

FARE/RATE CHANGE DISCUSSION

At your last TPC meeting, members indicated an interest in taking up the issue of future Unlimited Ride Pass rates and potentially other fare changes at this (coming) TPC meeting. Subsequent to the TPC meeting, Common Council members added an amendment to the “Full Wrap” advertising resolution indicating that they preferred to see no fare increases in 2007 in view of added revenues which are estimated to become available to Metro from full wraps.

The following information addresses the current status of fares in general, special event fares/revenues/costs (per prior request), and information about Unlimited Ride Pass Agreements to provide TPC an opportunity to determine what it might like to do in the longer term with respect to passenger revenues which come through contracts as well as the farebox.

I. Fare changes which became effective 08/09/05:

	<u>Old Fares</u>	<u>New Fares</u>
<u>Adult</u>		
Cash	\$1.50	<u>No change</u>
One day pass	--	\$3.40
31-day pass	\$39.00 ¹	\$47.00
10-ride card	\$11.00	\$12.00
<u>Youth</u>		
Cash	\$0.85	\$1.00
Semester pass	\$95.00	\$125.00
10-ride card	\$11.00	\$12.00
<u>Senior/Disabled</u>		
Cash	\$0.75	<u>No change</u>
10-ride	\$7.50	<u>No change</u>
<u>Paratransit Fares</u>		
	\$2.00/\$3.00	<u>No change</u>
2-4-\$6	-- ²	\$6.00
Uld Ride Pass rate/trip	\$.825	\$.880 ³
Special event fare	\$3.00	<u>No change</u>

Some fares – like Special Event Fares (see further discussion below) may be changed without a lot of lead-time as “stand-alone changes”. Other fare structure adjustments should be made within the context of a systematic fare structure change as they are part of dynamic system of fare relationships. Additionally, Fixed Route Elderly/Disabled and ADA Paratransit fares are subject to federal regulations and must be established according to what is charged for the adult cash fare.

¹ This was a “monthly” pass.

² There was no specific fare. Theoretically whatever fare instrument an adult used was viable for up to 2 adults and four children.

³ New rates went into effect for each Unlimited Ride Pass Agreement which came up for renewal after 08/09/05 - on their renewal dates.

II. Special Event fares

In January 2004, Special Event fares were increased from \$2.00 to \$3.00 in an effort to bring revenues in line with costs for Rhythm & Booms, Football, and other special shuttles. After many years of running in the red, Football Shuttles ran in the black by a small amount - \$4,172, in 2004. The Rhythm and Booms event was rained-out in 2004 – producing a major shortfall (\$27,266), so we were not able to see the effect of the special event fare increase on Rhythm and Booms.

In 2005, revenues fell short of expenses for both Rhythm & Booms and Football shuttles - reflecting the impact annual cost increases on the bottom line. We can expect a shortfall in 2006 and into the future for the same reason. Exceptional fuel cost increases will further exacerbate the situation.

<u>2005</u>	<u>Rhythm&Booms</u>	<u>Football</u>
Revenues:	\$14,799.38	\$60,583.75
Expenses:	\$16,543.64	\$65,885.33
Net: :	(\$ 1,744.26)	(\$ 5,301.58)
Ridership:	9,866	35,989

The question is – would you prefer to wait for a special event fare change to be implemented in 2008, or at some point earlier? As previously mentioned, this can be considered as a stand-alone fare as it is not a part of the regular fare structure dynamic. Since special event fares need to be collected by hand because of the shear volume of passenger boardings*, they must increase in dollar increments. So, if special shuttle fares were increased in 2008 (or earlier), the fare would need to go from \$3.00 to \$4.00 or \$5.00.

Note: * Round-trip cash fares for Rhythm & Booms and Football shuttles are hand-collected by Operations Supervisors before the events (and then fed into fareboxes) to accommodate necessary speed of boardings and change making. Post-event, passengers board free-of-charge in order to expedite a large crush of passengers, and expedite departure and return of shuttle buses for further boardings.

III. Unlimited Ride Pass Agreements

As noted in the Chart in Section I, the current Unlimited Ride Pass rate (\$.88) went into effect for all contracts when they came up for renewal. With the exception of the 3-year UW/ASM agreement (which comes up for renewal for the first time in late August of 2007), the new rate goes (or has already gone) into effect at the point of contract renewal in 2006.

Unlimited Ride Pass Agreements have had a substantial impact on the growth of ridership and passenger revenues in recent years.

