

**SOUND TRANSIT  
STAFF REPORT**

**MOTION NO. M2004-120**

**Identify a Preferred Alternative and  
Initiate Public Involvement for Potential Fare Increase**

| <b>Meeting:</b>     | <b>Date:</b> | <b>Type of Action:</b>                                 | <b>Staff Contact:</b>                    | <b>Phone:</b>  |
|---------------------|--------------|--|--|----------------|
| Executive Committee | 12/2/04      | Discussion/Possible Action to recommend Board Approval | Paul Matsuoka, Policy & Planning Officer | (206) 398-5070 |
| Finance Committee   | 12/2/04      | Discussion/Possible Action to Recommend Board Approval | <b>Christie Parker, Policy Analyst</b>   | (206) 398-5405 |
| Board               | 12/9/04      | Action   |  |                |

**ACTION**

Selecting a preferred draft fare increase for public review and comment and directing staff to conduct public outreach for a potential fare increase.

**KEY FEATURES**

- Identifies two options for a fare increase for purposes of selecting a preferred alternative for public review and comment.
- Directs staff to conduct public outreach regarding a potential fare increase.

**BUDGET IMPACT SUMMARY, DISCUSSION AND TABLE**

The purpose of a fare increase is to increase operating revenues and to improve fare recovery ratios. Additional information about budget impacts is provided in section B of this staff report.

**REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS**

Revenue from a fare increase would be allocated to the subareas in accord with current policies.

**M/W/DBE – SMALL BUSINESS PARTICIPATION**

Not applicable for this action.

## **HISTORY OF PROJECT**

### **Prior Board or Committee Actions and Relevant Board Policies**

| <b>Motion or Resolution Number</b> | <b>Summary of Action</b>   | <b>Date of Action</b> |
|------------------------------------|--|-----------------------|
| M2004-54                           | Aligns the ST Express Route 550 fare structure with all other Sound Transit bus routes.  | 6/24/04               |
| M2004-53                           | Establishes a Sound Transit policy to describe the public comment process for increases in the basic fare structure.   | 6/10/04               |
| R99-2-2                            | Supersedes Resolution No. 99-2-1, Sound Transit's fare policy, updating fare zone boundaries along the SR 522 corridor and changing definition of "children" to those under the age of 6.  | 6/13/02               |
| R99-2-1                            | Supersedes Resolution No. R99-2, Sound Transit's fare policy, establishing fare policy, pricing for fares related to Sound Transit public transportation services, transfer rules, a proof of payment system and a schedule of fines and penalties for civil infractions for non-payment of fares. | 7/27/00               |
| R99-2                              | Established fare policy pricing for fares related to Sound Transit public transportation services.   | 2/11/99               |
| M98-54                             | Supports the fare integration framework developed by elected officials from Pierce Transit, King County Metro Transit, Community Transit, Everett Transit, and Sound Transit through a series of three Fare Policy Forums.   | 7/23/98               |

Since Sound Transit began service in September of 1999, the agency has not increased or changed its basic fare structure. The only time a fare change has occurred is on Sound Transit's route 550, which is currently aligned with the King County fare structure but will change to the Sound Transit fare structure effective February 2005, per Board Motion No. M2004-54.

A recent performance audit suggested that Sound Transit evaluate its overall fares and its farebox recovery ratio. Sound Move Appendix C indicates that the minimum fare recovery for Regional Express Bus is 20% and the minimum fare recovery for commuter and light rail combined is 40%. A consultant has calculated Sound Transit's 2003 fare recovery for Regional Express Bus as 21.5% and the recovery for Sounder as 13.8%.

Sound Transit may therefore wish to consider a general fare increase. Since a proposal to increase fares would require staff effort and extensive involvement with the public, staff seeks Board direction as to whether a fare increase should be explored, and what form that increase would take.

While the options included in this staff report assume continuation of Sound Transit's current zone structure, staff also intends to begin analysis to evaluate an alternative route-based fare structure for possible implementation in the future. Staff will conduct research related to the overall fare structure and return for further discussion at a future date.

### **CONSEQUENCES OF DELAY**

Delay of the decision would delay implementation of a fare increase. An expeditious decision is required by the Board in order to implement a fare increase because of certain specific external constraints.

