The Fares Project: Board Summary Update

September 2017

The following synopsis is intended to provide UTA's Board of Directors (Board) with an update on the 2017-18 UTA Fares Project (Project). The Project was initiated in early 2017 in order to resolve a number of issues with UTA's fare collection system.

UTA has studied changes to the fare system and pricing in the past, most recently with Distance-Based Fare. However, the agency has not recently completed a thorough examination of the various components and opportunities associated with fare collection. Shortly after Jerry Benson became the CEO in fall 2016, he vowed to address customer concerns related to the fare system[1] and to improve the customer experience as it relates to fare collection through a comprehensive lens.

The primary intent of the Project is to examine ways to simplify the fares system in order to increase ease of use and understanding among UTA riders and potential riders. In addition, the Project will establish a recommendation for a comprehensive policy and strategy for UTA fare collection going forward.

Goals

The goals of the Project have been informed by the UTA Board and include the following:

- *Easy to use* - the ability to pay fare with a minimum of effort
- *Understandable* – the ability to understand the fare regardless of mode(s) used or distance traveled
- *Customer Desirability* – the attractiveness of the fare to the UTA rider and potential rider
- *Reflects Cost of Service* – the fare is representative of the comparative economic worth of the service
- *Promotes Ridership* – enables and attracts people to use transit
- *Affordable and Accessible*– fare products are available and accessible to persons at a transportation disadvantage, such as persons with low income
- *Maintains sustainable revenue stream* – ensures predictable revenue source
- *Compliance with Legal Obligations*– proactively integrate processes and procedures set by federal and state governing authorities (for example: Title VI)
- *Responsible Return on Investment* – consider fully-allocated investments in fare collection equipment
- *Positions UTA for the Future* – Changes and upgrades to the fare system position UTA to adapt to changing technology

Process

The Project timeline, from initiation to implementation is anticipated to last a total of twenty-three (23) months; from March 2017 through January 2019. Staff will spend a total of approximately seventeen (17) months, March 2017 through June 2018 refining the fare structure and agency fare policy. Following Board approval of recommendations from the Project in June 2018, staff will spend six (6) months planning for the implementation in January 2019.

The Project will be broken into six (6) major stages including two (2) phases of public engagement. These stages of the Project are as follows:

Stage 1 (March 2017 – July 2017): Investigate the fundamental issues of fare collection at UTA

Stage 2 (August 2017 – December 2017):
Develop the range of viable System Options
Initiate **Phase 1 Public Engagement Plan**
Refine to those System Options that are viable

[1] In 2016, three of the top five Customer Comments were Fare-Related. These are: issues with ticket vending machines (TVM), FAREPAY overcharges due to customer error, and FAREPAY over charges due to hardware or software issues.

Board consideration of approval to proceed with Stage 3

Stage 3 (January 2018 – May 2018):
Assign fare pricing to the recommended System Options
Initiate **Phase 2 Public Engagement Plan**

Stage 4 (June 2018): Presentation of Fare Policy and a recommendation for Preferred System Option to the UTA Board for consideration of adoption

Stage 5 (July 2018-December 2018): If a Preferred System Option is adopted by the Board, develop Implementation Plan

Stage 6 (January 2019): Implementation of Preferred System Option (conditional to Board adoption of Preferred System Option)

At the end of Stage 4, the Project will result in recommendations to UTA's Board on the adoption of a comprehensive Fare Policy and a Preferred Fare System Option. The Board will ultimately approve or reject any recommendations. As of the date of this memo, Stage 1 has been completed and Stage 2 has been initiated.

Current System

In 2016, UTA's operating budget was approximately $365 million, of which approximately $51 million comes from passenger fares (refer to Chart 1). Of the $51 million collected from passenger revenue, about $22 million comes from contracts UTA negotiates with partners in government, education, and business. The remaining $29 million (about eight percent of the operating budget) comes from riders paying on the bus, at the TVM, or purchasing a period pass, such as a monthly pass. While this $51 million and $29 million are small compared to the agency's overall inflow of $365 million, loss of revenue would impact the ability of the agency to provide adequate service.