- Overall Unlimited Ride Pass Agreement ridership (YTD April) is 59.3% of total system ridership in 2006.
- Since 2001, annual fixed route ridership from Unlimited Ride Pass Agreements has increased by 1,173,526 trips - 92.8% of total ridership growth since then.
- Annual Unlimited Ride Pass contract revenue has increased by \$1,010,202 (for fixed route trips) in that same period.
- Passenger revenue growth from Unlimited Ride Pass Agreements in 2007, without any further increase in the rate/trip, is projected to be \$338,248. Increased revenue comes from increased ridership and the impact of the latest rate increase.

It is important to note that our partners in Unlimited Ride Pass Agreements voluntarily enter into these agreements. They offer the passes free of charge to all students (UW/ASM, MATC, Edgewood College), all employees (UW/UW Hospital, St. Marys Hospital, City of Madison), or both (Edgewood College).

The Agreements have been the single most influential reason for growth of ridership and passenger revenue for Metro Transit over the past five years.

Beneficiaries of these agreements are:

- The rider – who may take unlimited trips during the course of the semester/year free of charge;
- The transit system – which has seen dramatic increase in ridership and related revenue over the years from these institutions;
- The institution – which benefits from helping students get to/from campus from off-campus housing, from a reduction of pressure on limited parking facilities, and from reduced traffic congestion around campus.
- The City of Madison – which is a major beneficiary in reduced traffic congestion.

It is my professional opinion that the rate for Unlimited Ride Pass Agreements should not go up unless it is done within a context of Metro cost increases. And if it is done within the context of Metro cost increases, other fares - especially those which have not kept up with cost increases - should be increased as well. Since Metro has been given an opportunity to substantially increase its advertising revenues in 2007 by allowing “full wraps”, I’d like to suggest that implementation of a fare structure change, including a new Unlimited Ride Pass rate, be deferred to January 1, 2008 (or thereafter). By then, Metro costs will have gone up 6-8% (from 2006).

If you decide to leave the rates for Unlimited Ride Passes as they are at present - for 2007, I will use that rate for 2007 budget preparation purposes, and to calculate estimated costs for the City of Madison Employee Unlimited Ride Pass Agreement for 2007. The City’s Employee Unlimited Ride Pass Agreement is the first to go into effect each year - in January.

However, if you decide to change the rates for 2007, it is important that they be changed now so that I can build that figure into the 2007 budget, and calculate those estimated costs for the City of Madison Employee Unlimited Ride Pass Agreement for 2007. The one thing you don’t want to do is have a different rate for the City of Madison (as the first contract renewal of the year) from other Unlimited Ride Pass Agreement renewals.

If you decide to have rate change(s) in the years 2008 through 2010, you will need to decide what those rates should be this fall (or possibly winter) – in time for the negotiation with ASM students which starts in the early spring. ASM (Associated Students of Madison – i.e. student government) has always expressed a preference for 3-year agreements to best meet its needs in establishing student “Seg” fees. Following our past pattern, the next Agreement would have a term running from Aug 2007 through August 2010. Specific rates for change anytime during that three-year term would need to be recorded in an adopted Metro Fare Tariff before contract negotiations begin this spring w/ASM.

If you target January, 2008 for an Unlimited Ride pass Agreement rate change, any agreements negotiated this spring could be set up to have the new rate go into effect January 1, 2008. At the same time, TPC could commit conceptually to a broader fare structure change for implementation on January 1, 2008 with details for broader changes to be worked out at a later time, that is - *if you agree with my premise that Unlimited Ride Pass rate increases should relate to costs and that broader fare increases should be implemented at the same time to address those same cost increases.*

Perhaps now would be a good time to consider establishing a conceptual goal of making fare structure changes (including Unlimited Ride Pass Rate changes) every two or three years. I realize my previous attempt to gain TPC approval for annual fare changes to keep up with costs was controversial. Perhaps a commitment to make those changes on a regular basis every two or three years will be less so. You

have a somewhat better feel now for the difficulty in city budget discussions when Metro's overall operating costs go up (through normal cost increases) by \$1,000,000 or more per year.

In any case, I think that setting future rates for Unlimited Ride Pass Agreements should be established within a conceptual framework of increases in other fares as well. Metro should take care not to kill the goose (Unlimited Ride Pass Agreements) which laid the golden egg (the majority of ridership and passenger revenue increases) these past five years, and not to discourage the application of such agreements to other potential groups – the State, other large employers and employer associations in the future. FYI, we have begun discussions with the State, WPS, and a potential umbrella agency for a group of small employers concerning future Unlimited Ride Pass Agreements.