



Finance, Administration and Oversight Committee

Action Item III-D

September 13, 2007

WMATA Fare and Revenue Policy
(materials to be provided at the meeting)

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

Action
 Information

MEAD Number:

Resolution:
 Yes No

PURPOSE

To request Board of Directors approval to conduct a series of public hearings on a proposed fare increase.

DESCRIPTION

The cost of Metrobus, Metrorail and MetroAccess services are funded in part by passenger revenues and in part by subsidies provided by the District of Columbia, the State of Maryland, local jurisdictions in Virginia and the Commonwealth of Virginia. The last Metro fare increase occurred on July 1, 2004.

FUNDING IMPACT

The estimated FY09 operating budget for Metrobus, Metrorail and MetroAccess currently includes a significant shortfall which the General Manager has recommended be addressed through state and local subsidy increases of 6.5 percent, and passenger revenue increases.

RECOMMENDATION

Staff recommends Board of Directors approval to conduct a series of public hearings on the proposed fare increase attached to the Board Resolution.

PRESENTED & ADOPTED:

SUBJECT: Public Hearings on Proposed Fare and Parking Rate Changes

PROPOSED
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, The Washington Metropolitan Area Transit Authority (WMATA) provides Metrobus, Metrorail and MetroAccess services to the residents of the region; and

WHEREAS, These systems combine to provide about 1.3 million passenger trips daily; and

WHEREAS, The Washington metropolitan region has come to rely on the services of the Metrorail, Metrobus, and MetroAccess systems to provide safe and reliable service to respond to the mobility and accessibility travel needs of the region for work and discretionary activities; and

WHEREAS, The cost of Metrobus, Metrorail and MetroAccess services are funded in part by passenger revenues and in part by subsidies provided by the District of Columbia, the State of Maryland, local jurisdictions in Virginia and the Commonwealth of Virginia; and

WHEREAS, The General Manager's estimated FY09 operating budget for Metrobus, Metrorail and MetroAccess services currently includes a significant shortfall; and

WHEREAS, The General Manager has recommended that the budget shortfall be addressed through state and local government subsidy increases of 6.5 percent, and passenger revenue increases; now, therefore be it

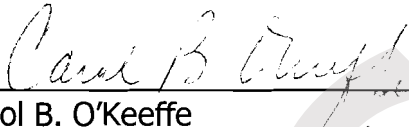
RESOLVED, That, in accordance with Section 62 of the WMATA Compact, the Board of Directors will conduct a series of public hearings on a proposed fare increase as shown on Attachment A to this Board Resolution; and be it further

RESOLVED, That the Board of Directors expressly reserves judgment on whether any of the proposed fare increases are appropriate or justified; and be it further

RESOLVED, That the Board of Directors authorizes the General Manager to report on the findings of the public hearings and that the Board of Directors shall consider these findings and public comments in their deliberations on a proposed fare increase; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel

