARD/COMMITTEE ACTIONS

Motion/Resolution Number and Date	Summary of Action
R2007-06 3/8/07	Amend Sound Transit Fare Policy regarding Sounder fares from a zone-based fare structure to a distance-based fare structure and increasing Sounder fares.
R2005-05 1/27/05	Increases fares for ST Express Bus service effective June 2005.
M2004-54 6/24/04	Aligns ST Express Route 550 fare structure with other Sound Transit bus routes.
R99-2-2 6/13/02	Revises Sound Transit's fare policy, updating fare zone boundaries along SR 522 corridor and changing definition of "children" to those under the age of 6.

CONSEQUENCES of DELAY

The Link fare structure and corresponding pricing need to be finalized as early as possible in 2009 to ensure Link customer information and fare media accurately reflect adopted fares. Lead time for customer communication and partner coordination will be essential to properly educate the public and Link operators.

PUBLIC INVOLVEMENT

Public outreach on Link fares concluded February 5, 2009 with a Sound Transit public hearing. Staff collected nearly 200 comments via the website, phone calls and various public outreach events. Of the 200 comments collected, 67 were written comments collected at public meetings. The results are as follows:

- Fifty-four percent of those who filled out written comment forms preferred charging a fare in the tunnel in exchange for a lower base fare.
- Forty-nine percent of the total comments received, including written and oral, favored a lower base fare and charging for trips in the DSTT – 51 percent of all respondents favored offering free rides downtown.
- Sixteen percent of the those that answered in favor of free rides in the DSTT cited a desire to have consistency in paying fares among all modes in the tunnel.

A theme in the results of our outreach is a general desire for simplicity. Many people wrote in favor of the zone structure the buses currently employ (while staff did examine a zone based fare structure the established zone boundaries made that option impractical and particularly inequitable as compared to other structures examined).

Much of the public outreach took place in the Rainier Valley and respondents expressed a strong preference for keeping fares low. They are pleased with the general fare levels being proposed, but feel that paying to offset free rides downtown wrongfully charges community members that don't typically take advantage of the ride free zone.

Conversely, offering free rides in the DSTT is an existing practice and some respondents fear that diverging from the norm will cause unnecessary confusion for riders traveling between modes. A large percentage of respondents who favor free rides in the tunnel advocate that all modes in the tunnel should observe the same fare collection practices and mention openness to paying a fare in the transit tunnel if a fare were imposed on all modes.

In staff's conversation with the Downtown Seattle Association, a representative of the DSA expressed that both pricing options being examined for Link were acceptable, and noted that Sound Transit's decision to charge fares in the DSTT or to offer free rides should not impact downtown retailers as long as surface buses remain free.

In addition, the Seattle City Council has sent a letter to Sound Transit expressing support for the lower \$1.75 base fare with mileage surcharge for a maximum fare of \$2.50. The letter also supports charging for the new service in the DSTT.

ENVIRONMENTAL COMPLIANCE

JI 4/16/2008

LEGAL REVIEW

JB 1/30/09