



Finance & Administration Committee

Information Item IV-B

October 8, 2015

**FY2017 Budget:
Ridership and Revenue**

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201667

Resolution:
 Yes No

TITLE:

FY2017 Budget: Ridership and Revenue

PRESENTATION SUMMARY:

This presentation is the next step in the FY2017 budget development process, following on the initial budget guidance presentation from September. The Committee members will be provided both historical and current information on WMATA ridership and fare policy, with a focus on recent trends in Metrorail ridership.

PURPOSE:

This presentation provides the Committee with both historical context and recent trend data on ridership for Metrobus, Metrorail, and MetroAccess, with a focus on Metrorail as the primary source of non-subsidy revenue in the operating budget. The Committee will also be provided background on the Board's existing policies related to fares. This presentation will inform the Committee members as they work with staff to determine appropriate revenue assumptions and fare policy direction for the FY2017 budget.

DESCRIPTION:

Key Highlights:

- The primary non-subsidy source of WMATA operating revenue is Metrorail passenger fares. However, after a long period (from the mid-1990s to 2009) of consistent growth in rail ridership and revenue, Metrorail ridership has declined over the past few years, and revenue has grown only as a result of regular fare increases.
- The challenges facing Metrorail include:
 - external and market changes, such as increased telecommuting and more options for trip-making such as bike- and car-sharing services;
 - concerns over pricing, including the reduction in the federal transit benefit, low gasoline prices, and the relatively high daily cost of longer park-and-ride trips; and
 - concerns by customers over service quality and reliability.
- Demand for new commercial and residential development around Metrorail stations remains strong, and the number of customers using the system has remained relatively flat, but data indicates those customers are taking fewer trips.
- While Metrobus ridership has rebounded from its post-recession lows, its revenue potential is also hindered by roadway congestion in the busiest corridors that carry the most ridership. Efforts to increase bus speeds (through transit signal priority and other corridor investments, as well as policy changes to eliminate on-board

SmarTrip card loading) have the potential to both reduce operating costs and increase ridership through better service.

Background and History:

Metro and the region's economy are tightly linked. Annual Metrorail ridership increased 50 percent during the period from 1996 to 2009 (from 150 million trips to almost 225 million trips), or an average annual growth rate of over three percent per year. This growth was region-wide and primarily the result of two broad trends:

- The revitalization of the urban core, not only in the District (stimulated by the opening of the Green Line), but also in places like Bethesda, Silver Spring, and Rosslyn-Ballston Corridor; and
- Post-9/11 growth in federal (and government-related) employment.

When the recession hit in 2008-09, the Washington economy initially performed relatively well, and Metrorail ridership also held up well compared to many other transit agencies, which experienced substantial ridership losses. However, starting in 2010 through 2015, daily rail ridership has declined by five percent. Ridership on rail is the largest component of all revenues generated by Metro. In FY2014, Metrorail provided 80 percent of all Metro fare revenues, with Metrobus adding 19 percent and MetroAccess an additional 1 percent.

Metro's most recent system-wide fare changes were implemented in July 2014. The changes included a \$0.15 (9 percent) increase in bus fares; a \$0.05 (2.3 percent) increase in the base rail fare and a \$0.15 (2.6 percent) increase in the maximum rail fare; a \$0.10 base parking fee increase; and other minor changes. As a result of the fare changes, passenger revenues increased in FY2015 by approximately \$39 million or 5 percent. However, revenues fell short of projections due to a decline in Metrorail and Metrobus ridership from their forecasted levels.

Discussion:

Rail Ridership

Following the long period of ridership growth from the mid-1990s to 2009, Metrorail has faced a changing transportation market and a number of challenges, including:

- *Local Economy:* While the metro area initially performed relatively well during the recession, changes to federal employment since 2011 have slowed the regional economy considerably. These changes include sequestration, the retirement (and non-replacement) of older federal employees, and the winding down of military efforts overseas. Employers and regional leaders are working to make the regional economy less dependent on the federal government, but this transition will take many years.
- *Federal Transit Benefit:* A major challenge for Metro has been the reduction in the federal transit subsidy, along with the related changes requiring clawback of unused funds at the end of the month. Since these changes, about 25 percent of Metrorail commuters are running out of SmartBenefits to pay their fare before the month is over. Metrorail has experienced a reduction in longer trips to the core

from commuter-oriented stations. Although a variety of factors are causing the reduction in rail ridership the decrease in the transit benefit explains why the losses are higher in the second half of the month.