The potential for a fare increase has been discussed with the transit operators. At this point it does not appear possible to implement a fare increase in February 2005, the next scheduled service change date, as the partners need 60 days to plan for such a change. In addition to operational implementation considerations, the partners have noted the need for customer information to contain current fare information and therefore recommend that fare increases be implemented during the month of a service change. The next service changes after February are scheduled for June and September 2005.

Under the current schedule, a fare increase could be implemented by June 2005. If the fare increase is implemented in June, the *Get Ready to Ride Guide* would need to include new fare information. The deadline for the June 2005 *Get Ready to Ride Guide* is April 1, 2005.

Pass production is the biggest constraint affecting timing of a fare increase, as a fare increase would impact the quantity and distribution of various PugetPass denominations. If a fare increase is imposed on 3-zone Sounder trips, new denominations will have to be produced because the highest pass denomination is a \$4.00 pass. In order to print the appropriate number of May/June PugetPass denominations by June 2005, the Board would need to decide on a fare increase by January 27, 2005. (The deadline to produce the passes through April was Thanksgiving week and has already passed.)

Sound Transit staff members are currently in discussion with King County Metro staff who produces PugetPasses for the region. King County Metro is exploring the option of accelerating the printing of May passes in order to delay printing of June passes. This would allow a Board decision on a fare change to occur as late as February 10, 2005. Staff will report on the status of these discussions at the December 2, 2004 Executive and Finance Committee meetings.

### **PUBLIC INVOLVEMENT**

If this motion is adopted by the Board, Sound Transit staff would begin work to seek public input regarding potential changes to the fare structure. Staff would report to the Board on the nature of public input prior to the Board's final decision.

### **DESCRIPTION OF POLICY**

The proposed Board action is to identify a preferred alternative for raising fares, and to authorize staff to conduct public outreach on this fare increase proposal. Specifically, the Board would consider and make a tentative preferred alternative decision between these two options:

- Increase fares across the board by 25 cents, with necessary adjustments for the FTA half-fare requirement for the elderly/disabled; or,
- Increase fares by a flat percentage across the board to account for an increase to the Consumer Price Index, currently estimated at 20% for the years 1999 – 2006, with necessary adjustments to the nearest 25 cent increment and the FTA half-fare requirement.

### **IMPLICATIONS OF POLICY**

Staff has explored projected revenue and ridership impacts from both a 25-cent flat increase as well as a 20% fare increase, keeping in mind Sound Transit's commitments to a half-fare for senior/disabled passengers as well as the interlocal "PugetPass Agreement," which states that fares shall be imposed in 25-cent increments. The projections from these scenarios follow:

**Fare Increase Alternatives  
Express Bus Revenue and Ridership Projections**

|                         |                | 2005<br>No Action | Option 1<br>\$0.25 increase | Option 2<br>~20% increase |
|-------------------------|----------------|-------------------|-----------------------------|---------------------------|
| <b>1-Zone</b>           | <b>Adult</b>   | \$1.25            | \$1.50                      | \$1.50                    |
|                         | <b>Youth</b>   | \$0.75            | \$1.00                      | \$1.00                    |
|                         | <b>Reduced</b> | \$0.50            | \$0.75                      | \$0.50                    |
| <b>2-Zone</b>           | <b>Adult</b>   | \$2.00            | \$2.25                      | \$2.50                    |
|                         | <b>Youth</b>   | \$1.50            | \$1.75                      | \$1.75                    |
|                         | <b>Reduced</b> | \$1.00            | \$1.00                      | \$1.25                    |
| <b>3-Zone</b>           | <b>Adult</b>   | \$2.50            | \$2.75                      | \$3.00                    |
|                         | <b>Youth</b>   | \$2.00            | \$2.25                      | \$2.50                    |
|                         | <b>Reduced</b> | \$1.25            | \$1.25                      | \$1.50                    |
| <b>Revenue</b>          |                | \$11,378,200      | \$12,728,689                | \$13,671,915              |
| <b>Ridership</b>        |                | 8,483,352         | 8,344,425                   | 8,274,757                 |
| <b>Δ Revenue</b>        |                | \$0               | \$1,350,489                 | \$2,293,715               |
| <b>Δ Ridership</b>      |                | -                 | (138,927)                   | (208,595)                 |
| <b>Δ% Revenue</b>       |                | 0.0%              | 11.9%                       | 20.2%                     |
| <b>Δ% Ridership</b>     |                | 0.0%              | -1.6%                       | -2.5%                     |
| <b>Operating Cost</b>   |                | \$49,277,676      | \$49,277,676                | \$49,277,676              |
| <b>Farebox Recovery</b> |                | 23.1%             | 25.8%                       | 27.7%                     |

