

RESOLUTION NO. R2013-24

Establish a Fare Structure and Fare Level for Tacoma Link

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Board	09/26/2013	Final Action	Ric Ilgenfritz, Executive Director, PEPD Brian Brooke, Research, Policy and Business Development Manager Sunnie Sterling, Revenue Reporting Manager	206-398-5239 206-398-5229 206-689-3354

PROPOSED ACTION

Establishes a fare structure for Tacoma Link light rail, to be implemented in September 2014.

KEY FEATURES

- Establishes Adult, Youth and Reduced rates of fare to be charged for riders on Tacoma Link light rail.
- Establishes the September, 2014 service change date for the start of fare collections.
- Authorizes distribution of discounted fare media to mitigate projected disparate impacts on minority and low income populations, per federal Title VI requirements.

BACKGROUND

In 1999, the Sound Transit Board designated Tacoma Link service as fare-free based on an analysis which concluded that fare collection costs would exceed the revenues to be gained from charging fares. Under Board policy (Resolution 99-2), this was an allowable exemption from Sound Transit’s general policy of requiring fares to cover a portion of operating expenses.

In June 2013, the Sound Transit Board was presented with an updated preliminary analysis indicating that charging a base adult fare from \$1.00 to \$2.00 on Tacoma Link would generate sufficient revenue to cover the costs of fare collection plus provide additional funds to help offset the overall costs of Tacoma Link operations. This compares to a \$2.00 adult fare on Pierce Transit bus service for a transit trip in the Tacoma Link corridor, or a fare of \$2.00 for a trip of equivalent length on Central Link light rail.

Fare Pricing Alternatives

Fare	Tacoma Link Options						Comparison Fares	
	Free	\$1.00 Base	\$1.25 Base	\$1.50 Base	\$1.75 Base	\$2.00 Base	PT bus	Central Link
Adult	\$0	\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	\$2.00	\$2.00
Youth	\$0	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$1.25
Senior/Disabled	\$0	\$0.50	\$0.50	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
Children (age <6)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

All Sound Transit fares are established in \$0.25 increments, in keeping with coordinated regional fare policy. Comparison fares shown are for a trip of under 1.6 miles, the corridor length of Tacoma Link. The primary difference among the fare alternatives analyzed is the “base” full fare for adult riders, which ranges from \$1.00 to \$2.00.

Youth Fares

All pricing alternatives include a lower fare for riders age 6-18. Tacoma Link youth fares are proposed to match Pierce Transit local bus service fares in all proposed fare structures. Consistent with regional transit fare policy, children under the age of 6 ride free.

Fares for Regional Reduced Fare Permit holders

All pricing alternatives include a lower fare for qualifying seniors, persons with disabilities and Medicare card holders. Tacoma Link fares will comply with FTA regulations and regional policies that limit fares for these groups to no more than 50 percent of an adult fare. Currently, both Central Link light rail and Pierce Transit local bus service charge \$0.75 for all reduced fare trips.

Discussion of base fare pricing alternatives

By modeling and analyzing Tacoma Link rider characteristics and examining transit industry examples of transitions between free and fare paid systems, Sound Transit expects the following revenue and ridership impacts as a result of charging fares on Tacoma Link:

Modelled Pricing Alternatives

	Free	\$1.00 Base Fare	\$1.25 Base Fare	\$1.50 Base Fare	\$1.75 Base Fare	\$2.00 Base Fare
2015 Ridership	1,000,000	823,000	811,000	801,000	794,000	789,000
2015 Fare Revenue	0	\$558,000	\$671,000	\$791,000	\$902,000	\$1,013,000
2015 Fare Collection Expense	0	(\$529,000)	(\$529,000)	(\$529,000)	(\$529,000)	(\$529,000)
2015 Net Revenue after Fare Collection	0	\$29,000	\$142,000	\$262,000	\$373,000	\$484,000
Capital Cost of Fare Collection Equipment	0	\$553,000	\$553,000	\$553,000	\$553,000	\$553,000
Capital investment payback (in years)	N/A	18.9	3.9	2.1	1.5	1.1

Base fare of over \$2.00

Base fares of over \$2.00 were not analyzed as viable options, because:

- This would price Tacoma Link above the fares charged for comparable transit service or longer trips on other modes.
- This would price Tacoma Link above the value of regional transit passes held by many Tacoma Link riders (already purchased for use on Pierce Transit bus service) or the value of transfer credits carried by riders paying with ORCA e-purse to/from Pierce Transit local bus service. Because current transit users would need to pay additional out-of-pocket fare to ride Tacoma Link, a high loss of ridership would be expected at fares over \$2.00.