- *Telework and Alternative Work Schedules (AWS)*: Metro has seen increasing evidence (from surveys by the Office of Personnel Management and other sources) that federal agencies are encouraging and even requiring telework by employees as a way to cut costs and reduce the need for office space. Rail ridership experiences a significant drop every Friday, which is attributable to changing work patterns in the region.
- *Other Modes of Transportation*: An additional challenge for rail ridership is continued growth on bus and bike modes. Bicycle commuting has less of an impact on long-range commuting, but has a larger potential to impact shorter trips, where the cost to bike can be cheaper than the rail alternative. This poses a particular problem for Metro since short trips (less than 7 miles) make up a substantial portion of the ridership base (e.g., almost half of trips in the AM peak are between 0 to 6 miles).
- *Safety and Reliability*: Metrorail has experienced a series of safety-related incidents in 2015, including the Yellow Line tunnel incident outside L'Enfant Plaza in January, the August derailment of a train prior to the system opening near Smithsonian, and the September substation fire at Stadium-Armory. There is preliminary evidence that these events are impacting ridership, though additional analysis of the trends is required before any definitive conclusions are drawn. Metrorail is also struggling to provide reliable service to customers. Rail On-Time Performance, which measures how evenly-spaced the trains are, has been consistently below target, particularly since the opening of the Silver Line. Riders are experiencing more unpredictable travel times, and must budget more time to reach their destination.

Bus Ridership

Although there was a slight decrease in ridership between 2014 and 2015 of about one percent, Metrobus is not facing the same challenges in maintaining ridership as Metrorail. In fact, bus ridership has experienced significant gains between 2011 and 2015. However, Metrobus must address other concerns that have the potential to impact future ridership. An area of particular concern is decreasing bus speeds throughout the region, which have steadily declined over the past 15 years. Many factors are contributing to this trend, particularly increased traffic congestion, but there are opportunities to improve the customer experience, which include:

- *Off-Board SmarTrip® Loading*: Eliminating on-board cash loading and creating opportunities for bus customers to load their SmarTrip® cards prior to boarding the bus should reduce the time it takes for passengers to board and pay fares. Quicker loading at each stop should reduce dwell times and raise average bus speeds.
- *Transit Signal Priority (TSP) and other investments*: Metro will be working cooperatively with the local jurisdictions to speed up planned investments in Transit Signal Priority and other corridor investments such as dedicated lanes to improve average bus speeds in major corridors.

Improving average bus speeds has two major benefits – (1) it makes bus service more attractive and improves the overall customer experience, and (2) Metro can provide the

same frequency of service with fewer buses and thus lower overall operating costs.

Fares and Revenue

The WMATA Board has approved two different resolutions that guide fare policy decisions. The first (Resolution 2007-47) provides a general guideline for regular, predictable fare increases, which is that fare changes should be considered on a biannual basis and should be linked to changes in inflation. The second (Resolution 2010-66) provides seven ‘fare policy principles’ to guide the Board in considering any fare changes. These principles are:

- Ensure and enhance customer satisfaction
- Establish a mechanism to allow customers to determine their fares easily
- Optimize the use of existing capacity
- Facilitate movement between modes and operators throughout the region
- Establish equitable fares and ensure compliance with federal regulations
- Encourage the use of cost-effective media
- Generate adequate revenue while maximizing ridership

Since 2004, fares for bus, rail, and parking have all increased steadily – from \$1.25 to \$1.75 for local bus (40 percent); from \$3.90 to \$5.90 for the maximum rail fare (51 percent); and from \$4.00 to \$5.10 for the maximum daily parking rate (28 percent).

Staff are currently examining strategies to increase revenues without a broad-based fare increase. This includes changes to make Metrorail pass products more attractive and thus generate more off-peak and discretionary trips; implementation of a University Pass program to provide unlimited ride products to local university students; changes to the current fixed-route fares for MetroAccess patrons in conjunction with new SmartTrip-enabled ID cards that will allow autonomous access to the rail system; and expanded revenues from advertising, concessions, and other non-fare sources.