| | Metrorail | Current Fare | New Fare | Revenue (millions) | Total |
|---------------------------|--|--|-----------------|---------------------------|----------------|
| Metrorail Peak | Increase boarding charge by 45 cents | \$1.35 | \$1.80 | \$50.0 | \$80.0 |
| | Increase charge for composite miles GT 3 but LE 6 by 6 cents | \$0.22 | \$0.28 | \$15.0 | |
| | Increase charge for composite miles GT 6 by 6 cents | \$0.195 | \$0.255 | \$12.0 | |
| | Increase maximum regular fare by \$0.60 | \$3.90 | \$4.50 | \$3.0 | |
| | Increase the charge for Senior/Disabled to one-half regular fare | \$0.65 -\$1.95 | \$0.85-\$2.25 | - | |
| | Subtotal | | | \$80.0 | |
| Rail Off-peak | Increase charge for first 7 composite miles by 40 cents | \$1.35 | \$1.75 | \$16.0 | \$26.0 |
| | Increase charge for composite miles GT 7 but LE 10 by 40 cents | \$1.85 | \$2.25 | \$4.0 | |
| | Increase charge for composite miles greater than 10 by 40 cents | \$2.35 | \$2.75 | \$6.0 | |
| | Subtotal | | | \$26.0 | |
| PASSES | Increase price of the One Day Pass | \$6.50 | \$8.00 | | \$10.0 |
| | Increase price of the Weekly Short Trip Pass | \$22.00 | \$27.00 | | |
| | Increase price of the Weekly Fast Pass | \$32.50 | \$40.00 | | |
| | Eliminate the Metro Passport | 15.00-\$30.00 | - | | |
| | Increase the price of the SmartStudent Pass | \$22.00 | \$30.00 | | |
| | Increase price of Transit Link Card MARC and VRE | \$65.00 | \$80.00 | | |
| | Increase price of Transit Link Card MTA | \$110.00 | \$135.00 | | |
| | Subtotal Rail Passes | | | \$10.0 | |
| | OTHER FARE MEDIA | Increase the charge for DC Student Farecards/ 10 trips | \$6.50 | \$8.75 | |
| | | | | | |
| Total Rail Revenue | | | | \$116.0 | \$116.0 |
| | Metrobus | | | | |
| Metrobus | Increase boarding charge by 25 cents | \$1.25 | \$1.50 | | |
| | Increase boarding charge for express bus service by 75 cents | \$3.00 | \$3.75 | | |
| | Increase charge for Senior/Disabled for by 15 cents | | | | |

| | | | | | |
|--------------|---|---------|---------|---------------|----------------|
| | Bus-to-bus transfers issued on Smartcards only | | | | |
| | Extend transfer period from two to three hours | | | | |
| | Subtotal | | | \$10.0 | \$10.0 |
| | PASSES | | | | |
| | Eliminate Regional One Day Pass | \$3.00 | - | | |
| | Increase price of the Weekly Flash Pass | \$11.00 | \$15.00 | | |
| | Increase price of the Weekly Senior Flash Pass | \$6.00 | \$7.50 | | |
| | Increase price of the Weekly Disabled Flash Pass | \$6.00 | \$7.50 | | |
| | Subtotal Metrobus Passes | | | \$7.0 | \$7.0 |
| | TOKENS | | | | |
| | Eliminate regular Metrobus tokens | | | | |
| | OTHER FARE MEDIA | | | | |
| | Increase the charge for DC Student Tokens | \$0.63 | \$0.75 | | |
| | Total Bus Revenue | | | \$17.0 | \$17.0 |
| MetroAccess | Increase MetroAccess fare as required by law | 2.50 | \$3.00 | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Parking | Increase parking fee by \$1.00 | Varies | \$1.00 | \$18.0 | |
| | Increase Monthly Reserved Parking by \$10.00 | \$55.00 | \$65.00 | \$0.9 | |
| | Increase the rate for parking meters to \$1.00 for 60 minutes | \$0.25 | \$1.00 | \$1.1 | |
| | Extend the Non-Metro Parking Fee to all Metrorail stations | - | - | - | |
| | Total Parking | | | \$20.0 | \$20.0 |
| Charter | Increase Contract/Charter rates by 20% | - | - | | |
| Total | Total Fare Package | | | | \$153.0 |



Metro FY 09 Fare Proposal





How Metro Has Reduced Costs

- **Cut \$34 million including 254 positions or almost 20% of administrative staff**
- **Instituted a safety program that will reduce accidents and cut workers' compensation claims**
- **Reduced travel, cell phone use and consultant services**
- **Aggressively recruiting to fill operations vacancies and reduce overtime**





FY 09 Budget Forecast

Economic conditions

- Inflation in fuel, electricity and insurance
- Reestablish Metro's operating reserve
- Costs associated with service expansion and improvements
- Escalating safety and security costs

Funding Needs

Replenish prior year one-time-only actions \$52 million

Provide same level of service/inflation \$80 million

Expand service \$41 million

Total cost increase \$173 million





FY 09 Operating Budget Forecast

Funding Sources

| | |
|-------------------------------------|---------------------|
| Fare increase | \$153 million |
| Debt service for Capital | (\$12 million) |
| Jurisdictional contributions (6.5%) | <u>\$32 million</u> |
| Total | \$173 million |