Base fare of \$2.00

A \$2.00 base fare would achieve the highest projected revenue and would result in a fare structure that is most consistent with that of comparable connecting transit service. It would offer the same

fare in all categories as that charged by Pierce Transit local bus service. However this option also results in the highest projected ridership loss and was least favored in the public outreach process.

Base fare of \$1.75

A base fare of \$1.75 would not generate as much revenue as the \$2.00 alternative and would not provide full consistency with Pierce Transit bus fares. It also was not favored in the public outreach process.

Base fare of \$1.50

The \$1.50 base adult fare is recommended by Sound Transit staff as generating a reasonable amount of fare revenue in comparison with the cost of fare collection and total Tacoma Link operating costs (see Fiscal Impact section below). The \$1.50 fare offers the lowest adult fare rate that also allows a reduced fare for seniors and persons with disabilities equal to that charged on Pierce Transit local bus service, Central Link light rail service, and ST Express in-county bus service. Although a \$2.00 base fare would provide higher revenue generation and better pricing consistency with connecting transit service, the \$1.50 base fare alternative is more responsive to public feedback requesting that fares be kept as low as possible.

Base fare of \$1.25

A base fare of \$1.25 would generate roughly \$142,000 per year net of fare collection expenses, requiring roughly four years to recover the initial costs of fare implementation. However the relatively low adult fare would require a reduced fare rate for seniors and persons with disabilities below the rates for comparable transit services. This would result in greater inconsistency in the regional transit fare structure than base fares of \$1.50 or more.

Base fare of \$1.00

A base fare of \$1.00 would be estimated to generate positive revenue, but yield only a projected \$29,000 per year after deducting annual costs for fare operations and enforcement. This return would not be projected to recover the initial capital expenditures within the lifetime of the fare collection equipment, and would be viable only if coupled with subsequent fare increases to recover initial capital costs in future years (discussed below as a *hybrid option*). However, the \$1.00 base fare was viewed with less disfavor than the other modeled pricing alternatives by riders and stakeholders in the public outreach process.

Base adult fare of \$0.25 to \$0.75

Any fare below \$1.00 would be projected to generate insufficient revenue to cover the cost of fare collection, and would not be preferred to offering the service for free.

Free Fare

Free service can be provided under Sound Transit Board policy (originally R99-2, now R2010-10) through creation of a "Ride Free Zone" given one or more of the following conditions:

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

Since condition (a) no longer applies to Tacoma Link and condition (b) is not applicable - as there is no separate Ride Free Zone in downtown Tacoma and as Tacoma Link is not "minimal" service - continued fare-free service under existing policy could be effected only through condition (c). If Tacoma Link were to achieve a 20% recovery of operating costs from fares (the current lowest farebox recovery target for a Sound Transit mode, which applies to ST Express service), this would require a third-party payment-in-lieu-of-fares of \$700k - \$800k annually to preserve free service.

Otherwise, continuing free service on Tacoma Link would require a change in Sound Transit Board policy to provide for a new condition under which free service is allowed.

Other Alternatives

During the public outreach process, including discussions with Tacoma City Council members, Sound Transit Citizen Oversight Panel members and other stakeholders, additional alternatives were suggested for Sound Transit Board consideration:

Delay a decision on fares

Under this alternative, the Sound Transit Board would defer making a decision on Tacoma Link fares for some number of months, possibly allowing time for an agreement to be developed for provision of third party funding to recover a portion of Tacoma Link operating costs in lieu of fares.

Delay implementation of fares until Tacoma Link expansion

Under this alternative, Tacoma Link would remain free for passengers until the system is expanded beyond its current 1.6 mile length. However this would still require Board action in the near term to allow free fares for the interim period.

Implement optional donation-based fare collections

Under this alternative, Sound Transit would install cash donation boxes on Tacoma Link and encourage, rather than require, contributions from riders to help offset the cost of operations. Although much less expensive to implement, this option would not be likely to generate the level of revenues as the traditional fare payment alternatives, especially as it would not provide for allocation of revenue from riders who have pre-paid for transit service through purchase of a pass or ORCA card.

Hybrid pricing option

Under this alternative, Sound Transit would implement a base fare of \$1.00 as the lowest pricing option viable on an annual cost recovery basis, but increase the fare after an introductory period to ensure eventual recovery of capital costs.