FUNDING IMPACT:

Information item only - no direct impact on funding.	
Project Manager:	Thomas J. Webster
Project Department/Office:	CFO/OMBS

TIMELINE:

Previous Actions	September 2015 - Initial FY2017 budget guidance
Anticipated actions after presentation	November 2015 - FY2017 budget preview and discussion of expenses December 2015 - Presentation of GM/CEO's FY2017 proposed operating budget and FY2017-2022 Capital Improvement Program (CIP) January - March 2016 - Board discussions and public hearings/outreach April 2016 - Budget adoption

RECOMMENDATION:

No action required - information item only.



Washington Metropolitan Area Transit Authority

FY2017 Budget: Ridership and Revenue

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October 8, 2015



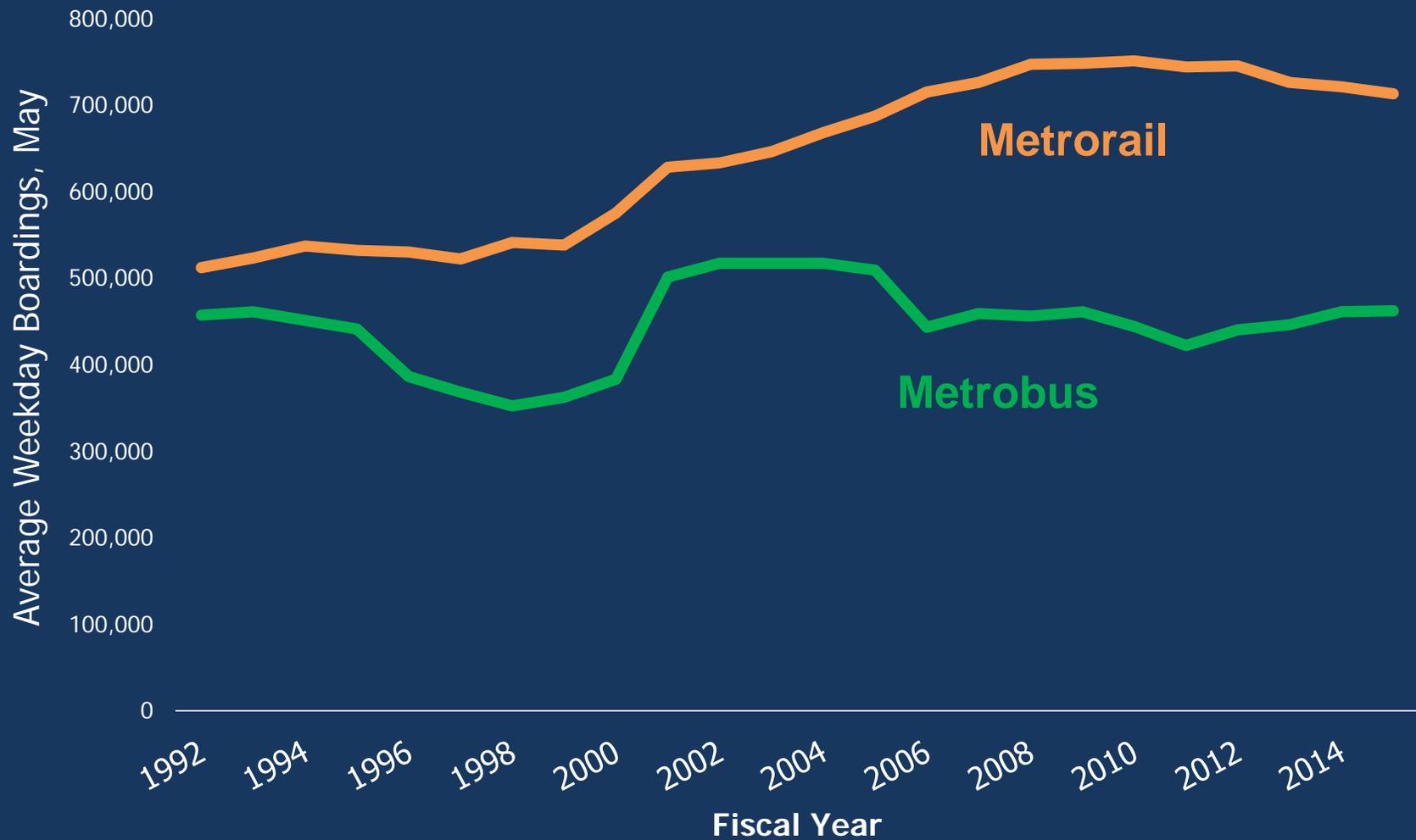
The Revenue Dilemma

- Metrorail fares are the primary non-subsidy revenue source for the operating budget
- Rail ridership is facing external (economic and demographic changes) and internal (service quality and reliability) challenges

What do these challenges mean for fares and revenue in FY2017?