Metro Fares and Parking Fees

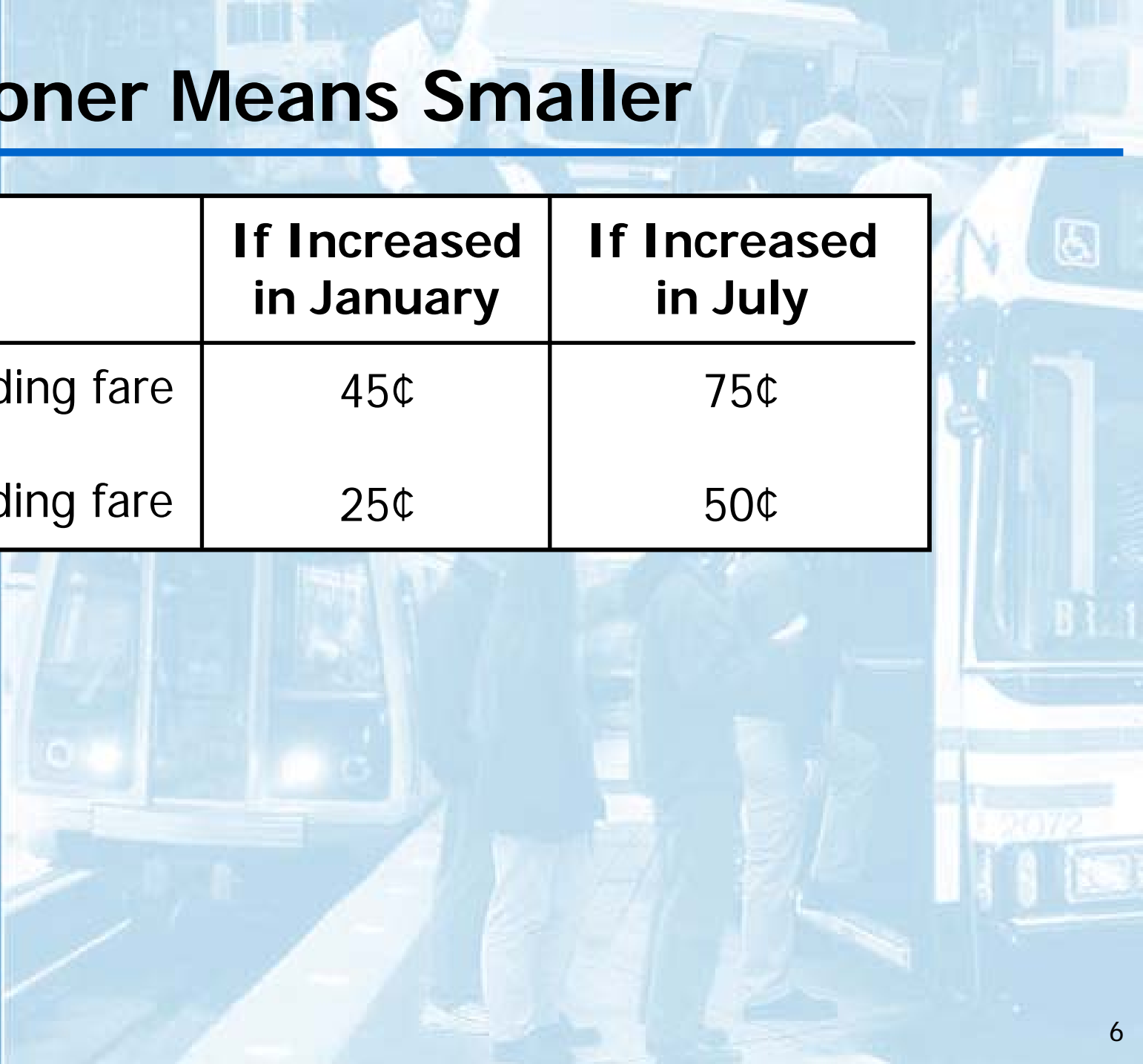
| | Current | Change | Proposed |
|---------------|-----------------|--------|-----------------|
| Rail peak | \$1.35 | 45¢ | \$1.80 |
| Rail off-peak | \$1.35 | 40¢ | \$1.75 |
| Rail max. | \$3.90 | 60¢ | \$4.50 |
| Bus | \$1.25 | 25¢ | \$1.50 |
| MetroAccess | \$2.50 | 50¢ | \$3.00 |
| Parking | \$3.50 - \$4.00 | \$1.00 | \$4.50 - \$5.00 |





