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.
**Fare payment rate on Link & Sounder**

<table>
<thead>
<tr>
<th></th>
<th>2018-2019</th>
<th>2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fare evasion rate</td>
<td>3%</td>
<td>10-30%</td>
</tr>
<tr>
<td>Non-fare boarding rate</td>
<td>14%</td>
<td>40-70%</td>
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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

- Pre-COVID
- Fares Suspended
- No Enforcement
- Ambassador Pilot

Mar 2019: 19
Apr 2019: 16
May 2019: 14
Jun 2019: 12
Jul 2019: 8
Aug 2019: 9
Sep 2019: 8
Oct 2019: 7
Nov 2019: 24
Dec 2019: 33
Jan 2020: 34
Feb 2020: 50
Mar 2020: 100
Apr 2020: 55
May 2020: 50
Jun 2020: 51
Jul 2020: 54
Aug 2020: 51
Sep 2020: 55
Oct 2020: 57
Nov 2020: 60
Dec 2020: 55
Jan 2021: 52
Feb 2021: 47
Mar 2021: 44
Apr 2021: 41
May 2021: 36
Jun 2021: 44
Jul 2021: 31
Aug 2021: 34
Sep 2021: 0
Oct 2021: 0
Nov 2021: 0
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

<table>
<thead>
<tr>
<th>Cost type</th>
<th>Amount</th>
<th>Per boarding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection (ORCA, vending, mobile ticket, admin)</td>
<td>$3.2M</td>
<td>$0.13</td>
</tr>
<tr>
<td>Securitas enforcement</td>
<td>$1.4M</td>
<td>$0.06</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4.6M</strong></td>
<td><strong>$0.19</strong></td>
</tr>
</tbody>
</table>

- 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.