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Committee Meeting Date: N/A
Board Meeting Date: August 30, 2007
ACTION DISCUSSION INFO X

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Jerry G. Mikolajczyk
Chief Financial Officer

SUBJECT: Free Transportation for Youth Under 18

FOR INFORMATION ONLY

At the June 21, 2007 Board of Directors meeting, Board Member Breene Kerr requested that staff provide an analysis of the cost and impact of conducting a pilot program for providing free transportation to all children under 18 years of age.

STAFF COMMENTS AND POSITION

In FY 07, Youth riders (under 18) generated approximately \$6 million in fare revenues or about 17% of total fare revenues. If the Board of Directors wishes to provide free transportation to this group, alternative funding to cover loss of these fares would need to be identified and secured. Additional new revenues would be needed to cover operating impacts including increased levels of service, enhanced security, and additional maintenance.

BACKGROUND

Children under the age of 5 currently ride free on VTA services. Reduced "Youth" fares are charged for riders ages 5 through 17, with regular "Adult" fares applying beginning at age 18. The VTA Fare Policy, adopted by the Board of Directors in December 2003, establishes that Youth fares shall be 80-90% of Adult Fares. As adopted by the Board of Directors in June 2007, current VTA Youth fares (effective September 2007) are as follows:

Single Ride	\$1.50
Single Ride (Community Bus)	\$0.50
Light Rail Excursion Pass	\$3.00
Day Pass (valid on all Bus and Light Rail)	\$4.00
Day Pass Tokens (bag of 5)	\$18.00
Monthly Pass	\$40.00
Summer Blast Pass (valid June, July, & August)	\$75.00

ANALYSIS

Impacts of providing free transportation to all children between ages 5 and 17 would include the loss of all fare revenue currently collected from this group, costs for increased service levels to meet new demand, and costs for additional security, maintenance, and field supervision.

Also, there would be costs for revising all VTA public information referencing Youth fares, including maps, schedules, station signage, web pages, and so on, plus costs for advertising and promoting the new program. If the program was offered as a pilot or temporary promotion, there would be a second round of costs for advertising and updating public information in order to reinstate Youth fares at the end of the program.

There would be minor cost savings from printing fewer day passes and monthly passes.

These impacts are discussed in more detail below:

Loss of Existing Fare Revenue

In FY 07, fare revenues from Youth riders totaled approximately \$6 million (about 17% of the \$35 million total fare revenues). The \$6 million includes cash fares received on buses, sales of tickets at light rail ticket machines, and sales of Youth monthly passes, Youth day pass tokens, and Summer Blast Passes. FY 08 Youth fare revenues may be somewhat less than received in FY 07, primarily due to the reduction in price for the Youth monthly pass from \$49.00 to \$40.00, effective September 2007. The impact of this change is not expected to be more than a few hundred thousand dollars, so Youth fare revenues should continue close to \$6 million in FY 08.

Costs for Increased Service Levels

Offering free transportation to all riders under age 18 would require significant additional service to meet increased demand, particularly on routes that provide school service. There likely would also be a demand for increased service to popular youth travel destinations such as shopping malls.

Other On-Going Operating Cost Impacts

Providing free access for Youth to all VTA services will increase needs for security staffing as the number of Youth riders increases, particularly in high ridership areas near schools and youth oriented attractions. Also, as Youth ridership increases it is expected that there would be a need for additional maintenance staffing to address increased vandalism and graffiti on VTA vehicles. VTA might also need to increase field supervision to respond to incidents of vandalism and rowdiness.

Costs for Updating Public Information Materials

Costs for updating printed materials, signage, the VTA.org web site, and other public information associated with the elimination of fares for persons under 18 are estimated at \$125,000 based on costs incurred for implementation of VTA's most recent fare changes. These costs could be doubled if free fares for Youth were implemented for a period of time, and then regular fares were reinstated.

Promotion Expense

Based on costs incurred for the 2007 "Simple and Free" promotion, it is estimated that approximately \$60,000 would be needed to promote free fares for Youth riders, including guidance regarding proper rider behavior. A similar promotional budget, at least, would be needed to advertise the return of the regular fare structure at the end of a trial, according to VTA Marketing and Promotions staff.

Cost Savings

As long as fares are still collected from persons 18 and over, there would be minimal savings from elimination of fare collection for those under 18. Potential savings on printing of Youth monthly passes would be approximately \$11,000 per year. Savings on printing of Day Passes are estimated at \$8,000 per year. Costs associated with the Youth Summer Blast Pass program would also be eliminated.

Prepared by David Sausjord, Revenue Services Manager