If a \$1.00 base fare were charged for two years followed by an increase to \$1.50, the payback period for recovery of the initial capital costs would be roughly 4 years, equivalent to the option of charging a base fare of \$1.25 from the outset.

This approach creates more administration and communication complexities, involving two fare increases instead of a single adjustment, including a 50% increase (from \$0.50 to \$0.75) in fares for seniors and persons with disabilities after the second year. However, it achieves the required cost recovery goals while being more responsive than the staff recommendation to community feedback, which indicated a strong desire to keep fares as low as possible.

Potential interaction between Tacoma Link fares and Tacoma Dome Station parking fees

Although the Tacoma Dome Station parking garage is not a Sound Transit facility and is owned and operated by Pierce Transit, any potential combination of both Tacoma Link fares and parking fees could have an overall impact on Tacoma Link ridership beyond what is forecast for implementation of fares alone.

Any reduction in ridership due to parking fees would be limited to an estimated 17% of Tacoma Link riders who currently park at Tacoma Dome Station. For every dollar of incremental total trip cost caused by parking fees at Tacoma Dome Station the model projects an additional 3%

decrease in both ridership and revenue on Tacoma Link service. For example, if at a \$1.50 fare Sound Transit were achieving annual ridership of 801,000 and annual fare revenue of \$791,000, an additional \$1.00 parking fee at Tacoma Dome Station would result in an annual loss of roughly 24,000 riders and \$24,000 in fare revenue for Tacoma Link.

However, if a parking fee were implemented at Tacoma Dome Station which allowed any payment of those fees to apply toward payment of transit fare (e.g. through use of an ORCA card), no significant decrease in Tacoma Link ridership would be expected if the parking fees imposed were less than or equal to the fare adopted on Tacoma Link.

Title VI impacts

In compliance with FTA regulations, Sound Transit has performed a Title VI analysis of fare change impacts on low income and minority populations. Based on the results of this analysis, Sound Transit has determined that implementation of fares on Tacoma Link would have a disparate impact on minority populations and create a disproportionate burden on low income riders. Due to these effects, Sound Transit has included targeted mitigation measures to provide for continued affordable access to Tacoma Link by the affected Title VI populations. The proposed mitigation would provide discounted Tacoma Link fare media to human services agencies in Pierce County for free distribution to their clients. This model, which provides an 80% discount to human service agencies, is currently in use by Sound Transit in King County (in cooperation with King County Metro) and could be extended into Pierce County, likely through current Pierce Transit sales channels to human service agencies.

The net impacts of these mitigation efforts are included in the revenue and ridership projections in this proposed action.

FISCAL IMPACT

Implementation of fares on Tacoma Link would require an estimated initial capital expenditures of \$553,000 (\$481,000 plus \$72,000 contingency) for purchase and installation of additional fare collection equipment (ORCA devices and ticket vending machines) not already owned by Sound Transit.

At the recommended \$1.50 base fare rate, total annual fare revenues are projected to be \$791,000 for full year 2015.

The additional operating and maintenance expenses related to fare collection, including fare enforcement, equipment servicing, cash handling and financial transaction fees is projected to be \$529,000 per year, based on a full year 2015 estimate. This additional expense would offset a portion of the projected \$791,000 in total annual fare revenues, yielding \$262,000 in annual revenues net of fare collection costs at a \$1.50 base fare rate. This revenue stream would pay back the initial fare collection capital expenditures in a projected 25 months.

Total operations and maintenance costs for Tacoma Link, including the projected costs of fare collection and enforcement, is \$4.7 million to \$5.0 million per year. Given the \$791,000 in projected fare revenues at the recommended base rate, the projected farebox recovery rate (percentage of operating costs recovered from farebox receipts) would be 16% to 17%. Farebox recovery target levels are generally established by Board policy for all modes for determining conditions under which fare increases should be considered, however staff recommends waiting for at least two years following initial implementation of fares on Tacoma Link to determine the actual costs and revenues experienced on Tacoma Link, as well as to allow the ridership market to

adjust to fare payment, before revisiting Tacoma Link fares and establishing a farebox recovery target for consideration of future fare increases. Further changes to fares may also need to be considered in the context of Tacoma Link expansions.

SMALL BUSINESS PARTICIPATION

Not applicable to this action.

EQUAL EMPLOYMENT WORKFORCE PROFILE

Not applicable to this action.

