

Need for a Comprehensive Fares Strategy

Preview of upcoming Board fares workshop

Board of Directors Meeting

January 27, 2022



Toward a Comprehensive Fares Strategy

Upcoming needed Board actions

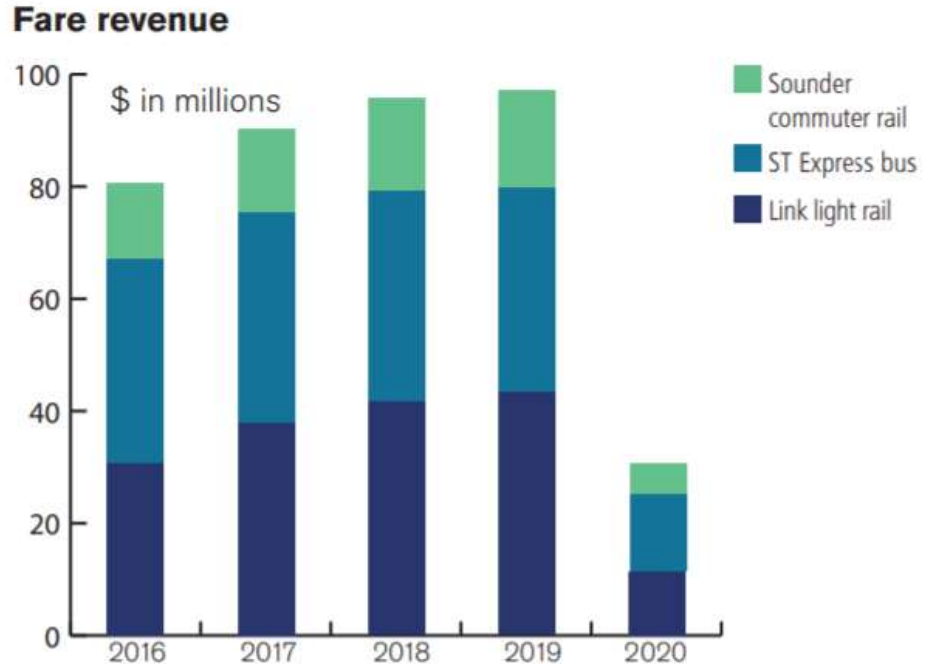
- Adopt an equitable fare compliance policy (discussed later today).
- Review and modify revenue and farebox recovery targets.
- Set fare rates by mode of service, including parking.
- Adjust fare levels, structures, and categories to meet established targets.

Recent trends in fare collection

1. Farebox recovery rates declining since 2016.
2. Operating costs up + Link fare unchanged since 2015.
3. Fare compliance rates declining since 2019.
4. Ridership lower due to COVID.
5. Finance Plan assumes stable and rising annual fare revenue.
6. = **Current trajectory is financially unsustainable.**

Finance Plan fare assumptions

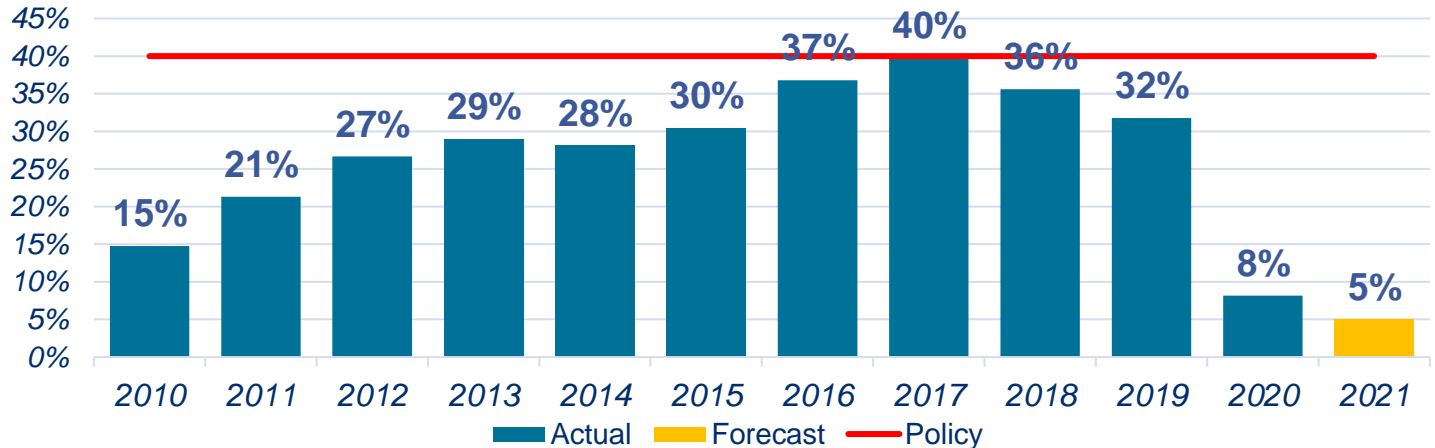
- Finance Plan assumes fare revenue funds 27% of operating costs.
- 2019 fare revenue **\$96M.**
- 2020 fare revenue **\$30M.**



Farebox recovery targets

- Farebox targets are established in the Board's fare policy.
- Fare policy requires a fare change proposal when target isn't met.
- Board could also consider changing these targets.