Sooner Means Smaller

| | If Increased in January | If Increased in July |
|--------------------|------------------------------------|---------------------------------|
| Rail boarding fare | 45¢ | 75¢ |
| Bus boarding fare | 25¢ | 50¢ |





What the Future Holds

Without a long-term solution, inflation will continue to create funding shortfalls.

FY2009 - 2010 – 2011 Operating Budget Forecast:

FY08 Approved Budget..... \$1,154

| | |
|---------------------------------|--------------|
| Prior Year One-Time-Only | \$52 |
| Same-Level-Of-Service Inflation | \$80 |
| New Service / Other | \$41 |
| | \$173 |

← FY2009

FY09 Forecast Budget..... \$1,327

| | |
|---------------------------------|-------------|
| Prior Year One-Time-Only | (\$19) |
| Same-Level-Of-Service Inflation | \$68 |
| New Service / Other | \$10 |
| | \$59 |

← FY2010

FY10 Forecast Budget..... \$1,386

| | |
|---------------------------------|-------------|
| Same-Level-Of-Service Inflation | \$87 |
| New Service / Other | \$10 |
| | \$97 |

← FY2011

FY11 Forecast Budget..... \$1,483





Long-term Solutions

- Long-term Fare Policy
 - Base Costs/Fares Linked to Transportation Price Indices
 - Stable Cost Recovery
- Passenger Fares vs. Jurisdictional Contributions**





Next Steps

Thursday, Sept. 13: Finance, Administration and Oversight Committee recommends Board begin public hearing process

Monday, Sept. 17: Staff briefs the RAC

Thursday, Sept. 27: Board approves fare increase public hearings

Friday, Sept. 28: Advertise public hearings

Monday, Oct. 15 – Monday, Nov. 19: Conduct public hearings, two each in DC, MD and VA

Thursday, Dec. 6: Staff report on public hearings, Board vote on fare increase

Sunday, Jan. 6: Fare changes implemented





Recommendation

Board approval of three resolutions to:

- 1. Amend and reprogram the Capital Improvement Program**
- 2. Issue debt to fund Metro Matters and non-Metro Matters capital projects**
- 3. Begin a fare increase public hearing process**



The following information is provided in response to questions submitted by Chairman Graham (see attachment):

1) Fare Increase Timing

Given that the FY08 budget is balanced, what are the reasons for considering a fare increase that begins in January 2008? If it is determined that a fare increase is absolutely necessary, why would it be necessary to implement the increase at any point before the start of FY09, or, for that matter, hurry to commence the process of consideration this month?

A fare increase is essential. The only questions that remain are when it will occur and how large it will be. The sooner the increase is implemented the smaller it can be and for this reason it is proposed that the public hearing process begin right away so that we can begin fare increases in January 2008.

2) Fare Increase Alternatives

How much money could WMATA generate by outsourcing parking and real estate operations? How might we structure these potential revenue sources to minimize any proposed fare increase? In consequence, by what amount could we thus reduce any potential fare increase?

The potential revenue is impossible to determine without acquiring the professional services of experts in these fields. Staff is exploring ways to accomplish this and may be making recommendations to the Board in the near future. Any revenue to be derived from these activities would most appropriately be applied to the capital budget to fund one-time-only needs. These actions would have no impact on any potential fare increase.

3) Fare Increase for Buses

What increase are you proposing for bus fares? What scenarios would you recommend for covering the FY09 shortfall without increasing bus fares?

The proposed fare on regular Metrobus routes would increase from \$1.25 to \$1.50. Fares on express bus routes would increase from \$3.00 to \$3.75. These changes and modifications to bus pass values are forecast to generate \$17 million in additional revenue. If these fares did not increase some other fare or fee would need to increase at a rate sufficient to generate \$17 million in new revenue.