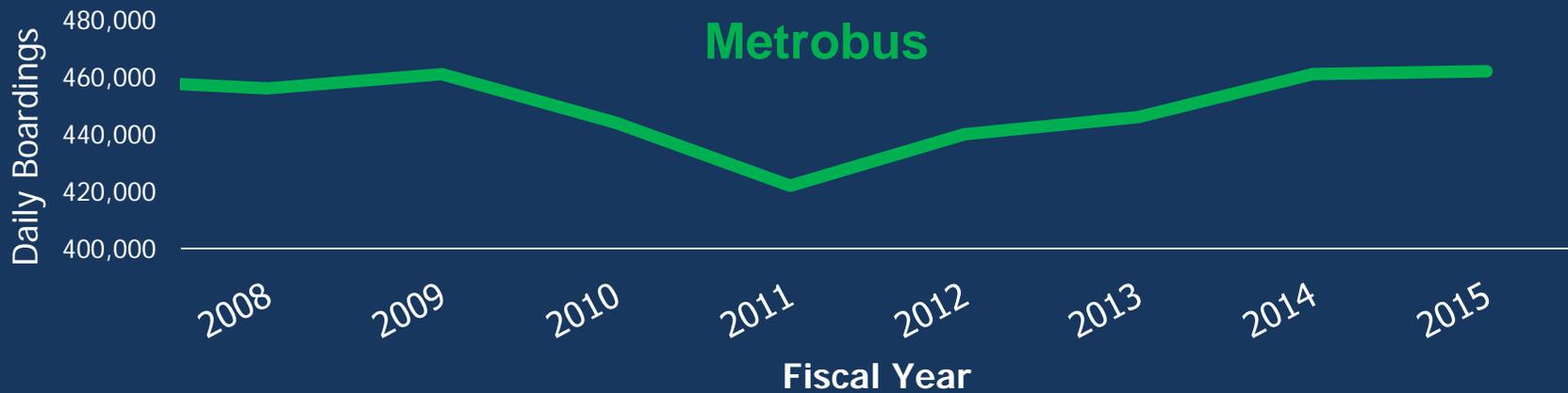
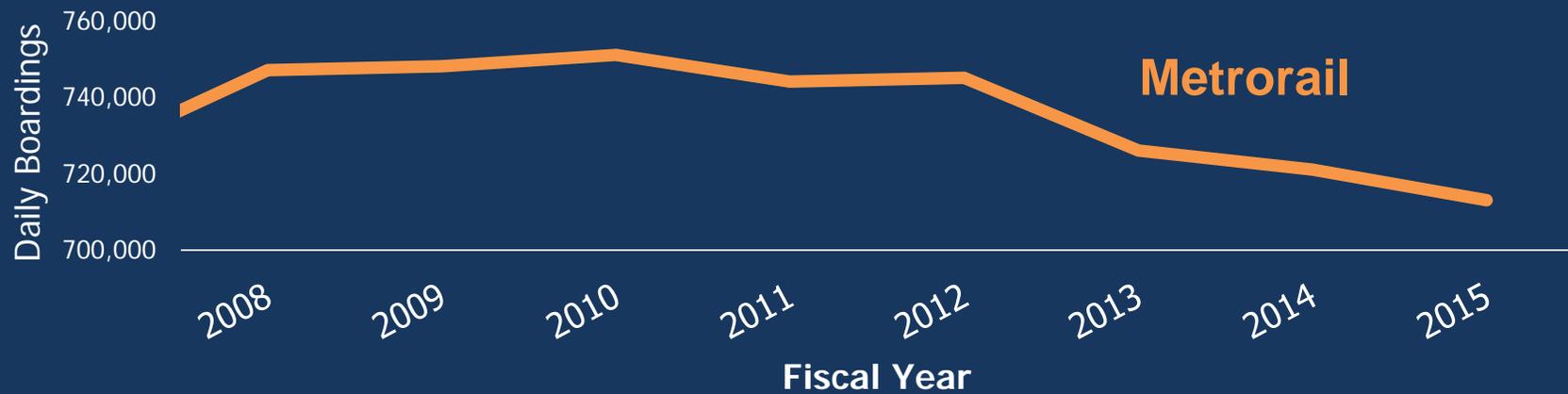


