



Summary Minutes

**Board Fares Special Workshop
March 16, 2022**

Call to order

The meeting was called to order at 3:04 p.m. by Board Chair Kent Keel in a Virtual Meeting via telephone and video conference.

Roll call of members

Chair	Vice Chairs
(P) Kent Keel, City of University Place Councilmember	(P) Dow Constantine, King County Executive (P) Dave Somers, Snohomish County Executive

Board members	
(P) Nancy Backus, City of Auburn Mayor	(P) Roger Millar, WSDOT Secretary
(P) David Baker, City of Kenmore Councilmember	(P) Ed Prince, City of Renton Councilmember
(P) Claudia Balducci, King County Council Chair	(P) Kim Roscoe, City of Fife Mayor
(P) Bruce Dammeier, Pierce County Executive	(P) Dave Somers, Snohomish County Executive
(A) Cassie Franklin, City of Everett Mayor	(P) Dave Upthegrove, King County Councilmember
(P) Christine Frizzell, City of Lynnwood Mayor	(A) Peter von Reichbauer, King County Councilmember
(A) Bruce Harrell, City of Seattle Mayor	(P) Kristina Walker, City of Tacoma Councilmember
(P) Debora Juarez, City of Seattle Council President	
(P) Joe McDermott, King County Council Vice Chair	

Katie Flores, Board Administrator, announced that a quorum of the Board was present at roll call.

Welcome

Chair Keel thanked the Board members for attending the workshop. It was an opportunity to learn about the current state of the agency's fare policies, current trends, and how they affected financial projections.

He reminded the Board that no actions would be taken at the workshop.

Workshop purpose and fares guiding framework

CEO Rogoff explained that the Board was scheduled to take some fare related actions in 2022 in the natural course of business, but the COVID 19 pandemic and related ridership and fare compliance issues have made the need more acute.

In the following 18 months, the Board would be considering many related actions tied to fares and a comprehensive fares strategy, including adopting an equitable and accountable fare compliance policy and expanding reduced fare programs, modifying revenue and farebox recovery targets, establishing

fare rates where none currently existed, and adjusting existing fare levels, structures, and categories to meeting the established target.

In addition, in the medium term the Board would consider daily paid parking, increasing Link fares or changing the fare structure, and determine an approach for youth fares.

Need for a comprehensive fare strategy and current state

Finance Plan

Alex Krieg, Director of Access and Integration, reviewed the concept of fares in the agency's revenue projections. The Finance Plan assumed stable and rising annual fare revenue, however reality was showing the opposite trend.

The Board has direct control over approximately 11 percent of the Finance Plan's revenue sources, and fares are the major source.

Boardmember Baker asked to what degree rental car tax revenue was lowered. Mr. Krieg responded that staff could provide that information after the meeting.

Chair Keel noted that fares make up 6% of the overall revenue and asked Mr. Krieg to speak more about the fare revenue concern. Mr. Krieg noted that the fare revenue assumptions have been trending downward in the finance plan and staff wanted to bring that issue to the Board since it is an important source of revenue.

Boardmember McDermott asked that as the discussion continued, anything considered a problem be properly identified.

Farebox recovery targets

The Board's adopted farebox recovery targets were established most recently in 2010, only a year after Link Light Rail service began. The target was 40 percent, which was only met once in 2017. The fare Policy requires a fare change proposal when the recovery targets are not met. The Board could also consider changing the target.

CEO Rogoff advised that rising costs could also drive down farebox recovery, even if ridership was increased. Following the opening of the Northgate Link Extension, ridership was more than 80 percent that of pre-pandemic levels, which was encouraging, but recovery targets would still not be met.

Mr. Krieg displayed a farebox recovery target comparison among peer agencies that have open systems, noting that Sound Transit's target was the highest, and Sound Transit was on par with farebox recovery rates in 2019. All were underperforming in 2020. Sounder targets were on par with peers, with one exception, and 2019 rates were above target. All peers were below target in 2020. ST Express targets were only somewhat comparable with peer targets, but met recovery rates in 2019. All peers were below target in 2020.

CEO Rogoff noted that the agency's 40 percent Link target was aggressive compared to peers. He advised that Board members should consider whether that rate is still appropriate in addition to considerations about increasing fares.

Boardmember Dammeier asked about projected ridership performance. For example, when the pandemic has passed, does staff anticipate ridership to recover and realign with pre-pandemic projections? He also thought more information was needed on projected operating costs. He noted that the projected ridership and operating costs are important to have when setting Board policy.

Mr. Krieg advised that some of those questions would be addressed later in the presentation, however this would be considered over time and consideration by Board members. CEO Rogoff explained that recovery would be different across the four service modes. Ridership trends were changing before the pandemic as it was so this wasn't unique to the pandemic.

