

Appendix K: Fare Change Policy

RESOLUTION NO. 15-11- 0129

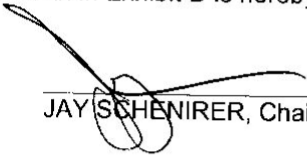
Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

November 9, 2015

APPROVING FARE CHANGE POLICY

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

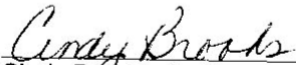
THAT, the Fare Change Policy set forth in Exhibit D is hereby adopted.



JAY SCHENIRER, Chair

ATTEST:

MICHAEL R. WILEY, Secretary

By: 

Cindy Brooks, Assistant Secretary

FARE CHANGE POLICY

Sacramento Regional Transit

District

**Policy Date:
11/09/15**

Sacramento Regional Transit District

Fare Change Policy

I. Introduction

The purpose of the Fare Change Policy (Policy) of the Sacramento Regional Transit District (RT) is to establish guidelines for planning and implementing fare changes. This Fare Change Policy confirms the commitment of the RT Board of Directors (Board) to adhere to sound financial management practices, including prudent planning and management of fares and associated revenues, financial capacity and customer interests. RT's fare policies and procedures are subject to and limited by the applicable provisions of State and Federal law, and funding regulations.

This Fare Change Policy is intended to work in concert with other RT fiscal responsibility policies, including farebox recovery, comprehensive reserves, and fiscal sustainability.

II. Fare Change Policy Objectives

The primary objectives of RT's fare change activities are to:

- Support long term financial planning, by providing a predictable and consistent fare change practice, resulting in sustainable transit services to the public;
- Provide sufficient fare revenues to meet, in conjunction with other available operating and capital funds: customer service needs; local match for capital; fiscal obligations (including debt); and grant requirements each and every year;
- Consider changes in customer income and ability to pay, approximating general pay and benefit increases, providing customers greater predictability of modest fare changes to ease personal budgeting;
- Consider the costs of competing modes of transportation (e.g., mileage and parking costs of automobiles), and other factors valued by potential customers of transit;
- Maximize ridership while meeting financial requirements and other RT goals;
- Support attainment of farebox recovery targets in a consistent and predictable manner; while providing transit services below cost to the public;
- Consider equity and affordability for disadvantaged populations, discounting strategy for target populations and the ability to attract new riders; and
- Comply with applicable laws and funding regulations, including Federal Title VI and California funding regulations which set minimum farebox recovery standards.

III. Scope and Authority

This Policy governs the planning, adoption and execution of all fare changes. The Board retains control over all final fare change decisions. Staff will consistently plan for fare changes, analyze fare change options that meet revenue needs and other goals, gain public input, make recommendations to the Board, and implement the decisions of the Board. Staff will also include planned changes to the average fare in the long-term financial plan supported by RT's Financial Forecasting Model every other year.

IV. Context for the Fare Change Policy

Generally speaking, RT's costs increase as a result of inflationary pressures each year. RT will continue to practice sound fiscal stewardship and pursue cost savings initiatives to slow the rate of cost growth, as indicated in the fiscal sustainability policy. Most of RT's revenues do not increase automatically with inflation, and require adjustment to maintain purchasing power and support RT's operations.

Transit rider income also tends to grow over time through wage and salary growth, as well as through indexed government benefit levels (e.g., social security, welfare, unemployment, disability). The Average Wage Index (AWI) tracks wage and salary growth and the consumer price index for wage earners (CPI-W) drive government benefit levels. The two numbers are generally quite close, each ranging between -1 percent and 4.5 percent annually over the prior decade.

The overall intent of this policy is to plan for a series of routine, modest fare increases every other year. Small, regular fare increases offer many benefits. Riders will become aware that transit prices, like other costs, increase routinely and they can plan for those changes. The smaller increases made possible by more frequent fare changes are easier to absorb in consumer budgets, whose income also generally increases modestly. Lending institutions and credit rating agencies base RT's credit risk in part on fare revenue trends, and executing a policy of routine, modest increases provides the steady, predictable revenue stream that financial analysts' value. Grant making organizations require local match and sometimes local reserves, and farebox revenues are a significant revenue source for such purposes. A series of modest, predictable fare increases provides the opportunity to fund local match to maximize grant revenue. RT needs a steady, predictable income stream to plan, provide, and sustain quality services; fares represent RT's largest source of controllable income.

V. Approach to Fare Change Planning

Staff will plan a fare change every two years, based on the criteria set out below, and will include this intent in the long-term financial plan, budget documents, grant applications (as appropriate), short-range service plans, and public communications and marketing materials.

Determining whether and by how much to increase the average fare every two years will have three components. First, the average fare will be adjusted for inflation, considering federal indices like CPI-W for urban areas and AWI, as well as changes to RT's cost per passenger boarding, over the two-year period between fare changes.

