

**Regional Fare Coordination Report
and Recommendations
July 1, 2010**



King County
Department of Transportation
Metro Transit

Regional Fare Coordination Report and Recommendations

Response to 2010-11 Budget Proviso P6

Background

The King County Council approved the Metro Transit Division 2010-11 budget with the following proviso (P6):

“The transit division shall undertake a fare coordination effort with, at a minimum, Sound Transit, and other regional transit agencies if possible. The primary focus of that effort should be implementation of the 2009 Transit Performance Audit’s recommendations regarding discounted youth and senior/disabled fares while also addressing the question of parity between fare categories. The transit division shall present a report on the status of that effort to the regional transit committee and physical environment committee or its successor by April 30, 2010, and the executive shall transmit recommended changes to fare policies or fares, or both by July 1, 2010.”

This report is submitted pursuant to that proviso.

Overview

King County Metro Transit and other transit agencies in the Central Puget Sound region began working together to coordinate fare payment in the 1980s as the number of inter-county transit commuters grew. The agencies reached a major milestone in 1999 with the implementation of the Puget Pass Agreement, a system of interagency transfers and regional reconciliation of fare revenue providing, for the first time, regional passes valid on Community Transit, Everett Transit, King County Metro Transit, Pierce Transit and Sound Transit. The original five agencies, plus Kitsap Transit and the Washington State Ferries, reached another milestone in 2009 with the rollout of the smart card system for regional fare payment One Regional Card for All (ORCA), which provides for regional passes and intersystem transfer credits to customers and shares regional fare revenue among the transit agencies.

Metro and Sound Transit, along with the other transit providers in the region, continued their fare coordination efforts after the ORCA launch. The agencies worked together on several interim measures to smooth the transition to the ORCA fare payment for King County transit customers—particularly for Metro riders in the Link light rail corridor after the start of Link service in July 2009. The issue of differing fares between Metro and Sound Transit was raised by many citizens at a town hall meeting in the Rainier Valley, at many staff outreach efforts in the community, and in letters and emails to Metro, Sound Transit and elected officials in the county and city.

Interim measures undertaken by Sound Transit to facilitate ORCA and Link implementation included the temporary acceptance of the following Metro passes on Link light rail:

- 1) Reduced-fare passes for senior and disabled riders,
- 2) Seattle School District student passes, and
- 3) Access passes.

Metro has continued to work with Sound Transit and other agencies on a number of fare coordination activities in 2010—both to build on past coordination efforts and to respond to the County Council’s 2010-11 budget proviso on fare coordination.

Early in the year, staff from Metro, Community Transit, Everett Transit, Pierce Transit and Sound Transit assembled information on existing and proposed transit fares and identified opportunities for further regional coordination.

The general managers of the transit agencies participating in ORCA met in March to discuss regional fare coordination. They agreed upon the elimination of passes valid on only one agency as an important objective for future coordination.

In April, Sound Transit, in coordination with Metro and the other agencies, adopted a two-stage fare simplification process for 2010 and 2011. This process will establish flat adult fares on Sound Transit Express bus service within each county as well as flat fares for youth and reduced-fare riders on Sound Transit Express buses within each county and on Link by June of 2011. Sound Transit fares serve as a regional standard and can provide a benchmark for more common fares among transit agencies throughout the region.

In response to another council budget proviso, Metro conducted a study of fare evasion on transit service during the first few months of 2010. This study found that about 2.9 percent of Metro boardings were taken by riders paying no fare and another 1.9 percent taken by riders paying a partial fare. The revenue loss through fare evasion was estimated at about 2.5 percent of total fare revenue. A survey of transit operators found that 65 percent identified fare simplification as one of their top three suggestions for reducing fare evasion, while 50 percent identified eliminating the Ride Free Area and pay-on-exit as one of their top three suggestions. This study underscored the importance of Metro’s efforts to pursue fare simplification.

The 2009 Performance Audit of Transit conducted by the King County Auditor also included recommendations regarding transit fare goals and policies. These include the following.

“A12a: Transit should develop and propose fare policy goals to the Regional Transit Committee and King County Council that are clearly tied to Transit’s strategic plan and are representative of Transit’s agency-wide goals and objectives. These goals should be used as a basis for making fare policy decisions.

A12c: Transit and policy makers should consider further utilizing fare policy changes to generate additional revenues to assist in funding Transit operations.

A12d: Transit should reintroduce senior/disabled/youth fare discounts in line with peers and peg discounted fares to base fares by specifying a percentage discount.”

Metro has drawn on these activities and recommendations to develop recommendations for fare policy goals and fare changes as called for in the budget proviso and the 2009 Performance Audit of Transit.

Metro is recommending that the goal of fare simplification be established at a higher level of priority among transit fare policy goals than has traditionally been the case in shaping Metro’s fare structure. Metro is also recommending that “work with regional partners to achieve regional fare integration” be included as a strategy in support of this goal.

Metro also recommends the following specific fare changes:

- Eliminate Metro non-regional passes and fares,
- Align the Metro fare for seniors and persons with disabilities with the Sound Transit in-county fares for this category in January 2011, and
- Align the Metro youth fare with the Sound Transit in-county youth fare and Community Transit youth fare in June 2011.

Finally, Metro recommends undertaking a longer term effort to:

- Identify and assess strategies for moving toward further fare simplification and regional fare alignment for adult fares while achieving Metro’s revenue targets, with particular emphasis on the zone surcharge.
- Monitor ORCA market penetration and assess the advantages and disadvantages of eliminating paper transfers for cash fare payment.

This report reviews these fare coordination activities and recommendations.

History of Fare Coordination in the Central Puget Sound Region

During the 1980s, growth in inter-county commuting in the Central Puget Sound region prompted transit agencies to pay increased attention to issues related to inter-agency transfers.

The agencies' first approach to providing fare media for intersystem travel was for each transit agency to sell stickers from other agencies that customers could apply to their monthly passes. This approach was found to be confusing to both customers and transit operators and was soon abandoned.

