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 ACTION DISCUSSION INFO

BOARD MEMORANDUM

TO: Technical Advisory Committee
 Santa Clara Valley Transportation Authority
 Board of Directors

THROUGH: Michael T. Burns *Michael T. Burns*
 General Manager

FROM: Jerry G. Mikolajczyk *[Signature]*
 Chief Financial Officer
 (Presenter: Ali Hudda, Fiscal Resources Manager)

SUBJECT: Proposed Fare Modifications

RECOMMENDATION:

Review and recommend that the VTA Board of Directors approve the fare changes proposed for implementation in July 2007 and September 2007.

BACKGROUND:

In September 2005, a proposal from a coalition of community groups concerned about declining ridership on VTA's bus and light rail system resulted in the VTA Board of Directors authorizing the formation of the Ridership Initiative to Develop Energy Efficiency (RIDE) Task Force. The Task Force met multiple times between October 2005 and August 2006 to discuss and develop a comprehensive list of ideas for increasing VTA ridership. Included in those ideas were several suggestions to improve fare affordability and convenience, a summary of which is attached for easy reference.

Consistent with input from the Task Force, VTA subsequently extended promotional fares including the 8-Hour Light Rail Excursion Pass and the Youth Summer Blast Pass. These fares have been well received by VTA riders and staff is recommending that they be included in the VTA fare tariff.

In addition to fares already tested on a promotional basis, staff is also recommending selective reductions to day pass and monthly pass prices. These proposed reductions would be consistent with the RIDE Task Force's suggestion to reduce fares for persons least able to afford them, and to make using VTA more affordable for persons who need to transfer.

In July 2005, VTA initiated a Community Bus Service pilot program. This service, which uses small-capacity gasoline powered buses, has now operated for almost two years on routes serving Los Gatos and the Winchester light rail station in Campbell. The Community Bus concept has been well received and will be expanded to additional areas beginning in July 2007, with a second increment of implementation programmed for January 2008. While the pilot service was operated without charging fares, free service is scheduled to end with the conclusion of the pilot phase and fare collection will begin in July 2007. Staff has analyzed various options and is recommending a new category of cash fares for Community Bus service.

The proposed fare changes were presented at the Board Workshop on April 27, 2007 as part of the Recommended FY 2008 and FY 2009 Operating Budget. The proposed fare changes will also be a part of the biennial budget presentations scheduled for a series of community meetings in early May. The fare recommendations will be presented along with the recommended budget at all VTA Standing and Advisory committees during the month of May 2007. A final recommended set of fare changes, including possible revisions in response to public input, will then be presented to the Board of Directors for approval at their June 7, 2007 meeting, along with the final recommended budget.

DISCUSSION:

Youth Summer Blast Pass

Historically, VTA has experienced a major decline in sales of Youth monthly passes and Youth ridership during the summer when school is out and families often take vacation. In the summer of 2005, VTA first implemented the Youth "Summer Blast Pass" promotion. The Summer Blast Pass offered Youth (ages 5-17) a single pass, good for rides on VTA all summer (June, July, and August) for a discounted price of \$75 (compared to \$147 cost for three individual monthly passes). Value-added promotional tie-ins were also offered with merchants and attractions served by VTA bus and light rail.

The 2005 Summer Blast Pass was considered successful with 1,456 passes sold. The promotion was reauthorized in 2006 and achieved even greater response with 1,726 passes sold. The promotional program has again been initiated for summer 2007. Due to the success of this promotion, and to encourage Youth ridership every summer, staff will be recommending that the Youth Summer Blast Pass be added to the VTA tariff as a regular part of the fare structure at the price of \$75.00.

