



Metro Transit

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RE: Continued Rates and Fares Discussion

Dear TPC members:

At your last meeting you indicated a willingness to consider changes in Rates for Unlimited Ride Pass Agreements and other fares in 2008 and beyond, and agreed there would be no changes in 2007 – with the exception of Special Event Fares. You’d asked to see how the current Unlimited Ride Pass rate (\$.88) compares with the average adult fare. The following is an apples-to-apples comparison of the current Unlimited Ride Pass rate and most recent calculation of average adult fares

(Jan.-June, 2006). Both figures include transfers. The average adult fare does not include trips or revenues from Unlimited Ride Pass Agreements. They are treated as two distinct subsets since in past negotiations the average adult fare (without impact of unlimited ride pass ridership and revenue) has been a starting point for discussion.

- Present Unlimited Ride Pass rate: \$.88/trip – includes original boardings and transfers.
- Average adult fare in Metro system including transfers, excluding Unlimited Ride Pass trips: \$.898 – includes original boardings and transfers.

Given the nature of the last decision making process in setting the rate for Unlimited Ride Pass rates – they are remarkably close!

Since we are under a severe time limit for setting Unlimited Ride Pass rates for the period 2008 through 2010 – in order to be prepared to negotiate the UW/ASM agreement, I’d like to suggest the following rates as a starting point for discussion. Note they use as a basis \$.898 (average adult fare) and increase by 3% per year (from 2006 to 2008 – 2 years, from 2008 to 2010 – 2 years), rounding in 2010 at \$1.00. Traditionally system costs have increased by about 3% per year, with the exception of the last two years when fuel increases have had a greater impact.

- Base rate: .898 assumption
- 2008 rate: \$.952 –effective Jan. 1, 2008
- 2010 rate: \$ 1.00 - effective Jan. 1, 2010

If adopted as a methodology for increasing rates on a regular basis, the same methodology could be considered in changing the overall fare structure (per my memo at last meeting). You should take your time in discussing overall fare changes. But for info purposes only - the following changes in the future would apply the general premise that fare changes should be made across the board and based on projected cost increases to the transit system – the same premise used in setting Unlimited Ride Pass rates (above). These across-the-board fare changes anticipate an increase of 3% per year, 6% over two years, rounded to the nearest nickel.

<u>Fare Type</u>	<u>Present Cost or Rate/trip</u>	<u>Proposed 2008</u>	<u>Proposed 2010</u>
<u>Cash</u>			
Adult Cash Fare	\$ 1.50	\$1.60	\$1.70
Youth Cash Fare	\$ 1.00	\$1.05	\$1.10
Elderly/Disabled	\$.75	\$.80	\$.85
<u>10-Ride Card</u>			
Adult	\$12.00	\$12.75	\$13.50
Youth	\$ 8.50	\$ 9.00	\$ 9.55

Elderly	\$ 7.50	\$ 8.00	\$ 8.50	(continued)
<u>Passes</u>				
31-Day	\$47.00	\$49.80	\$52.80	
One-Day	\$ 3.40	\$ 3.60	\$ 3.80	
Youth Semester	\$125.00	\$132.50	\$140.45	
Day Tripper (Group of 30 students)	\$42.00	\$44.50	\$47.00	
<u>ADA Paratransit</u>				
Off-Peak fare *	\$2.00	\$2.40	\$2.55	
Peak Hour fare*	\$3.00	\$3.20	\$3.40	

Notes: *This reflects a fare system where:

- (1) maximum allowable fare (2 x reg. adult fare) is peak hour paratransit fare;
- (2) the relationship between fares allow the same book of coupons/tickets to be used for elderly/disabled fares, off-peak and peak hour disabled fares as shown below:
 2008 pass cost: \$19.20 (.80 x 24 ; 2.40 x 8 ; 3.20 x 6)
 2010 pass cost: \$30.60 (.85 x 36 ; 2.55 x 12; 3.40 x 9)

The following are rough estimates of increases in system revenue. Assumptions: (1) no shifting among fare types because all fares are changing to the same degree; (2) no elasticity (i.e. loss of ridership) is built in as these are just ballpark estimates; (3) ridership growth for each Unlimited Ride Pass Agreement continues at the same rate each year.

	<u>2008*</u>	<u>2010**</u>
I. Estimated Increases in System Revenue		
(a) From Unlimited Ride Pass Agreements:	\$ 645,987***	\$ 515,845***
(b) From All other fare increases :	<u>\$ 243,169+</u>	<u>\$ 257,978+</u>
Total:	<u>\$ 889,156</u>	<u>\$ 773,823</u>

Notes: * Estimated Increase over 2006

** Estimated Increase over 2008

*** Breakdown of Additional costs by Institution:

	<u>2008</u>	<u>2010</u>	<u>Trip growth per year in forecast</u>
UW/ASM	\$ 341,236	\$ 218,961	.25%
UW Employees	\$ 235,172	\$ 230,005	5%
City of Madison	\$ 13,388	\$ 11,900	3%
MATC	\$ 48,551	\$ 47,504	5%
Edgewood College	\$ 7,640	\$ 7,475	5%
St. Mary's****	<u>\$ 0</u>	<u>\$ 0</u>	0%
Total:	<u>\$ 645,987</u>	<u>\$ 515,845</u>	

**** St. Mary's ridership has seen no growth. They are still billed the Minimum set as a result of pre-program fares.

+ Assumption: 3% ridership increase/year.