Subsequently, some of the transit agencies entered into bilateral agreements that provided for the sale of "combo" passes, valid for travel on the two participating agencies and priced at a discount from the price of two separate passes. These agreements also provided for the sale of "combo" ticket books for travel on two agencies, also priced at a discount. In addition, Metro and Community Transit sold "inter-county" transfer slips, valid for transferring between the two agencies, for a surcharge on the regular single agency fare. These various agreements led to a proliferation of fare media, additional administrative costs, and, of most concern, confusion among customers and operators.

In 1996, voters in King, Pierce and Snohomish counties approved the Sound Move ballot measure to create and fund the Regional Transit Authority, known as Sound Transit, to provide regional bus and rail service. The establishment of regional fare policies and fare media was a key to moving forward with regional transit service. Regionally elected officials and transit board members convened fare policy forums in 1997-98 and reached an agreement on regional fare policies. These policies became the basis for the Interim Regional Pass and Fare Reconciliation Program ("Puget Pass") Agreement adopted by the boards of Metro Transit, Everett Transit, Community Transit, Pierce Transit and Sound Transit in 1999. This agreement provided for regional passes in 25-cent increments that would be valid on all participating transit agencies for the pass fare value, for a system that would give base-fare credit for intersystem cash transfers, and for a method of reconciling revenue from passes and transfer trips. This agreement was renewed in 2003 and expired at the end of 2009.

From the beginning, transit agencies viewed the Puget Pass agreement as an interim solution to regional fare payment as they anticipated a smart-card based, automated fare collection system for regional transit fare payment. The five Puget Pass agencies, along with Kitsap Transit and the Washington State Ferries, signed an interlocal agreement for the development of the ORCA smart card system in 2003. In February 2007, elected officials and transit board members agreed upon fare policies that provided the basis for the interlocal operating agreement for ORCA. This agreement provides for a system of regional transit passes and for "full-value" transfers among transit agencies for riders using the ORCA E-purse for fare payment, an improvement over the base-fare transfer credit provided under the Puget Pass Agreement. The operating agreement also provides for the allocation of ORCA revenue based on data collected by the system on pass and E-purse use.

The ORCA system was rolled out in April 2009. Retail sales of Puget Passes ended with December 2009 pass sales. By the week of May 3, 2010, weekday ORCA boardings region wide averaged about 200,000, average weekday ORCA boardings on Metro were about 120,000, or 34 percent of total Metro boardings. Region wide, roughly 29 percent of boardings by customers using ORCA involved transfers between transit agencies. About 11 percent of Metro boardings involved interagency transfers.

The Central Puget Sound transit agencies have made dramatic progress since 1997 in making regional fare payment more convenient and affordable for riders traveling on more than one transit system. The agreement between the ORCA transit agencies is unique in the nation. Nowhere else have multiple agencies agreed to sell regional passes to customers, to provide them with intersystem transfer credits equal to the full value of the fare paid, and to share the revenue from these regional fare media. In short, the effort to use regional fare media and share fare revenue is a remarkable success story.

Remaining Challenges

Although the ORCA transit agencies have made regional fare payment easier and less costly, they continue to have separate and differing fares. With the exception of rounding their fares to 25-cent increments and establishing common regional age-based definitions of children, youth, and seniors, the agencies have not focused on establishing common fares. The resulting variation in fares often confuses and irritates customers. Riders often do not distinguish between different public transit agencies and might not understand why different fares are charged on different services serving the same origins and destinations.

This issue gained considerable visibility in 2009 and again in February of 2010 as Sound Transit started Link light rail service and Metro adjusted its service. Metro bus riders found they had to either ride Link and pay a different fare than they paid on Metro, or had to begin transferring between the two services, again often facing a different fare, or found that their Metro transfer slip or Metro Weekend/Holiday All Day Pass was not valid on Link.

Riders face similar issues throughout King County. Examples of trips with potentially confusing fares include:

An adult travels from the Issaquah Highlands to downtown Seattle

A.M. trip: Issaquah Highlands → Downtown Seattle on Sound Transit Route 554

Fare: ST two-zone fare: \$2.50

P.M. trip: Downtown Seattle → Issaquah Highlands on Metro Route 218

Fare: Metro two-zone fare: \$2.75

An adult travels from Bellevue to Shoreline during the Peak period and pays with an ORCA e-purse.

1st Leg: Bellevue → Downtown Seattle on Sound Transit Route 550

Fare: ST two-zone fare: \$2.50 (e-purse deduction \$2.50)

2nd Leg: Downtown Seattle → Shoreline on Metro Two-Zone Route 225

Fare: Metro two-zone fare: \$2.75 (e-purse deduction \$0.25)

A senior travels from Auburn to Tacoma and pays with a Metro Senior/Disabled Pass and cash.

1st Leg: Auburn → Federal Way on Metro Route 180

Fare: \$0.75 (Metro-only Senior/Disabled pass – face value of \$0.75, \$18 pass price)

2nd Leg: Federal Way → Tacoma on Pierce Transit Route 500

Fare: \$0.75 (Cash fare \$0.75, Pierce Transit doesn't accept Metro-only Senior/Disabled pass)

A Seattle high school student takes Link or Metro from Mt. Baker to downtown Seattle and pays using a Metro School District Pass and cash.

Mt. Baker → Downtown Seattle on Link

Fare: \$1.50 (Metro School District pass with face value of \$0.75 and \$0.75 cash upgrade. Note that Sound Transit is accepting Metro's School District Pass on Link as a temporary transition measure.)

Mt. Baker → Downtown Seattle on Metro

Fare: \$0.75 (Metro School District pass valid for fare.)

To move further toward common fares, transit agency boards would have to make decisions to establish uniform fares, and, in the long-term, enter into agreements to coordinate fare changes. Such decisions would constrain individual boards' ability to change fares to meet their own agency's revenue requirements as established by their financial policies. They would also limit the extent to which any single agency could shape fares to achieve its own fare goals.