Boardmember Dammeier noted that 2019 Link farebox recovery was similar to peers, but 2020 farebox recovery was far below peers. Mr. Krieg reminded the Board that the first three months of 2020 included the Connect 2020 event, in which single tracking was taking place to connect the East Link Extension.

Boardmember Backus explained that it would be helpful to hear the reasoning behind peer agency policy targets. CEO Rogoff advised that in some cases, discussions with experts who were around when those policies were created indicated that they were messaging to the public. UTA in Salt Lake City, for example had a 17 percent target, so exceeding the target was easier.

Operating cost growth

Mr. Krieg shared operating cost information. The fall 2021 Finance Plan included a \$3 billion increase in operating costs through 2046. The major cost drivers include the operating partners' costs for operating Sound Transit service, and agency cost increases to keep pace with system growth and inflation. Fare revenues are meant to support operating costs, this increase in operating costs carry a risk to plan affordability.

Mr. Krieg reviewed fare evasion rates compared to non-fare boarding rates from 2018-2019 and 2020-2021. The fare evasion rate was defined as observed non-payment of rates during fare checks. The non-fare boarding rate is a separate measurement based on automatic passenger counters compared to taps and paper tickets sold, which includes legitimate non-fare boardings such as children under 6, as well as fare evasion.

Chair Keel asked for clarification on the definitions of the fare evasion rates and non-fare boarding rates.

Current sources of revenue

Mr. Krieg reviewed declining ridership due to COVID, 2019 revenue was at \$96 million, but went down to \$30 million in 2020 and is estimated at \$28 million in 2021. A key proportion of fare revenue comes from employer business accounts where employers are subsidizing employee ORCA passes. Business account revenue was \$48 million in 2019, 50% of the total fare revenue and was only \$12 million in 2021. There is continued uncertainty about return to work and what this may mean for future revenue through employer business accounts.

CEO Rogoff noted that riders who have passes subsidized by employers are not as sensitive to price changes, however that only applies to a portion of riders.

Major Drivers of fare revenue and potential future state

Ridership

Systemwide, ridership was 53 percent that of Quarter 4, 2019. It was difficult to predict in what way ridership would return and across which modes. There was significant variation by mode, 83 percent of the ridership has returned for Link, but that includes the new Northgate Link Extension stations. Sounder ridership was at only 20 percent of Q4 2019 ridership.

Fare levels

Link fares were last increased in 2015 and currently sit at \$2.25. That is one dollar below both Sounder and ST Express fares. In 2017, Link farebox recovery met the target, but was lower than the target after 2017. With no fare changes and current ridership projections, farebox recovery will be at 18% by 2025.

Fare compliance

Mr. Krieg reviewed link non-fare boardings from 2019 through 2021. The chart showed the percent of non-fare boardings which ranged from 100% non-fare boardings during April and May 2020 when fares were suspended, and higher rates of non-fare boardings in 2020 and 2021 through current.

Recent trends

Current trends would have a \$2-3 billion impact on the Finance Plan in only three years. These forecasted could change based on Board decisions or other external factors.

Boardmember McDermott asked if the link non-fare boardings increase was due to more people riding and not paying or whether the overall rate was due to lower ridership. CEO Rogoff committed to having that information by the March Board meeting. He noted that Ridership was increasing from the end of 2021 into 2022, as was non-fare boardings. He made a connection to the Fare Ambassador program's lack of perceived consequences being more widely understood. Boardmember McDermott asked what the procedure was prior to the fare ambassador program for a rider who refused to show identification to a Fare Enforcement Officer. Mr. Arnold explained that the officer would remove the rider from the train, call King County Sheriff's office who could identify the person. CEO Rogoff added that this practice was suspended by his order prior to the Ambassador pilot. Board member Backus also noted that current policing policies may have an impact on Sound Transit's ability to require individuals to show identification when riding without paid fares.

Chair Keel asked why staff believed non-fare boarding rates were so different from 2019. Mr. Arnold advised that the Ambassador pilot program was only in information gathering mode. The past enforcement activities were more stringent in 2019. Chair Keel noted that when a less stringent policy was enacted, more evasion occurred. Mr. Krieg advised that to Boardmember McDermott's earlier point, there was a question about whether decreased ridership was also a factor in the increased rate.

CEO Rogoff commented that staff would bring more complete data to the Board in future meetings so that they could make more informed decisions. An example would be enacting the proposed fare engagement policy, which would take the Ambassador program out of information gathering and implementing the measures within.

