

Spokane Transit Authority
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CITIZEN ADVISORY COMMITTEE
Meeting Minutes for April 9, 2008
Northside Conference Room

MEMBERS PRESENT

Fyrne Bemiller
Victor Frazier
Elaine Hoskin
Dean Lynch
Brenda Smits

STAFF PRESENT

Steve Blaska, Director of Operations
Naomi Dunning, Executive Assistant
Gordon Howell, Planning & Grants Manager
Susan Millbank, Ombudsman
Jim Plaster, Director of Finance & Administration
Ryan Stewart, Planner

MEMBERS ABSENT

Margaret Jones
David Swalling

1. CALL TO ORDER AND INTRODUCTIONS (Dean Lynch, Committee Member)

Chairman Swalling was not in attendance for this meeting. Committee Member, Dean Lynch called the meeting to order at 5:05 p.m.

2. MINUTES OF CITIZEN ADVISORY COMMITTEE – CORRECTIONS OR APPROVAL

Mr. Lynch asked the Committee to address the meeting minutes of March 12, 2008.

The Committee reviewed and approved the minutes by consensus.

3. Tariff Policy - Fare Elasticity Model

Mr. Plaster began by thanking the CAC for their vigorous discussion on the fare elasticity model at the last meeting and indicated the Committee will see a slight shift in staff's recommendation as the model has moved from a blended .043 factor, to a range of elasticity factor for the Committee's consideration. Mr. Plaster introduced Mr. Stewart to further discuss the model.

Mr. Stewart presented to the Committee, a fare elasticity model with a low range of -.20 and a high range of -.50. These ranges were processed with two across-the-board increases (25% and 50%). The estimated results reviewed were: Average Fare Increase; Change in Ridership; Percent Change in Ridership; Increase in Revenue; Percent Increase in Revenue; Base Farebox Recovery Ratio; New Farebox Recovery Ratio; Base Average Fare; New Average Fare.

Mr. Stewart stated that this approach is the low and high end of forecasted changes as far as impact to ridership and revenue. A higher elasticity factor equates to a more severe reaction by the riding public. Based on the level of fare increase, it will likely result in a greater loss in ridership and a lessened increase in revenue.

	low elasticity (-0.20)	high elasticity (-0.50)
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Average Fare Increase	25%	50%	25%	50%
Change in Ridership	(438,292)	(847,499)	(876,583)	(1,694,997)
% Change in Ridership	-4.6%	-9.0%	-9.3%	-18.0%
Increase in Revenue	\$ 1,049,419	\$ 1,873,814	\$ 618,194	\$ 877,519
% Increase in Revenue	18.3%	32.6%	10.8%	15.3%
Base Farebox Recovery Ratio	16.2%	16.2%	16.2%	16.2%
New Farebox Recovery Ratio	19.0%	21.2%	17.8%	18.5%
Base Average Fare	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64
New Average Fare	\$ 0.75	\$ 0.89	\$ 0.74	\$ 0.85

Note: a fare elasticity of -0.20 means that a 10% increase in fares would result in a 2% decrease in ridership

The low and high percentages demonstrated in the grid are for illustrative purposes only to show the impact of different assumptions. There are three primary factors that impact the fare recovery ratio: ridership, fare levels, and operating expense. A 2007 baseline has been used for all three factors in this modeling effort.

Mr. Stewart reiterated that this model is not set in stone, and is why staff is recommending ranges so the Committee may conceptualize certain estimated outcomes with changes to the fare structure.

Another table was presented by Mr. Stewart, with a special focus on product types, i.e. Adult Pass, Student/College Pass, etc. based on the low end of the elasticity range (-.20) (shown below). This is a preliminary, non-weighted look at an increased fare structure. Note that the numbers have been rounded to avoid an odd amount for each fare classification.