Historical Context: Bus and Rail Ridership



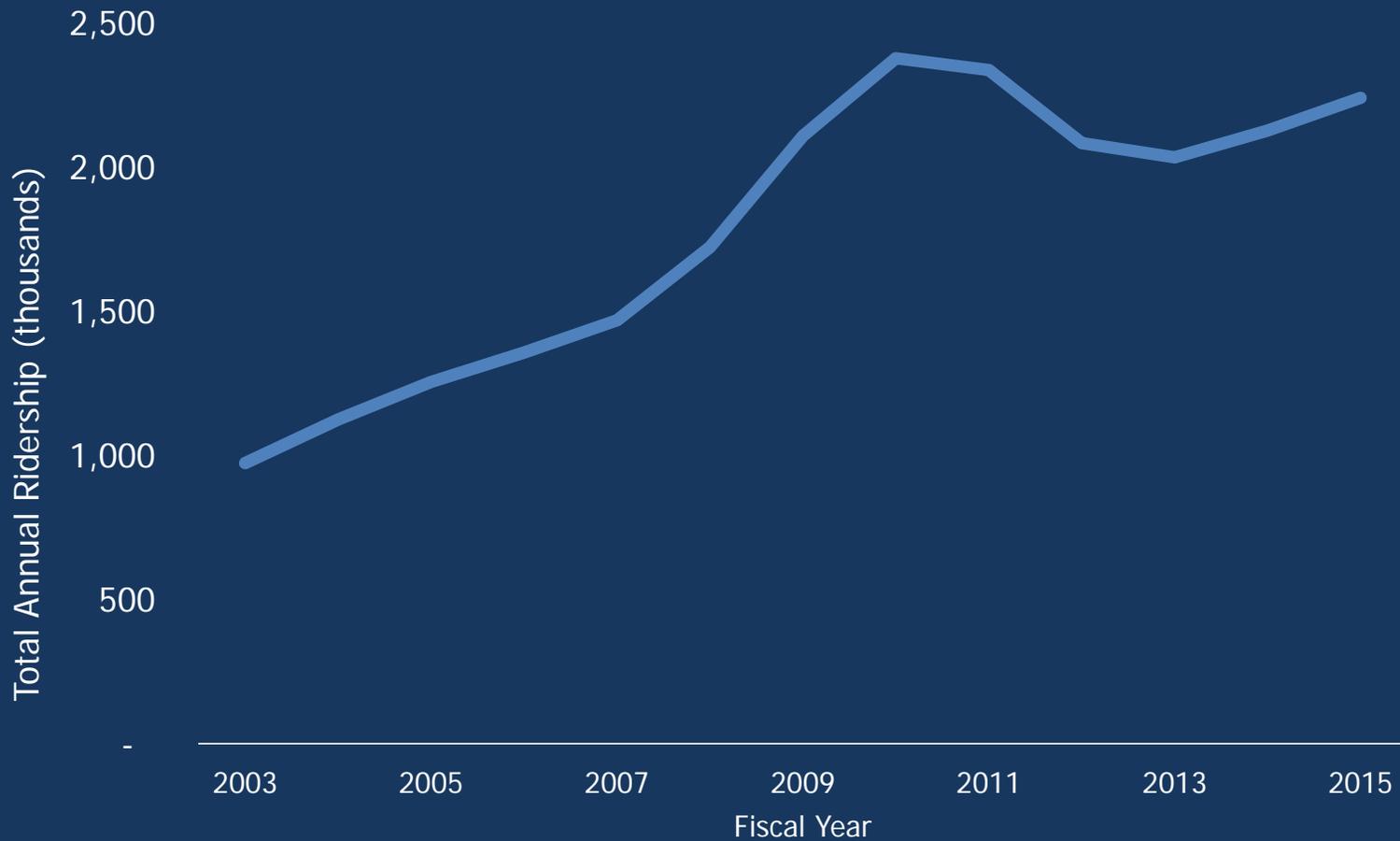


Average Weekday Boardings Since 2008