Chair Keel asked how this data relates to agency finances and budgeting decisions. Mr. Krieg reminded the Board that the Finance Plan was by its nature imperfect and informed by trends. The ridership and fare recovery trends currently seen would have a negative impact on the plan.

Boardmember Uptegrove asked if it was looked at comprehensively and if it was cost prohibitive to change the stations from an "open" concept to turnstile stations. CEO Rogoff acknowledged that a comprehensive look had not been taken, but stations were designed without them in mind. If the agency were destined to the impact referred to in the presentation, it could be a consideration to overhaul the system. However, turnstile systems also experienced fare evasion and their own complications. Finally, it was worth asking whether it was worth shifting the agency's design, engineering, and construction expertise to address this task given the ST3 projects that needed to be delivered.

Boardmember McDermott asked if the Finance Plan impacts took federal funding into account. Mr. Krieg noted that the grants funding isn't reflected in the chart showing fare revenue projections in the Finance Plan.

Boardmember Walker noted that looking at non-fare boarding trends and forecasting based on the many different things that happened since 2019 was not recommended. She asked when fare changes would take place and how it would affect the Finance Plan. Mr. Krieg noted that fare changes typically occur during service changes. Link fare changes could occur when an extension opened. CEO Rogoff added that opening the East Link Extension could be a good time, but that of course depended on the Board's preferred schedule.

(Boardmember Balducci joined at this time).

Boardmember Constantine explained that other transit agencies attempted to coordinate fare changes with other agencies. He hoped that the Board would remember to focus on partner agencies in its considerations. The State Legislature passed a bill encouraging free youth fares. Sound Transit was

made eligible for a modest grant if it did this. He encouraged staff to engage in analysis of this option. Chair Keel acknowledged that it would be an important conversation to have.

Boardmember Dammeier stated that he believed the Board wanted to increase ridership, increase the number of people who are riding for transit purposes, and make it an attractive option for people who didn't have many options. For this to happen, it would need to be clean and safe, and the Board's tools were fares, enforcement, and subsidies.

Boardmember Balducci noted that King County was having the discussion about free youth fares, and it would be difficult to enact if Sound Transit didn't participate. She encouraged the agency to do so. She also commented that the region was still in a pandemic, so the Board didn't need to panic yet.

Anticipated upcoming fare revenue Board actions

Review of ongoing work: T Line fares, compliance and reduced fare programs, daily paid parking

Mr. Krieg reviewed the actions that would be brought to the Board in the next 18 months. He noted that determining an approach to Youth fares was within that list. The three tools the Board had to affect fare revenue was driving up ridership, ensuring that fares are easy to understand and incentivize ridership, and ensuring compliance.

Something the Board could do is work proactively to increase ridership doing things like establishing a marketing development program, maximizing ORCA business accounts participation, and understanding changes with post-pandemic system use.

Staff could move forward with a public process and engagement in 2022 to consider changes to the Link fare and fare structure for Board consideration in 2023. The Board could decide between the current distance-based fares or moving to a flat fare and could also consider a change to the farebox recovery targets. Mr. Krieg highlighted the balance that needs to exist between fares and ridership to achieve optimal farebox recovery.

Summary, next steps, and Board Direction

Next month the Board would consider a new fare compliance policy to reduce non-fare boardings and create a more inviting passenger experience. Later this year the Board will consider daily paid parking and set rates after the public outreach program.

Boardmember Backus asked if any research was done in communities comparing preferences for increased fares and daily paid parking. Mr. Krieg confirmed that engagement was done when the permit parking policy was developed. Staff was planning for engagement efforts related to daily paid parking, and fares would be considered.

Mr. Krieg reviewed upcoming recommendations for reduced fare programs, which would have a modest impact on non-fare boardings but would provide better access for those users. The highest impacts to the finance plan revenue projections would be Board decisions on fare compliance, fare increases and the timing of those changes, and ridership recovery. Daily paid parking and reduced fare programs could also impact the financial plan. Boardmember Balducci asked for more information on the order of magnitude for each of those areas.

Boardmember Somers suggested looking at short term actions and take up longer term actions when more is known about future ridership.

Chair Keel encouraged Board members to reach out to staff with any additional questions.

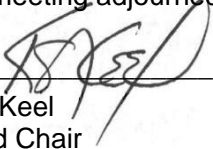
Boardmember McDermott emphasized the positive direction that the proposed fare compliance policy represents for the agency. He felt that the Board should consider removing collection agencies and courts from the policy.

Next Board Meeting

March 24, 2022
1:30 p.m. to 4:00 p.m.
Virtually via WebEx

Adjourn

The meeting adjourned at 4:59 p.m.



Kent Keel
Board Chair

ATTEST:



Kathryn Flores
Board Administrator

APPROVED on April 28, 2022, AM.