Option VTPI (short term low end)

Category	Current Price	Amount Increase	% Increase	New Price
Adult Pass	\$ 33.00	\$ 9.00	27%	\$ 42.00
Student/College Pass	\$ 26.00	\$ 6.50	25%	\$ 32.50
Eagle Pass	\$ 25.94	\$ 6.56	25%	\$ 32.50
County Pass	\$ 22.50	\$ 6.00	27%	\$ 28.50
City Ticket	\$ 19.00	\$ 5.00	26%	\$ 24.00
Adult Cash	\$ 1.00	\$ 0.25	25%	\$ 1.25
Adult 2 HR Pass	\$ 1.00	\$ 0.25	25%	\$ 1.25
Youth Pass	\$ 26.00	\$ 6.50	25%	\$ 32.50
Youth Cash	\$ 1.00	\$ 0.25	25%	\$ 1.25
Youth 2 HR Pass	\$ 1.00	\$ 0.25	25%	\$ 1.25
VIP Pass	\$ 16.50	\$ 4.50	27%	\$ 21.00
VIP Cash	\$ 0.50	\$ 0.10	19%	\$ 0.60
VIP 2 HR Pass	\$ 0.50	\$ 0.10	19%	\$ 0.60

Non-weighted average fare increase 25%

	Amount	% Change
Change in ridership =	-438,292	-5%
Increase in revenue =	\$ 1,049,419	18%
Base Farebox Recovery Ratio =	16.2	
New Farebox Recovery Ratio =	19.0	17%
Base Average Fare =	\$ 0.64	
New Average Fare =	\$ 0.75	18%

Mr. Frazier asked what the rate for VIP pass is. Ms. Millbank replied that it is 50% of a single adult fare. Mr. Stewart reminded the Committee that currently STA is not charging differently between peak and non-peak hours.

Mr. Lynch verified with Mr. Stewart that the Committee can pick and choose a price for any of the fare categories, with one being at a 20% increase, and another may be at a 50% increase. Mr. Stewart confirmed that this can be done.

Mr. Lynch asked for an explanation of the difference between Adult Cash, Adult 2 Hour Pass. Mr. Blaska informed that Adult Cash is a purchased ride at the farebox, but they do not request a 2 Hour Pass. The Adult 2 Hour Pass is with a request for a 2 Hour Pass or a transfer. It is a way of collecting data for ridership and helps track transfers. From a fare structure standpoint, there wouldn't be a large difference in the model.

Ms. Millbank stated that the model suggested charge of \$.60 for a VIP Cash Fare and VIP 2 Hour pass seemed to discourage the use for passes.

Mr. Plaster replied that the current engineering is to show the existing relationships between the various passes. This is to be used as an example and can be manipulated as the Committee moves along.

Mr. Blaska added that the 2007 use of these fare categories is loaded into the model such that if the Monthly Pass were to be raised higher than the Day Pass or the 2 Hour Pass, the model would then generate the revenue.

Mr. Stewart said that the discount is also figured into the model and would change accordingly as new numbers are input into the program.

3. Tariff Policy – Fare Increase Work Session

Mr. Lynch addressed the next item on the Agenda regarding discussion as to increase fares or not.

Mr. Blaska suggested to discuss an adjustment to the project calendar toward the end of the meeting, as the Committee is not time constrained due to the timing of the upcoming ballot measure for Sales Tax Reauthorization, and there is at least two months leeway for this discussion.

Mr. Blaska continued by stating that a sub-question to the fare increase is whether to look at the fares incrementally or establish revisions all at once. He offered that the implementation could be spread out over 1 to 2 years. Mr. Blaska referred to the news articles forwarded via email to the Committee regarding other transits raising their fares, and suggested that the Committee is in a fortunate position because STA is not in a crisis. Other transits are raising fares and implementing the increase in a short turnaround, this is not something STA would want to put the Spokane community through. He offered that STA is not in a time crunch to put forth a fare increase and can be deliberate with time.

Ms. Hoskin asked Mr. Plaster what the amount needed is to keep above the established level of reserves. Mr. Plaster replied that the latest forecasting presented to the Board in December, showed a \$2.6M “opportunity fund” where STA had not dropped below the designated reserves in 2012. There is some recovery projected beyond 2012 and then as the model shows in 2020, there is another drop below the reserves. Mr. Plaster shared that the sales tax budgeted for 2008 is not coming in as projected, which is common throughout the region. A 3.5% growth was budgeted for the 1st quarter, and the actual is showing a negative 1.6%. In summary, the \$2.6M is probably in jeopardy as it currently stands, however, there needs to be an update to see exactly where it stands at this point.