Recent Fare Coordination Efforts

Metro, Community Transit, Everett Transit, Pierce Transit and Sound Transit are continuing to work together on the next stage of fare coordination through a staff-level group (Fares SAAT) established to assist with ORCA implementation and address fare-related issues that arise. Subsequent to the 2009 Performance Audit of Transit

recommendations on fare goals and policies and County Council adoption of the Transit Division's 2010-2011 budget with the proviso concerning fare coordination, Metro staff began working with the Fares SAAT to assess the status of upcoming fare changes and identify opportunities for further fare coordination.

In March 2010, the general managers of the transit agencies participating in ORCA met to discuss regional fare coordination. The managers identified the elimination of single-agency passes and fares as an important objective for future coordination. In addition, Community Transit and Pierce Transit indicated support for Sound Transit's decision to move to flat fares for bus travel within each county.

Sound Transit Fare Simplification

As noted above, the Sound Transit board has adopted fare changes to occur in 2010 and 2011 that will considerably simplify the Sound Transit fare structure for riders within each county.

At the time Metro was working with regional agency staff to gather information about upcoming fare changes and coordination opportunities, Sound Transit was in the initial stages of developing a fare change proposal for 2010 and 2011. To facilitate coordinated fares with Metro, Sound Transit staff proposed to establish in-county fares for seniors and riders with disabilities at \$0.75.

In April, the Sound Transit Board adopted the fare structure shown in Table 1. In adopting this fare structure, the Sound Transit Board greatly simplified fare payment by eliminating zone fare payment for all Sound Transit bus riders traveling within each county. Sound Transit also eliminated the distance-based Link fare for youth and for senior and disabled riders effective June 2011, so these riders will pay the same flat fare to ride a Sound Transit bus or Link within King County. Effective June 2011, Sound Transit also established the fare for in-county youth trips at \$1.25 which is between the one-zone and two-zone fares currently applicable in King County.

Sound Transit also agreed to accept Metro's Access passes for full fare payment on all Sound Transit service once the ORCA readers on Sound Transit's buses have the capability to read these Metro-only passes.

**Sound Transit Fare Simplification
Effective June 1, 2010 and 2011**

Prior to June 2010	One-zone		Two-zone ¹		Three-zone
Adult	\$1.50		\$2.50		\$3.00
Youth	\$1.00		\$1.75		\$2.50
Senior/Disabled	\$0.50		\$1.25		\$1.50
June 2010	One-zone ²		Two-zone (in-county) ²		Intercounty
Adult	\$2.00		\$2.50		\$3.00
Youth	\$1.00		\$1.75		\$2.50
Senior/Disabled	\$0.75		\$1.25		\$1.50
June 2011		In-county		Intercounty	
Adult		\$2.50		\$3.50	
Youth		\$1.25 ³		\$2.50	
Senior/Disabled		\$0.75 ³		\$1.50	

Link Light Rail Fares

	Prior to June 2011	June 2011
Adult	\$1.75 to \$2.50	\$2.00 to \$2.75
Youth	\$1.25 to \$2.00	\$1.25 ³
Senior/Disabled	\$0.75 to \$1.25	\$0.75 ³

1. After June 2011, current two-zone customers will become either in-county or intercounty customers depending on their trip.
2. In June 2011 both one-zone and two-zone customers will become in-county customers.
3. The fares for youth and for senior/disabled customers will be the same on both bus and Link.

Metro’s Fare Policy Goals

As Metro responds to the Council’s directive to undertake a fare coordination effort with other transit agencies, it is also responding to the following recommendation of the 2009 Transit Performance Audit:

“Transit should develop and propose fare policy goals to the Regional Transit Committee and the King County Council that are clearly tied to Transit’s strategic plan and are representative of Transit’s agency-wide goals and objectives. These goals should be used as a basis for making fare policy decisions.”
(Recommendation A12a)

The fundamental financial goal of Metro’s fare structure is to recover a portion of its operating costs. Metro’s financial goals, policies and adopted budget establish an overall farebox recovery target for fare revenue. In the context of this overall target, Metro’s fare structure is shaped by additional fare policy goals.

Historically, discussions of Metro fare policy have referred to the following five, fare policy goals, which are widely used throughout the public transportation industry. (See Exhibit 2 for Metro’s adopted fare policies and Exhibit 3 for a summary of how these goals relate to Metro’s fare structure):

1. **Create a simple fare structure** that is easy for customers to understand and for operators to implement. With a two-zone structure during peak hours, a peak/off-peak fare differential and with pay-on-exit outbound from downtown Seattle, Metro has one of the most complicated fare structures of bus transit agencies in the United States. When Metro Transit began operations in 1973, it had a 38-zone fare structure that it inherited from Seattle Transit. This was simplified to the current two-zone system in 1977. However, many of the fare structure decisions made since Metro was established have reflected a higher priority over other fare policy goals than fare simplification. The downtown Seattle Ride Free Area, with pay-on-exit outbound, was established in 1973. A fare for disabled riders was established in 1976. The peak surcharge was implemented in 1982. A separate fare for youth was established in 1993. (Prior to that time youth had not paid the zone surcharge.) The County Council acted to simplify fares in 1999 by eliminating the zone surcharge during off-peak hours.
2. **Maximize ridership** with the resulting environmental and economic benefits. Metro's fare structure provides different prices for different segments of the rider market in support of this goal. National research on transit pricing and market segmentation indicates that, in general, senior, disabled, youth and non-commute riders are more responsive to price changes than commuters. This research also suggests that riders making short trips are more price sensitive than those making longer trips. Metro's zone structure, peak surcharge and discounts for special rider groups all support the goal of maximizing ridership. Further, one of the original objectives of the Ride Free Area was to increase ridership by encouraging workers and shoppers to use the bus rather than driving their car to get from destination to destination in downtown Seattle.
3. **Minimize the cost to those least able to pay** by recognizing transit as a public good which should be available to all. Metro's fare structure supports this goal by providing discounts for youth, seniors and disabled riders who have, in general, fewer financial resources than peak hour commuters. Lower youth fares also benefit school districts as they increasingly turn to public transportation to replace school bus service for transporting students to and from schools. Providing a lower off-peak fare allows non-commuters the option of taking a lower cost trip to meet their transportation needs. Metro's Weekend/Holiday All Day Pass and Sunday/Holiday Family Fare also support this goal. Finally, free transfers for cash riders help to minimize the cost for those least able to pay.
4. **Reflect the cost of service** by charging higher fares for more expensive trips. Metro's fare structure generally reflects the cost of service. Considering the cost of sizing the fleet to meet peak capacity, peak-hour service is more expensive to provide, and this is reflected in the peak-hour surcharge. Generally, longer trips are more expensive than short trips and the two-zone structure generally reflects this difference. It is important to note, however, that the zone structure is an imperfect mechanism for reflecting trip length. Many riders make short trips that cross a zone boundary, while other riders take longer trips that do not cross a zone boundary.

