



Date: March 8, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Mark D. Ahrendsen, Director of Transportation
Subject: Agenda Item – Report on Regionally Coordinated Analysis of Transit Fare Increase Options

Executive Summary

It has been nearly ten years since the City of Durham raised transit fares establishing a \$1.00 base fare for local service. Since that time, the percentage of operating costs that are funded with customer fares has declined from 24.9% to approximately 16% in FY13. This year, Transportation Department staff, together with staff at Triangle Transit, Raleigh, and Cary agreed to evaluate the regional fare structure and pricing prior to the FY2014 budget process. We agreed to look at recent trends in service levels, costs, and fare revenues; current usage levels of fare payment options; and fare structures and pricing of peer agencies. We also agreed to estimate the impacts on revenue and ridership levels of several fare change scenarios.

The following information summarizes the findings from this fare structure and pricing review. The staffs of the four transit agencies have agreed to request permission to proceed with a coordinated regional public comment period on a proposed fare increase and with a Title VI analysis of the impacts of the proposal on low-income and minority groups.

The proposed fare increase is part of the revenue strategy to maintain or improve service levels in FY14 and beyond. A two-step increase is recommended occurring in January 2014 and again in January 2015. This fare structure and pricing evaluation and the recommendations are more fully described below and in the attachments.

A tentative timeline of activities is to conduct public input sessions and the Title VI equity analysis during April and May, to bring a final recommendation to governing bodies in June for Public Hearing and a final decision in June or July. Initial implementation of any changes would be in January 2014.

Recommendation

1. It is recommended that Council receive the report on Regionally Coordinated Analysis of Transit Fare Increase Options and authorize staff to proceed with a coordinated regional public comment period on a proposed fare increase and with a Title VI analysis of the impacts of the proposal on low-income and minority groups.

Background

While many transit agencies have taken actions to raise fares or cut services, or both, since the Great Recession, the five urban public transportation agencies in the Triangle have been able to keep fare levels constant (the last fare increase for DATA was in 2003) while modestly increasing service. The agencies have been able to accomplish this through varying combinations of finding operating efficiencies, eliminating low-productivity service, freezing or limiting salary increases, attracting new fare-paying customers, and receiving one-time federal grants. Despite these efforts, operating costs have increased faster than fare revenues, and federal and state grants have been flat or shrinking, putting increasing pressure on local revenue sources.

In Durham, the percentage of the operating costs covered by fares paid by customers is projected to remain at approximately 16% over the next several years. Without increasing this cost recovery percentage, as operating costs rise (2% annually over the past 6 years), the gap between costs and revenues grows. The result is a forecasted revenue shortfall of \$1.7 million for FY14, and greater thereafter.

Issues and Analysis

The Regional Fare Structure Evaluation Memorandum (Attachment 1) provides findings of a peer comparison (Attachment 2), analysis of recent trends and fare type usage (Attachment 3), a discussion of fare change options, and a projection of impacts on ridership and revenues associated with three fare increase scenarios (Attachment 5).

In summary, each of the four transit agencies have had a long-standing practice of including customer fares as an important source of revenue to pay for operating transit services to the public. However, none of the agencies have used a specific cost recovery target to set fare prices. Durham's fare recovery rate has declined since the last fare increase. According to the Consumer Price Index, \$1.00 in 2003 has the same buying power as \$1.25 in 2013.

In addition to the long period of base fare price stability, the City Council took a number of steps over succeeding years to establish categories of customers eligible for free rides:

November 2003	Extended to Children 5 or under
January 2005	Extended to Persons 65 or older
April 2005	Extended to Students ages 6 through 12 Also reduced the discount fare for students 13 to 17 from 50-cents to 25-cents until 8pm on weekdays Also introduced the DayPass at twice the cash fare, reducing costs for customers who make more than two trips per day
August 2010	Introduced Bull City Connector Extended to NCCU ID holders at NCCU Connection Stops on Route 5

The most common fare type that DATA customers use is the DayPass (\$2.00) purchased on-board the bus (39%). Free boardings (Bull City Connector, NCCU Connection, Youth, or Seniors) is the next most common category (22.4%). Longer period passes (5-Day or 31-

Day) are used for 18.1% of customer boardings. GoPass boardings make up 10.3% of all boardings. Customers paying cash for a one-way boarding only make up 5.9% of all boardings.

Compared with peer agencies in the region, the fare prices in the Triangle are low, and the free and discount eligibility rules are generous (See Attachment 2).

Staff evaluated several changes to the fare structure including pass types, eligibility for free rides, and several changes to fare prices. There is a clear opportunity to raise significant revenue through fare increases. Using state-of-the practice methods for estimating the short-term (commonly assumed to be 6-month) impacts on ridership, there would be significant reductions in customer boardings.

An increase of 25 cents to the base fare would have the following impacts on customers who ride 7 days per week (53% of all customers according to April 11 Customer Survey):

- a customer who purchases DayPasses would pay an additional \$182 per year (from \$728 today to \$910 after an increase)
- a customer who purchases 7-Day Passes would pay the same amount per year (\$624; no change is proposed in fare for 7-Day Pass)
- a customer who purchases 31-Day Passes would pay an additional \$108 per year (from \$432 today to \$540 after an increase)
- a customer 65 or older or between the ages of 6 and 18 who rides free today would pay an additional \$1.25 per day with a DayPass or \$1.00 per day with a Stored Value Pass.

Alternatives

There are numerous variations that could be considered to the fare increase proposal. Each would have a different impact on customer groups and revenue outcomes.

The Council could also choose to generate additional revenues through other sources, or to reduce the transit service levels provided. These options would also have impacts on groups of citizens that could be evaluated.

Staff requests that City Council allow the fare increase proposal (described in Attachment 4) to be released for public comment and an analysis of the impacts on groups protected under Title VI of the Civil Rights Act (minorities and low-income individuals). Following the public feedback and equity analysis, staff would revise the proposal and bring it back to the City Council for consideration.

Financial Impact

The financial impact has been estimated using a staff-developed fare elasticity spreadsheet model. It applies a fare elasticity of -0.4 to each fare type. For example, this means that a 20% increase in the price of a Local DayPass will lead to an 8% short-term reduction in the number of DayPass customers.

Under the proposed fare increase scenario, Durham fare revenue would increase by \$370,000 in FY14, \$850,000 in FY15, and \$1,080,000 in FY16, compared with taking no

action. This would raise the percentage of the operating costs covered through customer fares from approximately 16% this year to 21.5% in FY16.

SDBE Summary

Due to the nature of this project, an SDBE summary is not needed.

Attachments

Attachment 1 – Regional Fare Structure Evaluation Memorandum

Attachment 2 – Peer Comparison Table

Attachment 3 – Recent Trends of Costs, Fare Revenues, and Service Levels

Attachment 4 – Summary of Fare Change Proposal

Attachment 5 – Summary of Impacts Table

Attachment 6 – Fare Increase Analysis

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