8-Hour Light Rail Excursion Pass

The 8-hour Light Rail Excursion Pass (Excursion Pass) was implemented in June 2006 on a promotional basis, initially through December 2006. This new fare option is priced at twice the one-way fare (\$3.50 for Adults, \$3.00 for Youth, and \$1.50 for Senior/Disabled persons) and allows customers to ride the light rail system for eight hours from the time of purchase. The

Excursion Pass responds to customer requests and the recommendations of the RIDE Task Force by improving the convenience of fare payment on light rail. In particular, the Excursion Pass fulfills a need for a “round-trip” rail ticket for persons attending major events when the rail station platforms are crowded and access to the Ticket Vending Machines may be limited and time-consuming, especially at the conclusion of the event. For example, the Excursion Pass proved to be very helpful to VTA riders on July 4 and during the San Jose Grand Prix.

Following the initial success of the pilot program in 2006, the Excursion Pass was extended through March 31, 2007. At the VTA Board of Directors meeting on March 1, 2007, the Board authorized a further extension of the pilot program through June 30, 2007 to allow additional time for further public comment prior to any formal action to include this fare in the tariff.

Day Passes

Day passes are primarily used by riders making trips requiring transfers, or those making more than two VTA trips during a day. Information from the 2006 “On Board” Survey and data from VTA fareboxes indicate that 19% of riders use day passes, with 4.4 boardings per day pass. In response to the suggestions of the RIDE Task Force, staff has reviewed day pass pricing and plans to recommend reductions in day pass fares, as follows:

Day Pass	Current Price	Proposed Price	% Change
Adult	\$5.25	\$5.00	-4.8 %
Express	\$10.50	\$10.00	-4.8 %
Youth	\$4.50	\$4.00	-11.1 %
Senior/Disabled	\$2.25	\$2.00	-11.1 %

The proposed day pass pricing is intended to be more affordable and improve rider convenience by eliminating the need for coins. Pricing for Adult and Youth day pass tokens will be adjusted to match the changes in day pass pricing.

Monthly Passes

Monthly passes are used by VTA’s most loyal riders, including the transit dependent and those who choose to use VTA for convenience, environmental, or other reasons. Over the last several years, VTA has experienced a 14-18% annual decline in monthly pass sales for Youth and Senior/Disabled passes. At least part of the decline is attributable to increased pricing and reduced discounts over the last several fare changes. In response to these trends, and in keeping with the suggestions of the RIDE Task Force to increase fare affordability, the following reductions to monthly pass prices for Youth and Senior/Disabled riders are recommended:

Monthly Pass	Current Price	Proposed Price	% Change
Adult	\$61.25	no change	-
Express	\$122.50	no change	-
Youth	\$49.00	\$40.00	-18.4 %
Senior/Disabled	\$26.00	\$20.00	-23.1 %

Community Bus Fares

Like all other VTA transit services, the Community Bus routes are expected to generate fare revenue to offset, in part, the cost of the service. All Community Bus vehicles will be equipped with fareboxes and VTA day passes, monthly passes, and EcoPasses will be honored.

Where cities or other groups wish Community Bus services to operate free of fares within a particular area, they may elect to provide local contributions "in-lieu" of fares. This approach is already being used for services including the DASH, Airport Flyer, Great America and River Oaks shuttles, and others where contributions or grants support at least 20-25% of the route operating cost. In some cases, contribution levels are higher to support higher service levels.

Staff has reviewed fare pricing for Community Bus type services and is recommending a new category of cash fares for Community Bus services. Community Bus rates would apply to single ride cash fares on Community Bus vehicles only. Community Bus riders requiring transfers to other VTA buses or light rail would still benefit from purchasing VTA system day passes or monthly passes. Proposed Community Bus fares compared to current regular fixed route fares are as follows:

Cash Fare	Current Bus/Light Rail Single Ride Fare	Proposed Community Bus Single Ride Fare
Adult	\$1.75	\$1.00
Express	\$3.50	n/a
Youth	\$1.50	\$0.50
Senior/Disabled	\$0.75	\$0.50

The proposed Community Bus cash fares would be applied to all VTA routes which are scheduled to regularly operate using Community Bus vehicles. The exception to this rule would apply only to those services where external subsidies are provided to enable free fares. Community Bus cash fares would apply on Community Bus routes even if a full-size vehicle were occasionally needed to meet a peak trip load.