5. **Promote operational efficiency** by minimizing the overall cost of fare collection and making efficient use of limited fleet capacity. By providing a price incentive for riding during off-peak hours, Metro's lower off-peak fares help make efficient use of the fleet capacity and minimize the need for additional capacity. Discounts for fare prepayment in the form of monthly retail passes and employer pass programs with pricing based on use also help speed operations and minimize the cost of fare collection. One objective of the downtown Seattle Ride Free Area is to promote operational efficiency and reduce bus queuing by not requiring fare payment in the congested downtown area. The 2009 Performance Audit of Transit recommended that Metro reassess the costs and benefits of the Ride Free Area. Metro is currently undertaking an analysis of operational benefits provided by the Ride Free Area.

There are, of course, tradeoffs among these fare policy goals. A decision that supports one goal might work against another. Policymakers must consider these trade-offs as they set fares for an agency. Such tradeoffs are discussed below.

- Distance-based pricing supports the goals of maximizing ridership, reflecting cost of service, and promoting operational efficiency. However, distance-based pricing complicates the fare structure. In most bus transit applications, distance is approximated by a system of zone fares. As noted above, zone fares only imperfectly reflect distance and are perceived as inequitable by those riders taking short trips that cross zone boundaries. Some agencies, like TriMet in the Portland area, have addressed this issue by creating a larger number of zones and requiring zone-fare payment only after two-zone boundaries are crossed. This of course makes the fare structure even more complicated. Finally, on bus service with multiple stops in each zone, zone fares are difficult for operators to enforce. On pay-on-boarding trips, the operator has no way of knowing whether the rider will be getting off in the first or second zone. On pay-on-exit trips, the operator has no way of knowing whether a rider deboarding in the second zone also boarded in that zone.
- Time-of-day pricing also helps to maximize ridership, reflect the cost of service, use transit's fleet more efficiently, and, for those able to travel at off-peak hours, minimize the cost to those least able to pay. As with distance-based pricing, time-of-day pricing complicates the fare structure.
- Free transfers help to maximize ridership, minimize the cost to those least able to pay, and promote operational efficiency by fostering efficient system design. Transfers, however, reduce operational efficiency to the extent drivers find it difficult to assess their validity, add a layer of complication to the fare structure and can contribute to abuse and fare evasion.
- Discounts for fare prepayment (e.g. passes and ORCA E-purse) serve to maximize ridership, provide a simple fare structure, and promote operational efficiency. They do not contribute to a fare structure that reflects the cost of service.

- Discounts for special rider groups (e.g. youth, senior/disabled and low-income customers) are intended to minimize the cost to those least able to pay and maximize ridership but do not reflect the cost of service provided for these rider groups and complicate the fare structure.

These trade-offs must be considered with regard to regional fare policy as well as an individual agency's fare structure. For example, individual agency passes may minimize the cost to those least able to pay and may maximize ridership on the agency's service, while regionally, they complicate the fare structure, diminish operational efficiency and decrease ridership. And as mentioned earlier, a major trade-off for increased regional fare integration is the constraint it places on local decision-making.

After the Regional Transit Task Force completes its work this September, Metro will include fare policy goals in the proposed update of the Comprehensive Plan and the Strategic Plan that will be transmitted to the County Council and Regional Transit Committee, pursuant to another recommendation from the 2009 Performance Audit of Transit.

Fare Policy Recommendations

At this time, Metro is recommending the goal of fare simplification be established at a higher level of priority among transit fare policy goals than has traditionally been the case in shaping Metro's fare structure. Metro is also recommending that "work with regional partners to achieve regional fare integration" be included as a strategy in support of this goal.

Fare simplification and regional fare integration are both important for the same reasons: They contribute to an easy-to-use transit system that will attract riders, reduce rider confusion and frustration with fare payment, and increase rider satisfaction. Simple, coordinated fares will be easier for operators to collect. In the recent operator survey conducted as part of the Fare Evasion Study, 65 percent of operators included fare simplification (eliminate zone, eliminate peak surcharge, or both) in their top three recommendations for reducing fare evasion. Further, 50 percent of operators included eliminating the downtown Seattle Ride Free Area as one of their top three recommendations. Simplification and coordination will also make fare administration more efficient. Currently, employers in King County that partner with Metro by offering employee pass programs must choose from a wide range of pass products. They must choose from nine different pass denominations for their adult employees in King County alone. Adding senior or disabled employees or employees residing outside of King County can complicate this even further. Finally, these goals reflect the reality that Metro is part of an increasingly integrated regional transit system. The goals will help Metro meet county residents' expectation that government transit agencies will coordinate with one another.

Recommendations Concerning Fare Changes

As a result of the recent fare coordination work with other agencies, Metro has identified a number of opportunities to coordinate its fares and fare structure with those of its regional partners. These opportunities and Metro's recommendations follow.