Second, RT will make appropriate adjustments to the average fare to at least meet legal and regulatory requirements for farebox recovery. Third, if RT's Board has adopted a goal to change the farebox recovery ratio within an associated timeframe (as specified in the Farebox Recovery Policy), RT will make additional adjustments to the average fare to achieve that goal. Note that if no average fare increase is needed to meet all three components, RT's Board may decide to forgo a fare change during that period, or change the structure while holding the average fare constant.

Long-term financial planning uses a percentage change to the average fare and system-wide average elasticity to estimate ridership and revenue. Planning and implementing a fare change requires looking at the fare structure and how individual fare elements might or might not change to achieve the new

average fare. Fare elasticity (which measures how different rider groups expand and contract as a result of fare changes) varies by rider group and fare payment method used. For example, longer trips are less elastic than shorter trips, peak period trips are less elastic than off-peak trips, and work trips are less elastic than non-work trips. Staff will use changes to the fare structure to maximize ridership while meeting the fare revenue goal. Staff will seek to develop a mix of fare structure adjustments based on, but not limited to, the following considerations:

- Price of transit services relative to other modes;
- Differential pricing (e.g., distance based, type of service, zone, time based);
- Discount strategy (e.g., how many and how deep discounts should be by market sector; compliance with federal regulations; potential discount support from other agencies, civic organizations and foundations);
- Ratio of the average fare per passenger to the nominal base fare (as an indication of the overall level of discounting, including fare evasion);
- Bulk/loyalty pricing (e.g., monthly, weekly, daily passes; high cash loads on the Connect Card® or other reloadable payment device);
- Convenience pricing (e.g., round-trip and one-way fares; transfers; day passes);
- Transfer and joint fare agreements with other operators;
- Partner support (e.g., employee transit benefits, embedded fares in venue tickets, social service ticket subsidies);
- Ease of understanding (e.g., passenger comprehension of fare options and privileges);
- Ease of payment (e.g., coinage multiples, credit/debit, currency and coins);
- Ease of enforcement (e.g., ability to determine and enforce appropriate fare payment, and minimize fraud and theft of service);
- Administrative and implementation considerations (e.g., media stock and delivery costs and lead times, ticket expiration dates, machine reprogramming costs and constraints, costs for printing and signage, cash handling and credit card processing fees); and
- Equity among demographic groups (e.g., determination based on review relative to Title VI of the Civil Rights Act of 1964).

VI. Public Involvement

Prior to request for Board adoption, staff will schedule, conduct outreach, and solicit public input in accordance with RT's Public Participation Plan. RT's outreach effort will include a 30-day comment period on the proposed changes and the accompanying federally required Title VI fare equity analysis. Prior to holding the public meetings, RT will prepare and distribute a notice to riders and members of the public.

The public notice must include:

- A title and brief description of the proposed changes and a statement that RT is seeking public comments;
- Notice of documents available for review (e.g., draft fare structure proposal(s), Title VI equity analysis, and/or environmental documents);
- The date, time, and location of the public meeting(s) and transit routes serving the location;
- Contact information and where to find additional information; and
- The final date and time to submit comments.

RT will post the notice on RT's web site and will accept comments on the proposed fare changes for at least 30 calendar days. The notice will be posted in English as well as any non-English languages determined by RT policy on language assistance. RT will also provide information on the hearing in RT vehicles, at major stops and stations, to applicable mailing list subscribers, and in RT's monthly newsletter, Next Stop News, if time permits. RT may also notify riders through press releases or through social media.

Upon request, and given advanced notice of at least 3 business days, RT will provide an interpreter (including sign language) at the public meeting. RT's Language Line service also provides interpretation services over the phone for patrons calling for additional information, to make comments, or to arrange interpretation services at the public hearing.

Comments received through the public meeting(s) and comment period will be analyzed, evaluated, and reported to the Board. Changes may be made to the recommended fare structure and pricing, and/or additional options considered as a result of public input.

VII. Compliance with Regulations

In adopting fare changes, RT will comply with all relevant laws and regulations governing fares, discounts, and farebox recovery. Among these are:

- Federal Title VI of the Civil Rights Act of 1964 and Executive Order 12898, addressing equity;
- The California Transportation Development Act, as amended (primarily those provisions addressing farebox recovery);
- Federal funding guidelines addressing fare discounts; and
- Sacramento Area Council of Governments (SACOG) funding requirements addressing fare discounts.

RT's process for conducting a fare equity analysis to comply with Title VI and Executive Order 12898 with respect to fare changes is set out in Appendix A, Fare Equity Analysis.

VIII. Implementation of Fare Changes

Given the intended frequency of fare changes, staff must examine how and where fare levels are posted and communicated. The intent is to clearly convey current fare levels and plans for routine, modest changes, efficiently. In addition to posting fares on ticket vending machines, staff will post current fares on-line and guide customers to that site in marketing and communications materials. Staff will likewise strive to minimize the administrative burden and cost of changing fare media, by leveraging technology solutions like mobile phone and smart card payment mechanisms.