Ms. Hoskin submitted that operating costs are going up. Mr. Plaster replied that while they are going up, through February on the budget variance analysis, there is still a favorable budgetary operating expense variance. Mr. Plaster said that there could be a shift in March, and will provide an update to the Committee following the closing of March numbers.

Mr. Blaska spoke about the target rate of 20% farebox recovery ratio, and stated that the fare structure is not going to rescue STA on a long term basis. If in the future, the community desires a significant amount of more service, then the way to fund a large service increase, would be an increase of taxes, or federal funding. He continued by stating that the fare revenue provides a short term (over the next five years) ability to meet some of the stated needs in the community and demands on increased ridership. Mr. Blaska said that he thought the ridership would recover faster than the model has projected.

Mr. Plaster shared that one of the reasons he believes the range on the fare elasticity model works well, is because of previous experience in fare increases, where the level of ridership reduction was not as large as the model had forecasted. He continued by stating that this doesn't mean that today is like yesterday, this is a tool to work with, not a guarantee. However, with the increasing fuel prices, numbers are showing ridership sustaining at 39,000 per day vs. 32,000 per day just a few months ago.

Ms. Hoskin talked about a recent article in the Journal of Business and questioned the need for a fare increase.

Ms. Smits offered that originally the Committee set the goal to be a 20% farebox return.

Ms. Hoskin argued that setting the goal is a metric to use as a comparison to other transits, however, the budget/finances are telling us whether there is a need to increase.

Ms. Smits stated the amount of money coming from the farebox return is still a small piece of the big picture. So whether the percentage is set at 16% or 20%, the amount recovered is not much more.

Dean Lynch stated that the goal of 20% set was based on an industry standard.

Mr. Blaska submitted that King County Metro's published goal is around 22-25%, and they are recovering approximately 19%. Mr. Blaska added by stating in the original Tariff Policy, the farebox recovery ratio is the counter balance to define the constraints of what to recover. Mr. Blaska reminded that the philosophy of the tariff policy, confirmed by the committee, is to increase ridership.

Ms. Smits said that this goal can be changed.

Mr. Plaster suggested that the tax reauthorization may have significant impact limitations to this goal.

Mr. Lynch added to keep in mind that adding buses and drivers adds costs as the ridership increases.

Ms. Hoskin submitted that the increase cost would be absorbed and would still not be below the reserve line.

Mr. Blaska offered that the TDP does not account for a change in service and there is not a lot of capability to change frequency of routes, increase ridership, etc. Mr. Blaska is concerned about the current finance projections sustaining a level of service in response to the demonstrated increase of ridership, as this was not anticipated.

Mr. Plaster noted that going forward, the forecast model already presumes an annualized 2.5% fare structure increase, implemented each 5th year.

Ms. Smits said that even if there was not an increase in anything, if the goal was to raise money at the farebox then we would still pursue raising some type of fees in order to accomplish this goal, regardless of the projections.

Ms. Hoskin shared that she would pay more, and asked how you balance the willingness to pay more vs. those that can't afford to.

Mr. Plaster added that the monthly regular users are the riders who are most sensitive to the increase as opposed to the occasional rider who may need to use the bus when their car is under repair. Some agencies, at times, have raised the cash fare and left the monthly passes alone. As the model can be changed by product type, this is something that can be considered.

Mr. Lynch stated that the Committee is at a point where they need to decide to increase or not. And stated that there are factors in whether to decide now or not. Mr. Lynch suggested that the Committee could postpone this decision until after the May election due to having extra time available.

The Committee discussed various outcomes based on the election and revisited the original thoughts behind the initial work performed by the Committee, i.e., determining the Tariff Policy, and the farebox recovery ratio.

Ms. Smits suggested looking at increasing the peak VIP and Express, lowering Student passes, creating a Weekend Pass, etc.