The recommendations are focused on eliminating Metro-only fare media and on bringing Metro's fares in line with those of Sound Transit and other transit agencies in the region. These proposed changes are in line with the fare changes that were adopted by Sound Transit in April 2010 and will be implemented in June 2010 and June 2011, and reflect in part, the fare coordination effort initiated in response to the County Council's regional fare coordination budget proviso.

Coordination Opportunity #1: Eliminate non-regional passes and fares

Eliminate Metro's Weekend/Holiday All Day Pass and the Family Fare (four youth or children ride free with fare-paying adult on Sundays and Holidays.)

Discussion: Metro is the only agency to offer this pass and fare. This results in confusion for riders who have purchased a Weekend/Holiday All Day Pass or paid one fare for their family and then wish to transfer to a Sound Transit, Community Transit or Pierce Transit service. This can lead to fare disputes with operators on these services.

Budget impact: The revenue and ridership impacts of the elimination of non-regional passes and fares would be negligible. Weekend/Holiday All Day Pass sales declined by 57 percent from 2007 through 2009 (from 104,000 in 2007 to 45,000 in 2009). Through April 2010, sales have declined by 23 percent compared to last year and are averaging about 2,500 per month. The Family Fare applies only to children/youth from 6-18 years, and with its elimination Metro would still allow up to four children ages five and under to ride free with an adult. This is consistent with the policies of our regional partners.

Recommendation: Eliminate Metro's Weekend/Holiday All Day Pass and the Family Fare (four youth free with fare-paying adult on Sundays and holidays).

Coordination Opportunity #2: Align Metro's fare for seniors and persons with disabilities with Sound Transit's in-county fare for this category

Revise Metro's adopted fare change for this group, scheduled for January 1, 2011, to align cash and pass fares with Sound Transit's adopted fares.

Adopted: \$1 cash/\$24 pass

Proposed revision: \$0.75 cash/\$27 pass

Discussion: By June 2011, the fare for seniors and riders with disabilities for travel on Sound Transit bus and Link service within King County will be \$0.75. According to current code, the Metro fare for this rider group will increase to \$1 on January 1, 2011, with a Metro-only monthly pass priced at \$24. The fare change discussed here would align Metro and Sound Transit bus/Link in-county cash fare for this group and would establish the pass price at the regional pass level of 36 times the corresponding cash fare,

allowing Metro pass riders in this group to use their passes for travel throughout the region.

This coordination effort also must address Recommendation A12d of the 2009 Performance Audit of Transit which states the following:

“Transit should reintroduce senior/disabled/youth fare discounts in line with peers and peg discounted fares to base fares by specifying a percentage discount.”

The table below shows regional agencies’ current and planned senior/disabled fares as a percentage of each agency’s base fare, effective June 2010 and June 2011. The table also shows what that percentage would be for Metro if it revises its senior/disabled fare as described above. The revised senior/disabled cash fare would be 33 percent of Metro’s base fare in 2011, in alignment with the percentage for ST Express service and close to the percentage for Sound Transit’s Link fares. This proposal would take Metro from the second highest to the second lowest percentage in 2011, with Metro and ST Express and Link (representing about 80 percent of total regional transit ridership) at the low end of the range for all regional agencies. It is important to note, however, that this is largely due to the fact that the other agencies’ local adult fares are lower than Metro and Sound Transit fares. Metro’s \$0.75 cash fare for senior/disabled riders is aligned with the local fare for senior/disabled riders on Community Transit and Pierce Transit (Exhibit 1).

Importantly, from the perspective of fare simplification, this proposal would for the first time replace the Metro-only pass for seniors and riders with disabilities with a regional pass valid toward travel on all six ORCA transit systems. This pass would be priced at \$27 per month, a 200 percent increase over the Metro-only pass price for this group in 2009.

Senior/Disabled as a Percentage of Base Fare

	2010	2011
Sound Transit - Express*	38%	30%
Sound Transit - Link*	43%	38%
Everett Transit - Local	0%	0%
Community Transit - Local	33%	43%
Kitsap Transit	50%	50%
Pierce Transit - Local	43%	43%
Metro - Adopted	38%	44%
Metro - Recommended		33%

* Effective June 2010 and June 2011

Budget impact: This revision of the senior and disabled fares would result in an annual decrease in revenue of about \$170,000. Ridership would be expected to increase by about 0.2 percent.

Recommendation: Revise Metro’s January 1, 2011 adopted fare change for senior and disabled riders to align cash and pass fares with Sound Transit adopted fares. Change the Metro adopted cash fare from \$1 to \$0.75 cash and the pass price from \$24 to \$27 so that it will be a regional pass, valid towards payment on all ORCA transit agencies.

Coordination Opportunity #3: Align Metro’s youth fare with Sound Transit’s in-county youth fare and Community Transit’s youth fare

- Increase the Metro youth fare in June 2011 to be equal to Sound Transit’s in-county bus and light-rail youth fare and Community Transit’s youth fare.
- Phase in this fare increase for school district passes through June 2012 (i.e. \$27 through June 2011, \$36 from June 2011 through June 2012 and \$45 thereafter) to allow time for the school districts to adjust their budgets. From June 2011 through June 2012, the school districts would get the full \$1.25 fare value at a reduced price.

Current: \$0.75 cash/\$18 pass

Revised: \$1.25 cash/\$45 pass

Discussion: This will align Metro’s youth fare with Sound Transit’s and Community Transit’s youth fares. Community Transit implemented a \$1.25 youth fare on local service in June 2010. As of June 2011, Sound Transit will establish a uniform youth fare of \$1.25 on bus and light rail service in King County.

As the table below shows, the coordinated youth fare would bring Metro in line with Sound Transit and move its youth fare as a percentage of base fare closer to that of its other regional partners.