PUBLIC INVOLVEMENT

Public outreach efforts to inform the community of the proposed fare implementation and to solicit feedback from stakeholders were extensive, including:

- A public open house in downtown Tacoma
- A public hearing at Tacoma City Council chambers
- Paid advertising of public meetings and opportunities to submit comment in four languages in seven local news publications
- Paid official notices of public meetings in regional news publications
- Individual contact with over fifty community groups and organizations offering staff presentations
- Outreach and material distribution at multiple community events
- Outreach and material distribution to riders on Tacoma Link
- Posting on Tacoma Link vehicles and facilities of public notices for meetings and opportunities to provide comment
- Presentations, including a hosted lunch, for representatives of dozens of social and human services agencies in Pierce County
- Presentations to six neighborhood, merchant and community council organizations
- A presentation to students, faculty and staff of the University of Washington, Tacoma
- A briefing to University of Washington, Tacoma administrators
- Briefings to Pierce Transit staff and the Sound Transit Citizen Oversight Panel
- Briefings to Tacoma City Council members
- A presentation to the Tacoma City Council

Written comments received as of September 20, 2013 include 128 responses to an online survey-based feedback form, 54 paper comment forms received at public presentations and events, and eight comments sent via e-mail or social media.

Verbal comments received for the public record as of September 20, 2013 include one phone call and nine speakers at the public hearing.

Of the total 200 formal comments submitted, 12.5% (25 responses) expressed support for charging fares on Tacoma Link as proposed, 87% (174 responses) expressed opposition to the proposal and one respondent provided unrelated comments.

All public feedback received is detailed in a Tacoma Link Fares Proposal Public Comment Report.

TIME CONSTRAINTS

A delay in a Board decision to adopt fares on Tacoma Link would limit Sound Transit's ability to incorporate fare implementation in the 2014 budget, technology work plan, staffing plan and vendor procurement for ORCA and ticket vending machine systems.

PRIOR BOARD/COMMITTEE ACTIONS

Resolution No. R2010-10: Adopted a Fare Policy and superseded Resolution No. R99-2-2, Resolution No. R2005-05, Resolution No. R2007-06, and Motion No. M2004-53.

ENVIRONMENTAL REVIEW

JI 9/16/2013

LEGAL REVIEW

RM 9/20/2013



RESOLUTION NO. R2013-24

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority to establish a fare structure for Tacoma Link light rail of \$1.00 for the Adult fare category, \$0.75 for the Youth fare category, and \$0.50 for the Senior/Disabled fare category to be implemented in September 2014; and \$1.50 for the Adult fare category, and \$0.75 for the Youth fare category, \$0.75 for the Senior/Disabled fare category to be implemented in September 2016.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under RCW Chapters 81.104 and 81.112 for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Central Puget Sound Regional Transit Authority district on November 5, 1996 and November 4, 2008, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, RCW 81.112.080 grants a regional transit authority the power to establish fares; and

WHEREAS, Sound Transit charges fares for access to transit services in order cover a portion of Sound Transit's operating expenses as part of the long-term financial plan; and

WHEREAS, in 1999, the Sound Transit Board designated Tacoma Link service as fare-free based on an analysis which concluded that fare collection costs would exceed the revenues to be gained from charging fares; and

WHEREAS, in June 2013, the Sound Transit Board was presented with an updated preliminary analysis indicating that charging a base adult fare from \$1.00 to \$2.00 on Tacoma Link would generate sufficient revenue to cover the costs of fare collection plus provide additional funds to help offset the overall costs of Tacoma Link operations; and

WHEREAS, staff conducted an analysis of various fare structures and evaluated them in terms of the pricing level required to generate revenues that exceed the cost of fare collection and enforcement; and

WHEREAS, the Sound Transit Board establishes fare structures and sets corresponding fare rates for Tacoma Link light rail services; and

WHEREAS, Sound Transit desires to coordinate fare structures and fare rates with those of regional transit providers within Sound Transit's service area; and

WHEREAS, to comply with FTA regulations and regional policy, youth fares will be no more than 75 percent of adult fares and senior/disabled fares will be no more than 50 percent of an adult fare; and

WHEREAS, public input received via public outreach events, email, the Sound Transit website, telephone and a public hearing has been reported to the Board.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority establishing a fare structure for Tacoma Link light rail of \$1.00 for the Adult fare category, \$0.75 for the Youth fare category, and \$0.50 for the Senior/Disabled fare category to be implemented in September 2014; and \$1.50 for the Adult fare category, \$0.75 for the Youth fare category and \$0.75 for the Senior/Disabled fare category to be implemented in September 2016.

ADOPTED by a the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on September 26, 2013.



Pat McCarthy
Board Chair

ATTEST:



Marcia Walker
Board Administrator