Effective Dates for Changes

Community Bus Fares

Implementation of Phase I of the Community Bus program is planned for July 2, 2007. To minimize customer confusion, it is proposed that Community Bus cash fares be implemented at the same time.

8-Hour Light Rail Excursion Fare

The 8-Hour Light Rail Excursion Fare is recommended to become a regular part of the VTA tariff as of July 1, 2007, thereby ensuring continued availability of this fare option after the expiration of the current promotion.

Day Pass and Monthly Pass Fares

Changes to pricing for day passes and monthly passes require additional lead-time due to printing and distribution requirements, coordination with third-party vendors, reprogramming of fareboxes and ticket vending machines, and notification to riders of the fare changes. To accommodate these activities, and assuming a June approval by the Board of Directors, day pass and monthly pass price reductions are recommended to take effect September 1, 2007.

Youth Summer Blast Pass

Preparations for a third year of sales for the Youth Summer Blast Pass are already well underway as a promotional program (sales will begin in May). Therefore, the effective date for adding this fare into the tariff is not critical for 2007 sales. It is proposed that this fare be added to the tariff effective September 1, 2007 concurrent with proposed day pass and monthly pass changes.

VTA Fare Policy Considerations

The VTA Fare Policy, adopted by the Board of Directors in December 2003, addresses farebox recovery and fare structure goals for VTA. The Fare Policy does not specify fare pricing or describe all VTA fare types; rather, these details are contained in the tariff. The Fare Policy specifically states:

“7. The Board may establish pricing for additional types of fare media or special fare sales programs as it determines necessary to meet the overall goals of VTA. Such media or programs shall be included in the tariff.”

Consistent with Existing Fare Policy

The proposals to establish the 8-Hour Light Rail Excursion Pass and the Youth Summer Blast Pass as regular elements of the VTA fare structure are thus consistent with the Fare Policy. The proposal to adjust pricing of day passes is also consistent with the Fare Policy.

Inconsistent with Existing Fare Policy

Proposed price reductions for Youth and Senior/Disabled monthly passes will result in discounts on these passes greater than specified in the Fare Policy. The key provisions of the Fare Policy are the standards for Youth and Senior/Disabled (and Express) fares, as follows:

- Fares for Youth riders shall be 80-90% of fares for Adult riders
- Fares for Senior/Disabled riders shall be 40-45% of fares for Adult riders
- Fares for Express bus services shall be priced at twice the equivalent Adult fare

The following table summarizes current and proposed Adult, Express, Youth, and Senior/Disabled fare pricing along with pricing ratios established in the Fare Policy:

		Cash	Day Pass	Monthly Pass
Adult	Current Fare	\$1.75	\$5.25	\$61.25
	Proposed Fare	\$1.75	\$5.00	\$61.25
Express	Current Fare	\$3.50	\$10.50	\$122.50
	Proposed Fare	\$3.50	\$10.00	\$122.50
	Target ratio vs. Adult	----- 200 % -----		
	Current ratio	200%	200%	200%
	Proposed ratio	200%	200%	200%
Youth	Current Fare	\$1.50	\$4.50	\$49.00
	Proposed Fare	\$1.50	\$4.00	\$40.00
	Target ratio vs. Adult	----- 80-90 % -----		
	Current ratio	86%	86%	80%
	Proposed ratio	86%	80%	65%
Senior/ Disabled	Current Fare	\$0.75	\$2.25	\$26.00
	Proposed Fare	\$0.75	\$2.00	\$20.00
	Target ratio vs. Adult	----- 40-45 % -----		
	Current ratio	43%	43%	42%
	Proposed ratio	43%	40%	33%

Proposed Community Bus single ride cash fares also vary from the Fare Policy by providing a discount for Youth that exceeds the policy target, while the effective discount for Senior/Disabled riders is slightly less than the policy target, as shown below:

Adult	Proposed CB cash fare	\$1.00
Youth	Proposed CB cash fare	\$0.50
	Target ratio vs. Adult	80-90 %
	Effective CB ratio	50.0%
Senior/ Disabled	Proposed CB cash fare	\$0.50
	Target ratio vs. Adult	40-45 %
	Effective CB ratio	50.0%

Implementation As Exception to Existing Fare Policy

As noted above, proposed price reductions for Youth and Senior/Disabled monthly passes as well as, proposed Community Bus cash fares for Youth and Senior/Disabled riders fall outside the price ranges established in the current Fare Policy. Staff is recommending that the Board of Directors approve the proposed prices as exceptions to the Fare Policy. Staff is not proposing to revise the Fare Policy at this time, but will monitor rider response and sales patterns. Revisions may be recommended in the future if experience demonstrates that changes are justified.

Title VI Impact Analysis

Per Title VI of the Civil Rights Act, VTA is to ensure that we provide our services without discrimination. When making significant service and fare changes we are required to do an analysis of these changes to assess their impacts. VTA has analyzed the impacts of the Community Bus fares and the reductions to Day and Monthly pass prices and found they are consistent with the requirements of Title VI.

Farebox Recovery

The Fare Policy indicates a VTA goal to achieve a farebox recovery ratio of 20-25%. The Fare Policy recognizes that farebox recovery is not simply a function of fares, but rather, it is a result of fares in combination with ridership productivity and cost efficiency, as reflected in the statement below:

In order to increase farebox recovery, the average fare per boarding must increase, ridership per hour of service must increase, or costs per hour of service must decrease. Or more realistically, to achieve the level of farebox recovery that VTA requires, all three of these components must improve.

The Fare Policy also recognizes that "VTA's primary mission is to attract and retain riders". As described in this memorandum, the various fare changes being planned for next year are focused on this broader mission rather than on increasing farebox recovery towards what may be an unrealistic goal. The Comprehensive Operational Analysis (COA), proposed for implementation in January 2008, includes improvement of farebox recovery as a primary goal. We will continue to monitor farebox recovery and strive to improve this measure through ridership, cost efficiency, and fare related measures.

ALTERNATIVES:

The Board could choose to keep fares unchanged and not adopt a new Community Bus fare structure. This would result in riders continuing to pay current fares and the existing VTA cash fares adopted by the Board would apply to Community Bus service.

FISCAL IMPACT:

Net fiscal impacts of adding the Youth Summer Blast Pass and 8-Hour Light Rail Excursion Pass into the fare tariff will be insignificant since these fares are already in place. Fiscal impacts of proposed day pass and monthly pass fare reductions, as well as impacts of proposed Community Bus cash fares, are estimated to total approximately \$1.1 million annually, or 3.2% of annual fare revenues. Although these impacts are included in the recommended FY 2008 and FY 2009 biennial operating budget, the expectation is that the fare reductions will increase ridership to effectively offset the loss in revenue.

Prepared by: David Sausjord, Revenue Services Manager
Attachment

Attachment to Proposed Fare Modifications

RIDE Task Force Categorized List of Ridership Ideas

Fare Affordability and Convenience

1. Address affordability of transit
2. Offer a deeper discount for low-income, seniors and disabled individuals
3. Conduct price-sensitivity analysis and create a pilot program to determine the effect on ridership of fares at various price points
4. Expand the pass options; e.g., offer to sell a weekly pass on the bus; consider offering an evening pass
5. Installment payment for passes
6. Promote use of passes as a way to increase convenience for riders and income stream for the agency
7. Expand token system to include disabled/senior fares
8. Make transit more attractive to youth
9. Partner with schools to encourage youth to take transit
10. Allow installment payment for passes
11. Make the VTA Rapid Service free to reduce boarding times
12. Improve pricing strategies such as parking cash outs, etc.
13. Create a dual fare media process with Caltrain so that passengers can purchase tickets for both systems at one time (either at VTA or Caltrain, rather than needing to purchase a ticket at each). This would encourage people to view the systems as well integrated and reduce the number of times that people need to use a point-of-purchase.