**Notes**

- Figures reflect calendar year 2005 projections at given fare levels
- All fares rounded to quarter increments
- Reduced fares constrained not to exceed 50% of Adult fares
- Operating cost assumes 2004 costs through third quarter (\$35,847k), annualized, plus 2004-05 CPI of 3.1%

**Fare Increase Alternatives  
Sounder Commuter Rail Revenue and Ridership Projections**

|                         |                | <b>2005<br/>No Action</b> | <b>Option 1<br/>\$0.25 increase</b> | <b>Option 2<br/>~20% increase</b> |
|-------------------------|----------------|---------------------------|-------------------------------------|-----------------------------------|
| <b>1-Zone</b>           | <b>Adult</b>   | \$2.00                    | \$2.25                              | \$2.50                            |
|                         | <b>Youth</b>   | \$1.50                    | \$1.75                              | \$1.75                            |
|                         | <b>Reduced</b> | \$1.00                    | \$1.00                              | \$1.25                            |
| <b>2-Zone</b>           | <b>Adult</b>   | \$3.00                    | \$3.25                              | \$3.50                            |
|                         | <b>Youth</b>   | \$2.25                    | \$2.50                              | \$2.75                            |
|                         | <b>Reduced</b> | \$1.50                    | \$1.50                              | \$1.75                            |
| <b>3-Zone</b>           | <b>Adult</b>   | \$4.00                    | \$4.25                              | \$4.75                            |
|                         | <b>Youth</b>   | \$3.00                    | \$3.25                              | \$3.50                            |
|                         | <b>Reduced</b> | \$2.00                    | \$2.00                              | \$2.25                            |
| <b>Revenue</b>          |                | \$2,491,592               | \$2,670,813                         | \$2,916,278                       |
| <b>Ridership</b>        |                | 1,043,351                 | 1,034,937                           | 1,023,157                         |
| <b>Δ Revenue</b>        |                | \$0                       | \$179,221                           | \$424,686                         |
| <b>Δ Ridership</b>      |                | -                         | (8,414)                             | (20,194)                          |
| <b>Δ% Revenue</b>       |                | 0.0%                      | 7.2%                                | 17.0%                             |
| <b>Δ% Ridership</b>     |                | 0.0%                      | -0.8%                               | -1.9%                             |
| <b>Operating Cost</b>   |                | \$14,648,448              | \$14,648,448                        | \$14,648,448                      |
| <b>Farebox Recovery</b> |                | 17.0%                     | 18.2%                               | 19.9%                             |

**Notes**

- Figures reflect calendar year 2005 projections at given fare levels
- All fares rounded to quarter increments
- Reduced fares constrained not to exceed 50% of Adult fares
- Operating cost assumes 2004 costs through third quarter (\$10,656k), annualized, plus 2004-05 CPI of 3.1%

Board Motion No. M2004-53 outlines the process for public involvement prior to initiating an increase in the fare structure. If the Board selects a preferred alternative, staff will begin the process of soliciting public comment. That public comment would be used by the Board to finalize its decision on the amount and timing of a fare increase.

Because a Board decision is required by January 27, 2005, the public involvement process would occur between December 2, 2004 and early January. Staff would bring the final decision to Finance Committee on January 6, 2005 for a recommendation to the full Board on January 13, 2005. Sound Transit staff is currently discussing with King County Metro, the agency that prints PugetPasses, about the possibility of allowing several more weeks in the printing schedule. This would permit a Sound Transit Board decision in late January or early February.

## **FACTORS TO CONSIDER**

A factor to consider is whether the fares for both ST Express Bus and Sounder services should be increased at this time or whether the increase should apply just to ST Express Bus. Sound Move promised 19 express bus routes would be put into service; all of those routes are currently in place and have operated for some time. Ridership has had time to increase and stabilize, and fares have remained unchanged since 1999.