4) *Jurisdictional Impacts*

What are the comparative impacts on customers for each jurisdiction for each potential fare increase scenario?

The fares paid by Metro's customers do not differ from one jurisdiction to the next.

5) *Previous Fare Increase Proposal*

How do new fare increase proposals compare with the fare increase proposal from last year? Are there elements of the prior proposal which we ought to recommend?

Last year's fare change proposal contained many variables, including some fare decreases. The proposal was intended to maximize transit ridership for a given dollar of jurisdictional support. But there were many complexities which made the proposal difficult to explain to our customers. Also included in last year's proposal was consideration of providing incentives to customers who use SmarTrip cards. The current fare proposal also makes it more advantageous for customers to use SmarTrip cards.

6) *Future Metro Matters Program*

Member jurisdictions and the Federal government are proposing dedicated funds for future capital improvements. If this dedicated funding were approved, how would it impact the need for a fare increase insofar as that increase relates to capital improvements?

In general, customer fares create revenue in the operating budget. Increased funding of the capital budget would be used to improve service.

Richard P. Harcum - FW: questions about potential fare increase

From: "Kass, Jonathon (COUNCIL)" <JKass@DCCOUNCIL.US>
To: <spant@wmata.com>
Date: 9/11/2007 2:06 PM
Subject: FW: questions about potential fare increase
CC: <rharcum@wmata.com>

-----Original Message-----

From: Kass, Jonathon (COUNCIL)
Sent: Tuesday, September 11, 2007 2:01 PM
To: John Catoe (E-mail)
Cc: Barry, Marion (COUNCIL); 'peter.metro@verizon.net'; 'gordon.linton@wageworker.com'; 'tkauff@co.fairfax.va.us'; 'ehewlett@shipleyardhorne.com'; 'nomolos@verizon.net'; 'czimmerman@arlingtonva.us'; 'wmeuille@wdeuille.com'; Moneme, Emeka; 'agiancol@naco.org'; 'jim@grahamwone.com'; 'cwoodruff@wmata.com'

Subject: questions about potential fare increase

Please find the attached letter from Councilmember Graham regarding the forthcoming proposal for a fare increase.

The letter is also pasted below.

Jonathon Kass
Committee on Public Works and the Environment
Office of Councilmember Jim Graham
Phone: (202) 724-8152
jkass@dccouncil.us
www.grahamwone.com

BY ELECTRONIC MAIL WITH U.S. MAIL TO FOLLOW

September 11, 2007

Mr. John B. Catoe, Jr., General Manger
Washington Metropolitan Area Transit Authority
600 5th Street NW
Washington, DC 20001

Dear Mr. Catoe:

Thank you for your FY09 budget briefing on Monday, September 10, 2007. As we discussed, please provide responses to the following questions at or prior to the Finance, Administration and Oversight Committee meeting on September 13, 2007.

1) Fare Increase Timing

Given that the FY08 budget is balanced, what are the reasons for considering a fare increase that begins in January 2008? If it is determined that a fare increase is absolutely necessary, why would it be necessary to implement the increase at any point before the start of FY09, or, for that matter, hurry to commence the process of consideration this month?

2) Fare Increase Alternatives

How much money could WMATA generate by outsourcing parking and real estate operations? How might we structure these potential revenue sources to minimize any proposed fare increase? In consequence, by what amount could we thus reduce any potential fare increase?

3) Fare Increase for Buses

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What are the comparative impacts on customers for each jurisdiction for each potential fare increase scenario?

5) Previous Fare Increase Proposal

How do new fare increase proposals compare with the fare increase proposal from last year? Are there elements of the prior proposal which we ought to recommend?

6) Future Metro Matters Program

Member jurisdictions and the Federal government are proposing dedicated funds for future capital improvements. If this dedicated funding were approved, how would it impact the need for a fare increase insofar as that increase relates to capital improvements?

Should you have any questions please feel free to contact me, or Jonathon Kass of my Committee staff, at 202-724-8152.

Sincerely,

JG/jjk

cc: WMATA Board Members
Charles Woodruff, WMATA