Youth as a Percentage of Base Fare

	2010	2011
Sound Transit - Express*	50%	50%
Sound Transit - Link*	71%	63%
Everet Transit - Local	67%	67%
Community Transit - Local	67%	71%
Kitsap Transit	50%	50%
Pierce Transit - Local	43%	43%
Metro - Adopted	38%	33%
Metro - Recommended		56%

* Effective June 2010 and June 2011

Budget impact: This change would generate approximately \$3.3 million in additional revenue on an annual basis with a 2.4 percent reduction in ridership. The delay in the implementation of the price increase for the school district pass would result in a loss of about \$900,000 over the 2011/2012 school year.

In 2012, the net annual change in revenue from this proposal would be about \$2.7 million in additional revenue.

Recommendation: Increase Metro’s youth fare to \$1.25 in June 2011 to be equal to Sound Transit’s in-county bus and Link youth fare and Community Transit’s youth fare.

Coordination Opportunity #4: Consider further alignment of Metro’s and Sound Transit’s in-county adult fares

By June 2011, Sound Transit will have established a flat, \$2.50 fare for adult riders on their bus service within King County. This provides an opportunity for further consolidation of Metro and Sound Transit adult fares. Each of the consolidation alternatives discussed here would eliminate Metro’s zone surcharge during peak hours to match Sound Transit’s in-county \$2.50 bus fare. A number of possible opportunities for further aligning adult fares are reviewed below.

Baseline: Metro Adopted Adult Fares as of January 1, 2011

- Two-Zone Peak \$3.00
- One-Zone Peak \$2.50
- Off-peak \$2.25

Opportunity 4a: Eliminate the two-zone peak surcharge and:

- Lower the off-peak fare
Metro Revised Adult Fare 2012
 - Peak \$2.50
 - Off-peak \$2.00

Opportunity 4b: Eliminate the two-zone peak surcharge and:

- Maintain the adopted off-peak fare discount
Metro Revised Adult Fare 2012
 - Peak \$2.50
 - Off-peak \$2.25

Opportunity 4c: Eliminate the two-zone peak surcharge and:

- Eliminate the off-peak fare discount
Metro Revised Adult Fare 2012
 - All times \$2.50

Discussion: By June of 2011, Sound Transit will have eliminated zones for all in-county bus riders, and the adult fare for Sound Transit bus riders within King County will be \$2.50. At that time, Metro’s two-zone peak fare will be 50 cents higher than Sound Transit’s adult fare in King County. The zone system is a major source of fare

complication for both cash and ORCA. Sound Transit's action provides an opportunity to simplify Metro fares and achieve further regional fare integration. However, an assessment of options for responding to this opportunity must be based on an understanding that the two agencies have different revenue source and financial policies and therefore different financial outlooks. In addition to a different tax base than Metro, Sound Transit's financial policies establish a minimum target of 20 percent recovery of bus operating expenses through fares, while Metro's target ratio of operating revenue to operating expense is 25 percent.

Budget impacts: These estimates assume a June 2012 implementation date.

Option 4a would reduce Metro fare revenue by approximately \$3.8 million in 2012 and \$6.7 million in 2013 and would result in a ridership increase of approximately 0.9 percent, or about 1 million boardings, in 2013.

Option 4b would decrease Metro fare revenue by \$1.57 million and \$1.35 million in 2012 and 2013, respectively. This is estimated to result in a marginal ridership increase in 2013.

Option 4c would increase the County's revenue by approximately \$4.21 million in 2012 and \$5.97 in 2013 and result in a ridership loss of about 700,000 boardings.

Recommendation: Initiate a longer-term effort to identify and assess strategies for moving toward further fare simplification and regional fare alignment for adult fares while achieving Metro's revenue targets.

The options identified here for aligning Metro adult fares with Sound Transit adult fares in King County would either result in a significant revenue gap by 2013 or would provide fare reductions to two-zone peak riders while maintaining planned fare increases for one-zone peak riders and maintaining, or potentially further increasing, fares for off-peak riders. Options 4b and 4c represent a rapid de-emphasis of other fare goals such as reflecting cost of service and minimizing costs for those least able to pay in order to achieve the goal of fare simplification.

As these examples point out, simplifying adult fares involves difficult tradeoffs. The recommendation here is intended to initiate the policy discussion necessary for a longer term effort to identify and assess strategies for further fare simplification and regional fare alignment.

Coordination Opportunity #5: Eliminate paper transfers

No longer provide paper transfer slips to customers who pay a cash fare to ride a Metro bus.

Discussion: Operator issuance and inspection of paper transfer slips can slow operations. Paper transfers also represent a source of potential abuse and fare evasion. Community Transit, Everett Transit and Sound Transit have eliminated paper transfers altogether. Metro customers continue to try to use paper transfers on other agencies' services,

resulting in customer confusion and fare disputes. By using an ORCA card, customers will still be allowed to make both intrasystem and intersystem transfers.

The 2009 Transit Performance Audit recommended that Metro consider a number of fare policy changes, including elimination of paper transfers, to generate additional revenues to assist in funding Transit operations (Recommendation A12c).

Budget impact: The impact that elimination of paper transfers would have on Metro revenue and ridership would vary greatly. If ORCA achieves such significant market penetration that cash fare payment is minimal, the revenue impact of eliminating cash transfers would be negligible since ORCA provides transfer benefits for e-purse fare payment. Metro has been able to achieve service design efficiencies by building a service concept based on transfers. Without very significant market penetration by ORCA, the elimination of paper transfers could result in rider opposition to transfer-based service design, ultimately leading to increased costs that could outweigh any additional revenue.

Recommendation: Continue to work to maximize ORCA penetration and to monitor e-purse versus cash fare payment.

Summary Impacts of Fare Coordination Recommendations

The changes recommended here would go a long way toward simplifying fare payment for transit in King County. By June of 2011, Metro and Sound Transit buses and Link would have the same fare for youth and senior/disabled riders. In addition, further analysis of options to better align adult fares and achieve broader fare simplification should be undertaken.