Note – again, the above information should be treated as a very rough idea of estimated revenues. Forecasts for future ridership in unlimited ride pass agreements are guestimates. No elasticity is built in for fare changes. While fare increases have not had a negative impact on ridership in the recent past, for forecasting purposes it is better to build in elasticity.

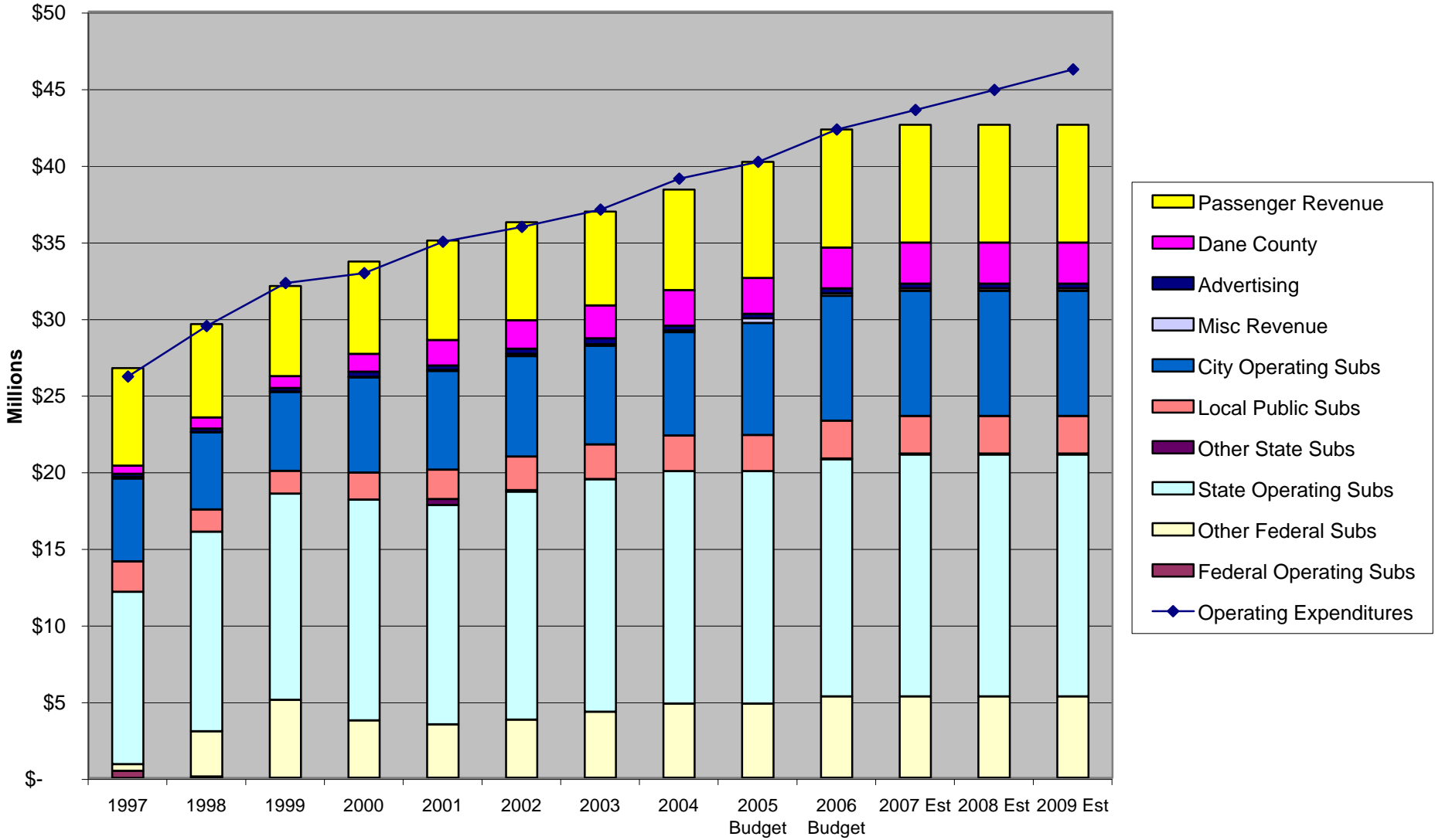
Now that the Unlimited Ride Pass rate for all such agreements is included in Metro's Fare Tariff, negotiations are limited primarily to discussions about minimums and maximums reflecting current ridership and growth trends. As you know, the most recent three agreements negotiated are based on an "Option B" approach of not establishing minimums or maximums but billing purely on the basis of actual ridership during the contract period. Some institutions may wish to continue with the "Option A" approach (using Minimums and Maximums) for the greater degree of certainty it provides in budgeting.

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NOTE: THE FOLLOWING CHART NEEDS UPDATING. I WILL BRING AN UPDATE TO THE MEETING.

Madison Metro Transit
Revenue & Expense Projection
 Rough Draft for Talking Point Purposes
 12/06/05



Estimated Deficit for 2007 is (\$959,803), 2008 is (\$2,267,082) and 2009 is (\$3,613,579)