IX. Outcome Reporting

Actual revenue results sometimes vary from plans and projections, and staff will routinely report fare revenue results versus the plan to the Board of Directors. At minimum, such performance results will include average fare per passenger, farebox recovery, total ridership, and total fare revenue, all versus the long-term financial plan (shows compounding impact of differences between planned and actual fare revenues) and the current year budget. When appropriate, staff will recommend changes for Board consideration at mid-year and annual budget reviews.

APPENDIX A

FARE EQUITY ANALYSIS

Requirements

Under Title VI and Executive Order 12898 RT is required to conduct an equity analysis prior to the adoption of fare changes (including fare reductions), with the exception of Spare the Air days, temporary fare reductions that are mitigating measures for other actions, and promotional fare reductions lasting no more than six months. Paratransit and dial-a-ride fares are also outside the scope of FTA's Title VI fare equity analysis program. Title VI and the Executive Order require RT to establish a locally-developed definition for determining disparate impacts/disproportionate burdens (DI/DB) on minority/low-income populations, including a threshold for statistical significance.

Disparate Impacts

If a statistically significant adverse effect on minority populations is found to be likely, under Title VI RT must provide a substantial legitimate justification, including a finding that there are no alternatives that would have a less disparate impact on minority riders but would still accomplish RT's legitimate program goals, before adopting the changes.

FTA defines a minority person as anyone who is an American Indian or Alaska Native, Asian, Black or African American, Hispanic or Latino, or Native Hawaiian or other Pacific Islander.

Disproportionate Burdens

Executive Order 12898 on Environmental Justice requires RT to analyze proposed changes to the fare structure to determine if they are likely to result in a disproportionate burden on low-income populations. A finding of disproportionate burden requires RT to take steps to avoid, minimize, or mitigate impacts where practicable and to describe alternatives available to low-income passengers affected by the changes.

FTA defines a low-income person as a person whose household income is at or below the U.S. Department of Health and Human Services (HHS) poverty guidelines. The HHS definition varies by year and household size. For 2012, poverty guidelines ranged from \$11,170 for a single-person household to \$38,890 for a household of eight. The poverty guidelines for a household of four were \$23,050.

FTA encourages transit agencies to use a locally-developed threshold for low-income status, provided that the threshold is at least as inclusive as the HHS poverty guidelines. Since survey data does not always include household size or exact household income, RT shall, when necessary, define low-income status according to the poverty guideline for a household of four, rounded up to the nearest bracket boundary. For example, if household income data is available in \$15,000 brackets, RT will consider household income less than \$30,000 to be low-income.

Definitions and Methodology

RT uses two different surveys to capture information on fare payment. First, an annual fare survey provides an estimate of ridership by mode and fare type, both in absolute and percent terms. Second, at least once every five years, RT conducts an on-board passenger survey that includes fare type, ethnicity, and household income.

When a fare change is proposed, RT uses data from the annual fare survey to determine ridership by fare type, media type, and mode (bus or light rail). Using data from the on-board survey, this data is further split into subsets for minority and low-income riders. RT then prepares a table comparing all fare categories to one another, including percent use by minority and low-income populations, and the proposed percent increase in fare.

Disparate impacts from fare changes are determined by comparing the average fare for all minority riders (aggregated over all fare types) to that for non-minority riders. RT's Title VI goal is for the percent increase in average fare for minority populations to be less than or equal to that for non-minority populations in the case of a net fare increase. In the case of a net fare decrease, the goal is for the percentage decrease in average fare for minority populations to be equal to or greater than that for non-minority populations. A disparate impact may exist if there is a statistically significant deficiency from this goal. RT defines a deficiency as statistically significant if the rates of change differ by more than 20 percent.

As an example, assume an increase is proposed to RT's single, daily, and monthly fares. RT's analysis finds that the rate of increase to the overall average fare for non-minority populations is likely to be 10 percent. Differences exceeding 2 percent (20 percent of 10 percent) are considered statistically significant. Therefore, if the rate of increase in overall average fare for minority populations exceeds 12 percent, there may be a potential disparate impact.

If a potential disparate impact on minority populations exists, then the fare change may be implemented only if (1) a legitimate justification has been prepared in written form, and (2) there are no alternatives that would have a less disparate impact on minority riders but would still accomplish RT's legitimate program goals.

Disproportionate burdens on low-income populations are determined in like fashion. If a potential disproportionate burden on low-income riders exists then RT must take steps to avoid, minimize, or mitigate impacts where practicable and must also describe alternatives to low-income passengers affected by the fare change.

Review and Approval

The Title VI fare equity analysis must be approved by the RT Board prior to adoption of any fare change, except as exempted above. Upon adoption of the equity analysis and the fare change, RT will retain records documenting the RT Board's consideration, awareness, and approval of the Title VI equity analysis.