The following table summarizes the effects that the recommended fare changes described above would have on Metro revenue and ridership:

Summary of Impacts

	2011	2012	2013
Coordination opportunity #2 - Senior/Disabled			
Revenue (percent)	-0.13%	-0.13%	-0.13%
Revenue (dollars)	(160,000)	(170,000)	(170,000)
Ridership	0.20%	0.20%	0.20%
Coordination opportunity #3 - Youth (with School District Delay)			
Revenue (percent)	1.13%	2.09%	2.46%
Revenue (dollars)	1,470,000	2,790,000	3,360,000
Ridership	-1.30%	-2.24%	-2.24%

Exhibit 1
Comparable Fares at Regional Transit Agencies

	<u>Metro</u>	<u>ST</u>		<u>ET</u>	<u>CT</u>		<u>Kitsap</u>	<u>Pierce Transit</u>		
	Bus	REX ¹	Link ¹	Local	Local	Commuter South	Commuter North	Routed	Local	Olympia
June 2010										
Cash										
Adult	\$2.00 - 2.75	\$2.00 - 3.00	\$1.75 - 2.50	\$0.75	\$1.75	\$3.50	\$4.50	\$2.00	\$1.75	\$2.50
Youth	\$0.75	\$1.00 - 2.50	\$1.25 - 2.00	\$0.50	\$1.25	\$2.75	\$3.75	\$1.00	\$0.75	\$2.50
Senior/Disabled	\$0.75	\$0.75 - 1.50	\$0.75 - 1.25	\$0.00	\$0.75	\$1.50	\$1.75	\$1.00	\$0.75	\$1.25
Pass										
Adult	\$72 - 99	\$72 - 108	\$63 - 90	\$27	\$54	\$126	\$162	\$50/72 ²	\$63	\$90
Youth	\$27	\$36 - 90	\$45 - 72	\$18	\$36	\$99	\$135	\$25/36 ²	\$27	\$90
Senior/Disabled	\$18 ³	\$27 - 54	\$27 - 45	\$0	\$18	\$54	\$63	\$25/36 ²	\$27	\$45
June 2011										
Cash										
Adult	\$2.25 - 3.00	\$2.50/3.50 ⁴	\$2.00 - 2.75	\$0.75	\$1.75	\$3.50	\$4.50	\$2.00	\$1.75	\$2.50
Youth	\$0.75	\$1.25/2.50 ⁴	\$1.25	\$0.50	\$1.25	\$2.75	\$3.75	\$1.00	\$0.75	\$2.50
Senior/Disabled	\$1.00	\$0.75/1.50 ⁴	\$0.75	\$0.00	\$0.75	\$1.50	\$1.75	\$1.00	\$0.75	\$1.25
Pass										
Adult	\$72 - 99	\$90/126 ⁴	\$72 - 99	\$27	\$63.00	\$126	\$162	\$50 - 72 ²	\$63	\$90
Youth	\$27	\$45/90 ⁴	\$45.00	\$18	\$45.00	\$99	\$135	\$25 - 36 ²	\$27	\$90
Senior/Disabled	\$24 ³	\$27/45 ⁴	\$27	\$0	\$27.00	\$54	\$63	\$25 - 36 ²	\$27	\$45

1. Distance based fares
2. \$50 and \$25 passes are low-income Kitsap-only fares
3. Metro-only pass
4. In-County/Inter-County fares

Exhibit 2
Metro's Adopted Fare Policies
(Adopted by Motion 10728, 1999)

Basic Fare Structure

1. **Two-Zone Fare Structure:** For peak period service, there shall be a difference between fares for one-zone and two-zone trips to recognize the additional cost of service.
2. **Peak Surcharge:** There shall be a difference between peak period and off-peak period fares to recognize the higher costs of peak service.
3. **Transfers:** Transfers shall be free, subject to time-of-day and zone limitations.
4. **Discounts for Fare Pre-Payment:** Discounts shall be provided for long-term fare prepayment and to encourage transfer from cash fares. The discount may reflect the extent of the prepayment.
5. **Weekend/Holiday All-Day Pass:** All-day passes may be sold on weekends and holidays at a cost of two times the one-zone, off-peak fare.

Discounts For Special Rider Groups

6. **Discounts for Seniors and Persons with Disabilities:** The cash fare for seniors and persons with disabilities shall be provided at a discount of at least 50 percent of the regular adult one-zone peak fare. Attendants and assistive animals shall ride free.
7. **Discounts for Children and Youth:** Up to four children under five years of age may ride free with a fare-paying adult. There shall be discounts for youths from ages five through seventeen and persons over seventeen years of age who attend regular sessions of junior or senior high school.
8. **Family Fares:** Up to four children/youths may ride free with a fare-paying adult on Sundays and holidays.
9. **Discounts for Low Income Persons:** A discount on fares for low-income persons shall be provided through human service agencies. The annual limit on the amount of such discounts shall be adjusted in response to the need and the financial constraints of King County Metro Transit and the human service agencies.

Paratransit Fare Structure

10. **Rate of Fare:** Fares charged for paratransit service shall be set at levels that encourage the use of less costly transportation services wherever reasonable alternatives are available, with the intent of achieving parity with regular adult fares within a period of no less than six years. Subsidies shall be provided if paratransit

fare increases would jeopardize the essential mobility of low-income persons. To further encourage less costly alternatives to paratransit, Metro shall subsidize a substantial discount for trips taken by paratransit riders on vehicles licensed as taxis in King County and its municipalities.

Regional Fare Policies

- 11. Phasing:** Metro shall phase its participation in regional fare integration to coincide with implementation of regional express bus service, commuter rail service, smart card fare media and light rail service.
- 12. Passes:** King County Metro shall replace most of its passes with a system of regional passes good at face value on any system in the region.
- 13. Transfers:** Sound Transit cash transfers shall be valid for one-zone travel on Metro.
- 14. Discounts:** Metro shall participate in the use of the Sound Transit Fare Integration Fund to ensure equal sharing of the regional fare discounts.
- 15. Fare Reconciliation:** As part of the regional fare reconciliation process, Metro shall receive pass sale revenues resulting from the shift from Metro passes to regional passes when those regional passes are used primarily for travel on Metro.
- 16. Monitoring:** Metro shall periodically review the regional fare coordination and transfer policies and make adjustments as needed in response to unanticipated impacts upon revenues and service.