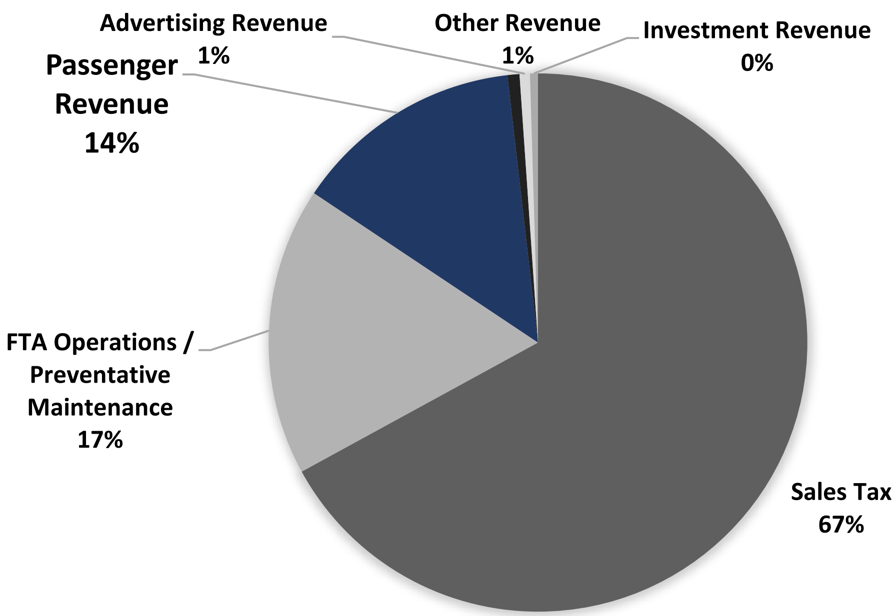

Chart 1: UTA Revenue Sources, 2016
Source: 2016 UTA Comprehensive Annual Financial Report (CAFR)

Revenue & Ridership, by fare type

Following are general proportions of average weekday ridership compared with revenue, by source:

- Revenue collected through cash, credit cards, and debit cards accounts for about thirty percent (30%) of passenger revenue in 2016. Ridership from these customers is approximately twenty-five percent (25%) of daily weekday ridership;
- Monthly pass sales represent nineteen percent (19%) of revenue and seventeen percent (17%) of weekday ridership;
- FAREPAY is an electronic fare collection (EFC) product available to the public at some area convenience stores and at UTA Customer Service locations. It allows loading of funds onto a smart card that can then be tapped upon system entry and exit for payment of fare. This product accounts for approximately eleven percent (11%) of revenue and twelve percent (12%) of ridership;
- Passes acquired by riders through a higher educational institution (Ed Pass) accounts for sixteen percent (16%) of revenue and thirty-one percent (31%) of ridership;
- Eco Passes are administered through employers to their workforce. This source accounts for nineteen percent of revenue (19%) and seven percent (7%) of ridership.

Findings from Stage 1

A brief summary of the findings of staff's initial research in the categories of peer agency trends, fare payment methods, and rider travel patterns are shared in the sections below.

Peer Agency Research

Staff researched peer transit agencies to understand their approaches to fare collection. The peer agencies studied include: King County Metro and Sound Transit of Seattle, Washington; RTD of Denver, Colorado; TriMet of Portland, Oregon; DART of Dallas, Texas; Metro of Minneapolis, Minnesota; Capital Metro of Austin, Texas; Metro of Houston, Texas; RTA of Cleveland, Ohio. In response to the Board's request, two international agencies; Calgary Transit of Calgary, Canada; and VAG of Freiburg Germany; were added. Peer agencies were selected based on a variety of reasons including: similar size, similar modes, common technology platform, or program reputation.

- It is common to have higher fare on more premium services, such as commuter rail; typically according to distance traveled and/or time of day.
- Approaches to changes in fare among U.S. peer agencies are largely increases to fare in order to cover gaps in operating costs. Sometimes, fare increases are mitigated for impact to low income persons through the development of programs to increase affordability.
- Measuring the cost of fare collection is not standardized across the transit industry, so it is difficult to compare costs between U.S. peer agencies.
- Many of the agencies who have electronic fare collection (EFC) are moving from a card-based to an account-based system, similar to what UTA has. In the past the cost of the EFC systems have been commonly underestimated prior to implementation. These differences in actual costs have caused some agencies to abandon smart card fare collection and/or to take legal steps against software vendors. Some view mobile ticketing as an alternative to a viable option for replacement of other EFC systems.

In summary, the approach to fare collection can differ greatly by agency, depending on the direction provided by the agency board in terms of priorities.

Fare Payment Methods

For UTA specifically, it has been determined that each fare payment method appeals to differing markets and that each has its own strengths and weaknesses... Following are some findings of the research.