However, Sounder service is not yet at its full service deployment as only three round trips are provided in the south and one round trip in the north. Service has only recently been introduced in the north and the ridership base is still building. A case can be made that Sounder fares should not be raised in order keep ridership growing as the service is gradually improved.

## **ALTERNATIVES**

The Board could direct staff to make no changes to the fare structure or, alternatively, the Board could direct staff to seek public comment on both fare options without identifying a preferred alternative.

## **LEGAL REVIEW**

JW 11/23/04

## SOUND TRANSIT

### MOTION NO. M2004-120

A motion of the Board of the Central Puget Sound Regional Transit Authority selecting a preferred alternative for a potential fare increase for ST Express Bus service of 20%, with necessary adjustments to the nearest 25-cent increment and the FTA half-fare requirement for the elderly/disabled, for public review and comment and directing staff to conduct public outreach regarding a potential fare increase.

#### **Background:**

Sound Transit's fare policy structure is established through Resolution No. R99-2-2. In summary, the resolution establishes a fare zone structure for the agency's buses and trains; defines fares to be charged; authorizes ride-free zones to be honored; describes transfer rules, a proof of payment system and a schedule of fines and penalties for civil infractions for non-payment of fares.

Since Sound Transit began service in September of 1999, the agency has not increased or changed its basic fare structure. The only time a fare change has occurred is on Sound Transit's route 550, which is currently aligned with the King County fare structure but will change to the Sound Transit fare structure effective February 2005, per Board Motion No. M2004-54.

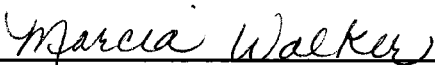
Board Motion No. M2004-53 outlines the process for public involvement prior to initiating an increase in the fare structure. Once the Board selects a preferred alternative for a fare increase, staff will begin the process of soliciting public comment. Results of that outreach would be used by the Board to finalize its decision on the amount and timing of a fare increase.

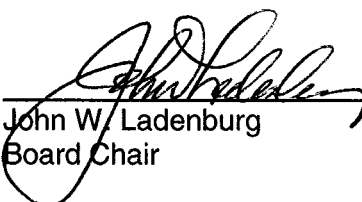
#### **Motion:**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that a fare increase for ST Express Bus service of 20%, with necessary adjustments to the nearest 25-cent increment and the FTA half-fare requirement for the elderly/disabled, is the preferred alternative for a potential fare increase for public review. It is further moved that staff is directed to conduct public outreach on the preferred alternative for a potential fare increase and report the results to the Board early in 2005.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 9, 2004.

ATTEST:

  
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Marcia Walker  
Board Administrator

  
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John W. Ladenburg  
Board Chair



MEMO

December 8, 2004

To: Sound Transit Board of Directors

From: Paul Matsuoka, Policy & Planning Officer  
Christie Parker, Policy Analyst

Subject: Motion No. M2004-120 – Potential Fare Increase

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This memorandum is to provide additional information regarding Motion No. M2004-120, which will be considered by the Board on December 9, 2004. The adopted motion would select a preferred draft fare increase for public review and comment and direct staff to initiate public outreach for a potential fare increase. The topics for Board consideration are as follows:

- Selection of a preferred draft fare increase: either a 25-cent increase **or** a 20% increase
- Should a fare increase be imposed on both ST Express Bus service and Sounder service **or** only on ST Express bus?

#### **Committee Actions**

Motion No. M2004-120 was considered by the Executive and Finance committees on December 2, 2004. While there appeared to be consensus that staff should be directed to begin public involvement for a fare increase, there did not appear to be consensus regarding which alternative was preferred and whether a fare increase should apply to Sounder.

The Executive Committee voted to forward Motion No. M2004-120 to the Board without recommendation. The Committee decided to forward the motion to the full Board without recommendation, after two motions failed (a motion to recommend the 25-cent increase option, and a motion to recommend a fare increase apply only to ST Express Bus).