Mr. Lynch said that this brings another approach and offered to discuss each one of the passes, deciding to raise, lower or keep it. Looking at each one of the categories on an individual basis, representing the consumer as a rider and also the consumer paying taxes for the riders.

Ms. Smits suggested to have the recommendation that the fares be reviewed regularly and to set a time frame in which to do so.

The Committee discussed the reasoning behind determining how to set the fares. No matter the reasoning it will be very difficult to please everyone.

Ms. Hoskin spoke about increasing in a mindful way over time to make it affordable to meet the farebox recovery rate without dipping into ridership.

Mr. Lynch added that the Committee didn't have the fare elasticity model when the original goal was set.

Ms. Bemiller offered that too much information may be confusing to the public.

Ms. Hoskin underlined that the explanation of the fare increase has to make sense in the minds of the critics.

Ms. Bemiller added that the critics have too much power.

Mr. Blaska suggested for the Committee to go through this thought process and get this reasoning calibrated in their own minds so there is a framework for where things are headed based on the process selected in order to explain logic and how the conclusion was made.

Mr. Lynch stated that even with a public hearing, it still could be changed, which is it's intent.

The Committee began to look at the Fare Structure Matrix – Working Aid for Tariff Policy Project. The fare products on the matrix reviewed were: 2 Hour Pass; Day Pass; Calendar Monthly Pass; City Ticket Pass; Summer Pass (Youth); Weekend; 3 Month Pass; Ticket Book; 31 Day Rolling Pass; 7 Day Pass; 14 Day Pass. The categories reviewed for these products were: Adult; Youth; VIP; Express.

Mr. Lynch asked about staff's feedback on changing the VIP fares on peak hours.

Mr. Blaska reminded the Committee that simplicity was one of the strategic statements and also what media would you use for a day pass, and questioned, would it be at the peak or non peak rate.

Mr. Plaster shared that the peak period is 6 a.m. to 9 a.m. and 3 p.m. to 6 p.m., however, the bus doesn't arrive at the residence or arrival at the same time, and what happens if the bus is late.

Following an in depth review and discussion of the Fare Products and Customer Categories, the Committee arrived at a very preliminary look of a revised fare structure. Note the suggested new Products (Weekend Pass and 3 Month Pass). This first look will be worked into the fare elasticity model demonstrated at this meeting and initial results will be shared at the next meeting in May. Below is the introductory work product from the April meeting.

FARE STRUCTURE MATRIX – WORKING AID FOR TARIFF POLICY PROJECT				
CUSTOMER CATEGORIES (“Customer Categories” list reviewed/revised at January 2008 meeting. Revisions are as shown below).				
PRODUCTS (“Products” list reviewed/revised at December 2007 meeting. Revisions are as shown below).	ADULT	YOUTH <u>Youth (6-18) riding alone – 1 fare</u> <u>Youth (6-18) riding w/adult - Free</u>	VIP	EXPRESS
TWO HOUR PASS \$1.00 (\$.50 VIP/PT)	1.25	1.00	.60	2.00
DAY PASS \$2.50	3.00	2.50	2.50	4.00
CALENDAR MONTHLY PASS \$33.00 (\$16.50 VIP/PT)	38.00	20.00	19.00	45.00
CITY TICKET PASS \$19.00	20.00	20.00	20.00	20.00
SUMMER PASS (Youth) \$39.95	N/A	40.00	N/A	N/A
WEEKEND (NEW)	5.00	5.00	5.00	N/A
3 MONTH PASS (NEW)	110.00	55.00	55.00	130.00

4. GENERAL BUSINESS - Public Expressions

No public expressions were given.

5. SET AGENDA FOR NEXT MEETING

- a) The next meeting is set for May 14, 2008.

- b) Mr. Plaster to provide 1st Quarter Financials.
- c) The revised Fare Elasticity Model will be reviewed.

7. ADJOURN

With there being no further business to come before the Committee, the meeting was adjourned at 6:58 p.m.

Respectfully submitted,

Naomi Dunning
Executive Assistant