- **Cash** collection on board is less expensive to collect for UTA when compared with other agencies. This is because the agency never upgraded fare boxes to include more technologically-advanced (although maintenance intensive) features. Many riders use cash either because it is their only means or because they consider it the most convenient method for less frequent use.
- **Credit cards** and **debit cards** use at TVMs is growing in recent years and fees associated with these transactions represent one of the largest growth in cost of collections for the agency. The use of cards at TVMs is convenient for customers who do not typically carry cash or have a pass or FAREPAY card.
- **Monthly passes** are widely used by a variety of customer segments including human services agencies as well as those purchased by the public. In recent years, monthly pass sales has declined, somewhat due to rider migration to FAREPAY. Monthly Passes provide benefit to the frequent rider in the form of a predictable cost for use of the UTA system. They also provide a predictable source of funding to the agency in comparison with a pay-as-you-go method. The product has a low cost of collection for the agency compared with other methods of payment. The method is more convenient than cash, as validation requires only visual inspection.
- UTA was at the leading technological forefront of **electronic fare card (EFC)** payment and validation and was among the first transit authorities in the world to implement an account-based smart card payment method. EFC offers a convenient method of validation for UTA riders and UTA bus operators, provided the software and hardware are working properly. The three main EFC product types at UTA are Eco Pass, Ed Pass and FAREPAY. The FAREPAY product is popular with customers due to its convenience, especially as it reduces the need to purchase tickets at TVMs. The product was released with a promotional rate. Either continuing or eliminating the FAREPAY promotional rate will need to undergo Title VI analysis and public hearings.
- **Mobile ticketing** may provide a convenient alternative to other fare media. Verification of valid mobile tickets could be visual and/or electronic validation. Mobile ticketing may reduce the need for validation hardware and may reduce customer dependence on TVMs. Approximately eighty-eight percent (88%) of surveyed UTA riders have a smart phone. UTA will launch a mobile ticketing application in fall 2017.

In summary, each method provides benefit to some portion of the current UTA rider segment. Overcoming the challenges associated with each method, specifically the potential benefit or impact to UTA riders, should be evaluated in any change going forward.

Travel Patterns and Payment

In order to understand the potential impacts of changes in fare structure, rate, or payment method, staff looked at the most common travel patterns among UTA riders and the proportions of payment utilized for travel in each of the top categories. Among the initial findings:

- **Cash/credit/debit card** is the most common method of payment for the top 3 most common trip patterns in the UTA system [1) One bus only; 2)One TRAX only, 3) bus-TRAX transfer]
- **University of Utah Eco Pass** use is the 2nd most common source of fare among the top two trip patterns for UTA riders [1) one bus only, 2) one TRAX only];
- For those trips that necessitate a transfer, **monthly pass** use occurs in larger proportion;
- **FAREPAY** exceeds monthly pass use in those journeys where one leg includes a FrontRunner trip
- **Eco Pass** and **Ed Pass** use is higher, proportionately, for those trips that include a transfer and/or include a FrontRunner leg.

In summary, any change to fare system considered should consider fare use among existing riders as well as opportunities to attract new riders.

Next Steps & Timeline

As previously mentioned, as of the date of this summary, staff has completed Stage 1 of the Project and is entering Stage 2. This includes Phase 1 of the Public Engagement Plan. The tasks associated with Stage 2 of the Project are listed below.

Stage 2 (August – December 2017)

August – September 2017: Development of viable System Options

September –October 2017: **Public Engagement Plan Phase 1**. UTA staff will consult with UTA riders and stakeholders to gather feedback on the Options.

Targeted groups for engagement:

- UTA Riders on-board or entering the system;
- Members of and advocates for persons traditionally underserved and/or at a transportation disadvantage including: People with disabilities, minorities, people who are low income, and veterans groups;
- General public;
- UTA front line employees including: UTA Operators, Fare Inspectors, and Customer Service.

Through Phase 1 of the Public Engagement Plan, staff will collect input and feedback from the target groups which will inform the qualitative analysis of the Project goals of Ease of Use, Understandability, and Affordability and Accessibility, as well as insight in relation to the other criteria, as applicable.

September – November 2017; Quantitative analysis. UTA internal staff to look at the potential impacts of each System Option in relation to the following Project goals: Ridership, Revenue, Cost of Service, Fare adjustment analysis, Legal obligations, Responsible Investment, and Positioning UTA for the future.

December 2017; CEO Jerry Benson will present a refined set of System Options to the Board to carry forward to pricing and further public engagement during winter 2017-18 and spring 2018.