

AGENDA ITEM #19

Date: September 14, 2007

Committee Meeting Date: N/A

Board 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: "Zero Fare Program" Report

Policy-Related Action: Yes

Government Code Section 84308 Applies: No

RECOMMENDATION:

Retain the resolution establishing rates and fares for VTA adopted by the Board of Directors on June 07, 2007.

BACKGROUND

At the June 21, 2007 Board of Directors meeting, Board Member and Vice-Chair Liz Kniss requested that a report prepared by her staff member Joanne Benjamin analyzing the costs and impacts of a hypothetical "zero fare program" for VTA be sent to the Board of Directors. The following documents were included in a package prepared by Ms. Benjamin, and are attached to this memorandum:

- A. Word Document - "Analysis of Zero Fare Transit for VTA". This is the report prepared by Joanne Benjamin, aide to County Supervisor and VTA Board Member Liz Kniss.
- B. Excel Spreadsheet - "Cost of FC FY 08 v2x.xls". This table (prepared by VTA) is a preliminary update of a 2001 analysis of VTA's costs associated with fare collection.
- C. Letter to VTA Board Member Forrest Williams, from Peter M. Cipolla, dated February 24, 2004, subject "Assessment of Free Fare Programs".

- D. Article from SF Chronicle, March 7, 2007, “Mayor tells Muni to investigate eliminating fares: Newsom says he expects report in about a month”.

DISCUSSION

As noted in the Benjamin memo, VTA has currently budgeted \$34 Million in fare revenues for FY 2008 (from fixed route services). As also noted in that memo, based on an internal VTA cost analysis, total operating costs associated with fare collection are estimated to be approximately \$6 Million. Putting these two figures together, Benjamin calculates “net fare revenue” of \$28 Million.

In addition to the \$34 Million in budgeted fare revenues identified by Benjamin (for fixed route service), VTA could also stand to lose close to \$3 Million per year in fares received for ADA paratransit service, if all fares were eliminated. Under a Zero Fare Program, VTA would forego a total of \$37 Million in fare revenues (fixed route and paratransit combined), which would be partially offset by a savings of \$6 Million in fare collection costs, for a net revenue loss of \$31 Million.

Providing free access to all VTA services is expected to increase needs for VTA security, field supervision, and maintenance, as the number of riders increases. In particular, as noted by Benjamin, costs will increase due to increased system presence and utilization by “undesirable passengers” such as rowdy children, drunks, and the homeless.

The FY 2008 and FY 2009 budget adopted by the Board of Directors assumes that \$37 Million in fares will be collected in accordance with the fare structure adopted by the Board in June 2007. This loss of revenue as well as net increase in costs related to providing free fares will need to be funded on an ongoing basis by new sources of revenue or reductions in service.

ALTERNATIVES:

The Board could direct staff to identify proposed cost savings measures to fund the loss of fare revenue or it could direct staff to propose an implementation plan identifying potential impacts on service levels.

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. Retaining the current fare resolution will have no fiscal impact on the budget.

Attachment A: Analysis of Zero Fare Transit for VTA

Attachment B: Cost of FC FY 08 v2x.xls

Attachment C: Assessment of Free Fare Programs

Attachment D: Article from SF Chronicle, March 7, 2007

Prepared by Ali Hudda, Fiscal Resources Manager