Exhibit 3
King County Metro Fare Structure - Goals, Policies and Practices

Fare Structure Element	Fare Goal	Policy ¹	Current Practice
Basic Fare Structure			
Two-Zone	Maximize ridership, minimize cost to least able to pay, reflect cost of service, promote operational efficiency	For peak period service there shall be a difference between fares for one-zone and two-zone trips to recognize the additional cost of service.	Zone surcharge of \$0.50 during peak hours
Peak Surcharge	Maximize ridership, minimize cost to least able to pay, reflect cost of service	There shall be a difference between peak period and off-peak period fares to recognize the higher costs of peak service.	Peak surcharge of \$0.25 for one-zone trips and \$0.75 for two zone trips. Peak hours from 6-9 a.m. and 3-6 p.m.
Transfers	Maximize ridership, minimize cost to least able to pay, provide a simple fare structure, promote operational efficiency	Transfers shall be free, subject to time-of-day and zone limitations.	Persons paying the proper fare are entitled to a free transfer, subject to the zone and time-of-day limitations of the original fare payment. Transfers are valid for two and one-half hours after issuance
Discounts for Fare Prepayment	Maximize ridership, provide a simple fare structure, promote operational efficiency	Discounts shall be provided for long-term fare prepayment and to encourage transfer from cash fares. The discount may reflect the extent of the prepayment.	Monthly passes are sold for the equivalent of 36 cash fares. Three-month and annual passes are sold at a slightly higher discount
Weekend/Holiday All Day Pass	Maximize ridership, minimize cost to least able to pay, provide a simple fare structure, promote operational efficiency	All day passes may be sold on weekends and holidays at a cost of two times the one-zone off-peak fare.	All day passes good for unlimited rides are sold on weekends and holidays for \$2.50.
Discounts for Special Rider Groups			
Discounts for Seniors and Persons with Disabilities	Maximize ridership, minimize cost to least able to pay	The cash fare for seniors and persons with disabilities shall be provided at a discount of at least 50 percent of the regular adult one-zone peak fare. Attendants and assistive animals shall ride free.	Persons at least 65 years of age or persons with disabilities who have obtained a regional reduced fare permit pay \$0.25 during the off-peak period and \$0.50 during the peak period without zone charges. Monthly passes are sold for \$5.50 and annual passes are sold for \$66.00. Attendants and assistive animals ride free.
Discounts for Children and Youth	Maximize ridership, minimize cost to least able to pay	Up to four children under six years of age may ride free with a fare-paying adult. There shall be discounts for youths from ages six through seventeen and persons over seventeen years of age who attend regular sessions of junior or senior high school.	Up to four children under six years of age may ride free with a fare paying adult. Persons from six to seventeen years of age and high school students over seventeen pay \$0.50 without zone or time of day surcharges. Monthly youth passes may be sold for the equivalent of 36 cash fares.
Family Fares	Maximize ridership, minimize cost to least able to pay	Up to four children/youths may ride free with a fare-paying adult on Sundays and holidays.	Up to four persons under seventeen years of age ride free with a fare-paying adult on Sundays and holidays.
Discounts for Low Income Persons	Maximize ridership, minimize cost to least able to pay	A discount on fares for low-income persons shall be provided through human service agencies. The annual limit on the amount of such discounts shall be adjusted in response to the need and the financial constraints of King County Metro Transit and the human service agencies.	Tickets are sold to human service agencies at a 80 percent discount for low income persons. The total value of such discounts is limited to \$1,000,000 per year. The allocation of these tickets is determined by local jurisdictions and the King County department responsible for human services.

Goals, Policies and Practices (continued)

Paratransit Fare Structure			
Paratransit Fare	Maximize ridership, minimize cost to least able to pay	Fares charged for paratransit service shall be set at levels that encourage the use of less costly transportation services wherever reasonable alternatives are available, with the intent of achieving parity with regular adult fares within a period of no less than six years. Subsidies shall be provided if paratransit fare increases would jeopardize the essential mobility of low-income persons. To further encourage less costly alternatives to paratransit, Metro shall subsidize a substantial discount for trips taken by paratransit riders on vehicles licensed as taxis in King County and its municipalities.	Paratransit services are provided during the same hours and days as regular, fixed, non-commuter bus service, within corridors that extend three-fourths of a mile on either side of the regular, fixed, non-commuter bus routes. The rate of fare for paratransit service is \$0.75 per trip and \$13.50 for a monthly pass.
Regional Fare Policies			
Phasing	Reflect cost of service, provide a simple fare structure, promote operational efficiency	Metro shall phase its participation in regional fare integration to coincide with implementation of regional express bus service, commuter rail service, smart card fare media and light rail service.	
Passes	Maximize ridership, provide a simple fare structure, promote operational efficiency	Metro shall replace most of its passes with a system of regional passes good, at face value, on any system in the region.	
Transfers	Maximize ridership, minimize cost to least able to pay, provide a simple fare structure, promote operational efficiency	Sound Transit cash transfers shall be valid for one-zone travel on Metro.	
Discounts	Maximize ridership, reflect cost of service, promote operational efficiency	Metro shall participate in the use of the Sound Transit Fare Integration Fund to ensure equal sharing of the regional fare discounts.	
Fare Reconciliation	Reflect cost of service, promote operational efficiency	As part of the regional fare reconciliation process, Metro shall receive pass sale revenues resulting from the shift from Metro passes to regional passes when those regional passes are used primarily for travel on Metro.	
Monitoring	Reflect cost of service	Metro shall periodically review the regional fare coordination and transfer policies and make adjustments as needed in response to unanticipated impacts upon revenues and service.	

1. Policies adopted via Motion 10728 on July 19, 1999.