The Finance Committee unanimously passed two motions: (1) to recommend that a fare increase apply only to ST Express Bus (and exclude Sounder), and (2) to recommend the 20% increase option. The Committee also discussed the possibility of a future Board action to increase fares on Sounder when service levels increase.



## Information Requests

The Board Committees requested additional information regarding our current travel patterns. A 2001 On Board Survey indicated the number of zones traveled on Sound Transit service is as follows:

|         | ST Express Bus | Sounder |
|---------|----------------|---------|
| 1 zone  | 23%            | 4%      |
| 2 zones | 44%            | 43%     |
| 3 zones | 32%            | 53%     |

The survey report notes that 54% of one-zone bus riders traveled within Seattle. Of course, the survey was conducted prior to start-up of service on Sounder's north line.

Age categories for Sound Transit passengers were calculated as follows:

|        | ST Express Bus | Sounder |
|--------|----------------|---------|
| Adult  | 94%            | 98%     |
| Youth  | 3%             | <1%     |
| Senior | 3%             | <1%     |

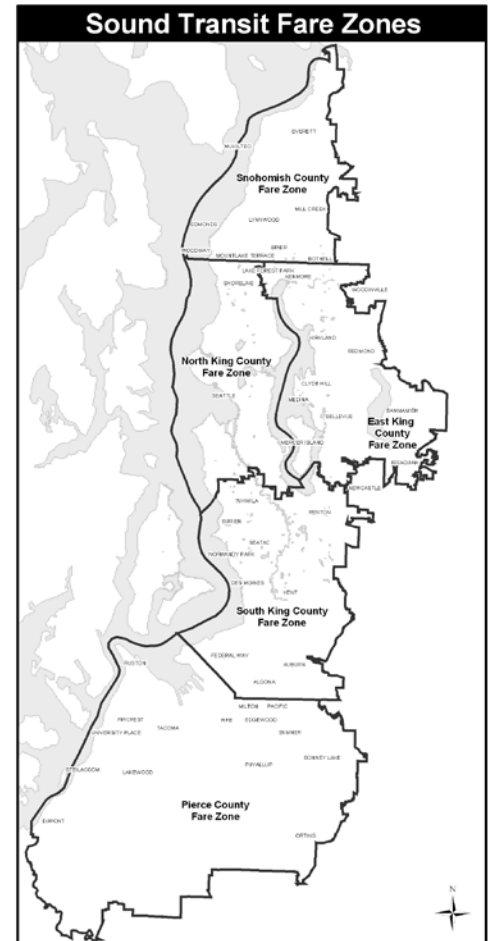
### Sounder North vs. Sounder South

Some Committee members expressed misgivings about applying a potential fare increase on Sounder's north line due to the fact that there is only one round-trip per day between Everett and Seattle.

Application of a differential fare on the north line would require the following actions:

- Change in fare policy to articulate that fares are not charged based on the number of zones traveled, but rather that fares are charged based on the number of zones traveled in a particular corridor on a particular line of service. This would add a layer of complexity to our fare structure, which would increase the amount of space needed in the *Get Ready to Ride Guide* and all other customer materials that list Sounder fares.
- Significant upgrades to the ticket vending machines (TVMs). Our TVM vendor currently estimates that changing the fare tables in the TVM software is possible by June 2005 if both the south and north lines are increased by the same amounts. The vendor indicates that the introduction of different fare tables for the north and south lines introduces some additional complexity. The vendor is still determining an implementation timeframe for this change.

In addition to the above, Sound Transit staff members believe that a second train in the north may be added in the third quarter of 2005, according to current plans and schedules. The Board may consider, therefore, that a fare increase in June or September 2005 may be possible



for Sounder. If implemented in June, fares would increase in advance of service improvements; however, if implemented in September, this increase would occur at the same time as the tunnel closure for light rail retrofitting.

### **Ridership Loss Estimates**

Committee members asked if staff could research other commuter rail systems to determine their ridership losses when fares were raised. We have done this research and find that ridership declines 1-7% with a 10% fare increase. The range of response is driven by work vs. non-work trip purpose, peak vs. off peak travel, and cash vs. pass paying customers. We have used a 1% loss factor in our work because our ridership market is peak hour and work-oriented, and Sounder riders have a high proportion of employer provided passes who may not be as price sensitive as cash riders.