Link light rail farebox recovery



Fare payment rate on Link & Sounder

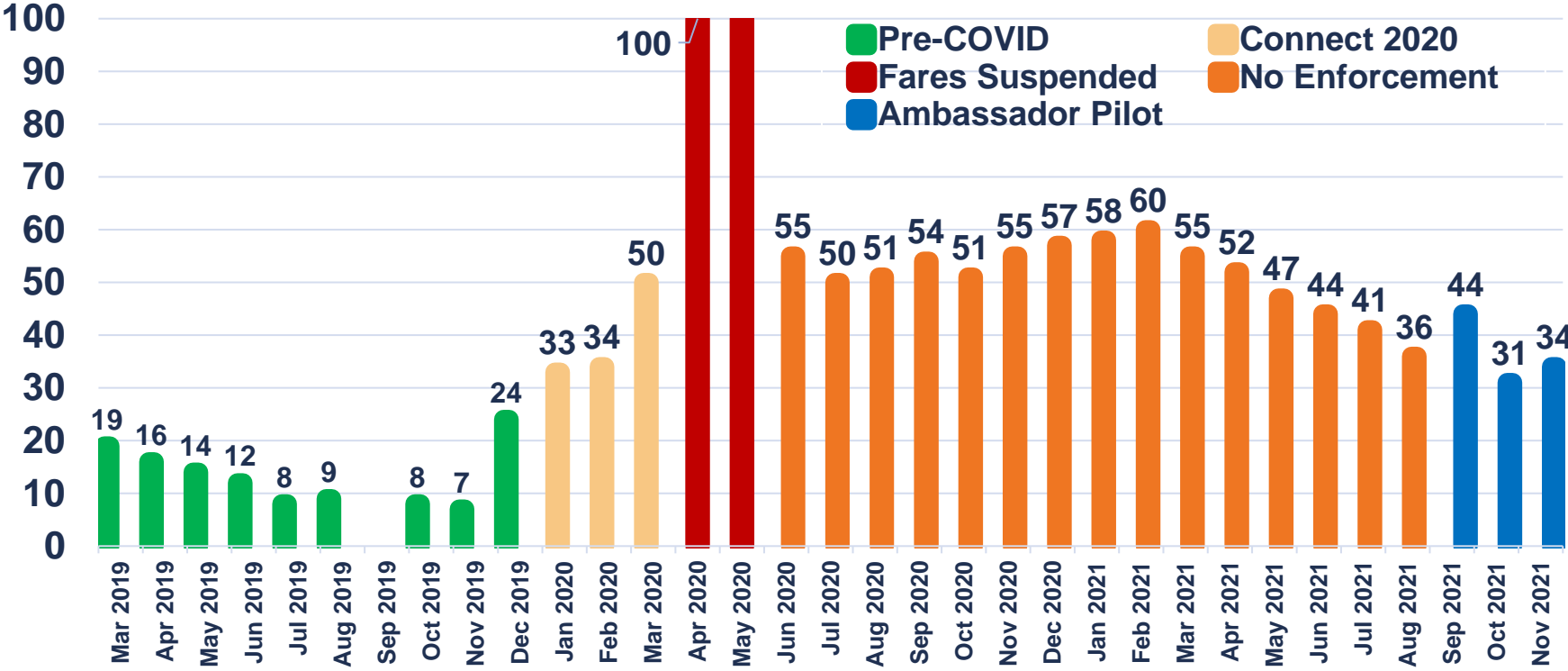
	2018-2019	2020-2021
Fare evasion rate	3%	10-30%
Non-fare boarding rate	14%	40-70%

Fare evasion rate is observed payment rate during fare checks.

Non-fare boarding rate is sampled based on automatic passenger counters compared to taps and paper tickets sold. Includes legitimate non-fare boardings such as children under 6.

Both methods are subject to error margins. Actual non-payment rate is likely higher than the fare evasion rate and lower than the non-fare boarding rate.

Link non-fare boardings, 2019-2021



Operating costs continue to grow

Increased operating cost projections

- Recent Finance Plan update required a \$3B increase in operating costs through 2046.
- Major cost drivers include:
 - 1) Projected agency costs to keep pace with system growth.
 - 2) Projected purchased transportation costs.
- Increased operating costs will carry implications for overall program affordability.

ORCA Business Account revenue

Employers pay half of fare revenue

- Systemwide ridership is down by 45% from February 2020.
- High uncertainty about ridership recovery rates and future of hybrid workforces.

Business Account revenue

- **2019: \$48M** (50% of total) **2021: \$13M** (43% of total)

Cost of Fare Collection

2019 data for Link

	Cost type	Amount	Per boarding
	Collection (ORCA, vending, mobile ticket, admin)	\$3.2M	\$0.13
	Securitas enforcement	\$1.4M	\$0.06
	Total	\$4.6M	\$0.19

- Average revenue per boarding \$1.75, net revenue \$1.56.
- **Collection costs are approximately 10.8% of fare revenue.**

Board engagement schedule

- **Later today:** Recommendations for equitable fare compliance approach.
- **February Board workshop:** Deep dive on fare policy issues.
- **Executive & REO Committees:** Fare policy primer.
- **Q1 2022:** Fares roadmap and action plan, Board direction on compliance recommendations.

Upcoming fare-related Board actions

Multiple actions in the coming months and years

Near-term (next 3 months)

- Compliance policy
- Subsidized annual pass extension
- T Line fares and farebox recovery target
- Budget amendments for fare compliance and reduced fare programs

Medium term (4-18 months)

- Daily paid parking authorization
- Potential Link light rail fare structure change and/or increase
- Stride fares and farebox recovery

Thank you.



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