

Date: September 28, 2007Committee Meeting Date: N/ABoard Meeting Date: October 04, 2007**BOARD MEMORANDUM**ACTION X DISCUSSION INFO

TO: Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Jerry G. Mikolajczyk
Chief Financial Officer

SUBJECT: Request for Pilot of Reduced Monthly Pass Fare for Milpitas School Students

Policy-Related Action: Yes **Government Code Section 84308 Applies:** No

RECOMMENDATION:

Continue VTA's existing practice to sell Youth monthly passes to school districts and other entities at prices established by the Board of Directors. Direct staff to continue the practice of working with school districts and cities to market VTA's fare media and services to the youth.

BACKGROUND

VTA has recently reduced the price of Youth Monthly Passes by approximately 18%, from \$49 to \$40, effective September 1, 2007.

At the June 21, 2007, Board of Directors meeting, Allysson McDonald, resident of Milpitas and member of the ad-hoc Escuela Schools Traffic Reduction Committee, addressed the Board of Directors regarding traffic problems on Escuela Parkway. Ms. McDonald requested that VTA consider implementing a pilot program to increase Milpitas student ridership on VTA by reducing the cost of their monthly passes to \$25. The Board of Directors directed staff to prepare an analysis of the proposal from Ms. McDonald.

DISCUSSION

VTA has a long-standing policy of selling monthly passes (and tokens) at regular prices to school districts. To support students' use of VTA, other school districts have programs to provide free or discounted VTA passes to students. Some schools subsidize VTA day pass tokens in addition to monthly passes. In a number of cases, passes are provided for free to low-income students (those eligible for free or reduced-price school lunches). Similarly, several districts or schools provide free passes to special education students. For students not included in one of these categories, some districts provide passes at a partially subsidized price. Each school or district determines eligibility requirements for their students to receive discounted VTA passes. In all cases, VTA receives full price for passes and tokens, as shown in the VTA tariff, from the schools. VTA does not currently provide discounted fares for any of these programs. Specific examples of existing school subsidy programs for VTA passes and tokens are as follows:

- Fremont Union High School District provides free passes to low-income students (those eligible for free or reduced-price lunches) and to special education students. Passes are sold to other students at a subsidized price of \$15. In 2006, Fremont Union High School District purchased \$285,000 worth of VTA passes and tokens for subsidized distribution to students.
- Mountain View/Los Altos High School District provides free passes to low-income and special education students. The value of passes and tokens purchased by the district in 2006 was \$192,000.
- San Jose Unified School District provides free passes to low-income students and students in programs where it is mandated that they receive free transportation (including special education). Other students pay \$310 per school year (about \$34 per month) for transportation whether it is for a VTA monthly pass or for a school bus permit, where available. San Jose Unified purchased \$138,000 worth of VTA passes and tokens for these purposes in 2006.
- Palo Alto Unified School District provides free passes to any student who needs to ride VTA to school due to the unavailability of school bus service. Total 2006 purchases of VTA passes by Palo Alto Unified were \$13,000 (approximately 30 passes per month).

In FY 2007, VTA sold on average 320 passes per month in Milpitas amounting to \$15,680. System wide, an average of 4,130 Youth Passes per month were sold during the school year for a monthly dollar value of \$202,370. Fare elasticity analysis performed for the June 2007 fare reductions indicate that the current pass usage rates are high, and a reduction in Youth Monthly Pass price from \$40 to \$25 would generate an additional 1.5 percent in ridership. Based on current prices in effect from September 1, 2007, the revenue impact of this promotion in Milpitas would be approximately \$4,800 per month or \$28,800 for six months.

Any pilot program to sell Youth Passes at a subsidized price of \$25.00 for students in Milpitas would likely generate requests from other school districts. This could result in total system wide revenue loss of \$62,000 per month or \$372,000 for the six month period based on average monthly sales of 4,130 Youth Passes.

ALTERNATIVES:

The Board could choose to direct staff to propose an implementation plan which identifies impacts and sources of funding to cover the potential loss of fare revenues.

FISCAL IMPACT:

The FY 2008 and FY 2009 budget adopted by the Board of Directors assumes that fares will be collected in accordance with the fare structure adopted by the Board in June 2007. Continuing the existing practice will have no fiscal impact on the budget.

Prepared by Ali Hudda, Fiscal Resources Manager