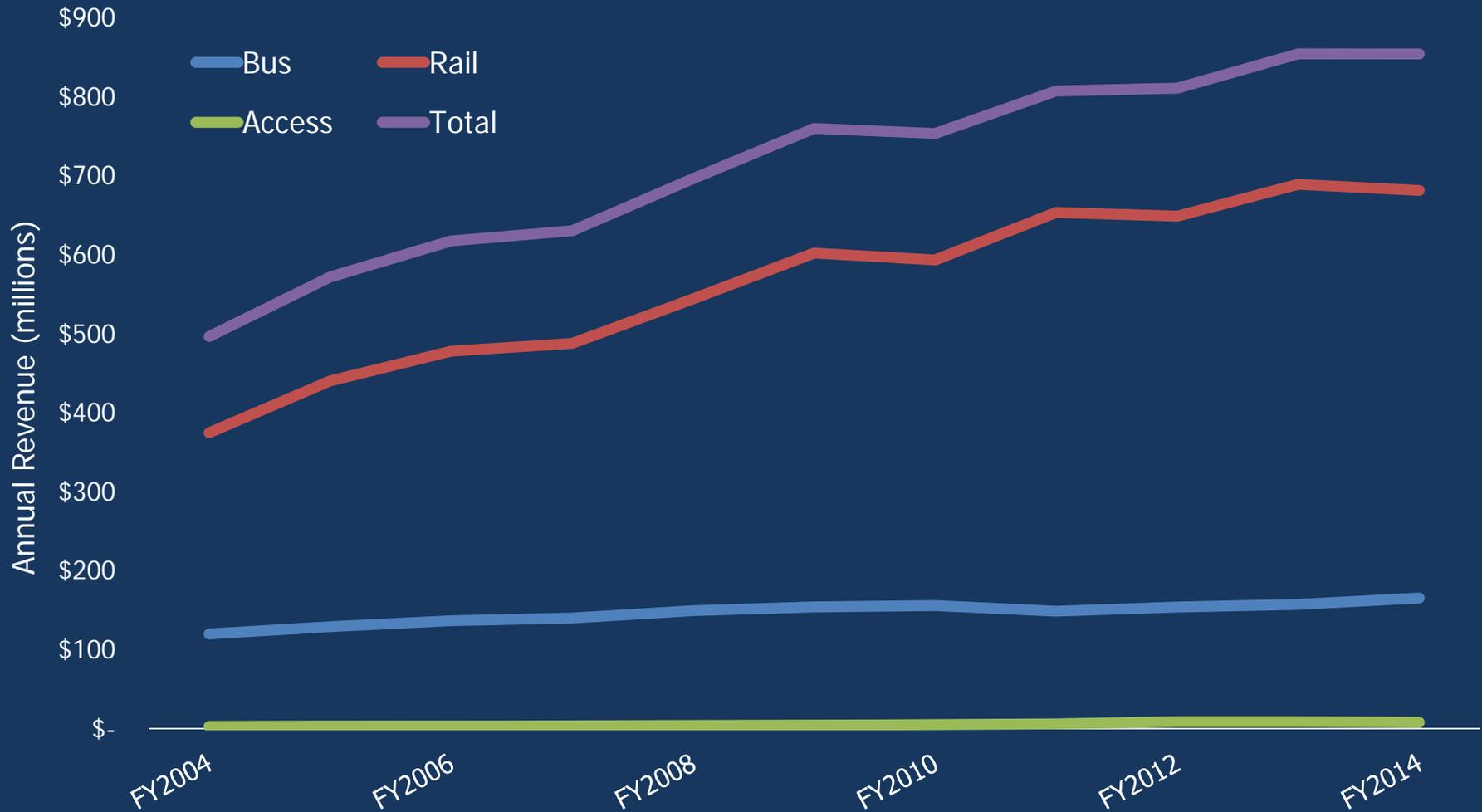


Historical Context: MetroAccess Ridership





Growth In Revenue Since 2004





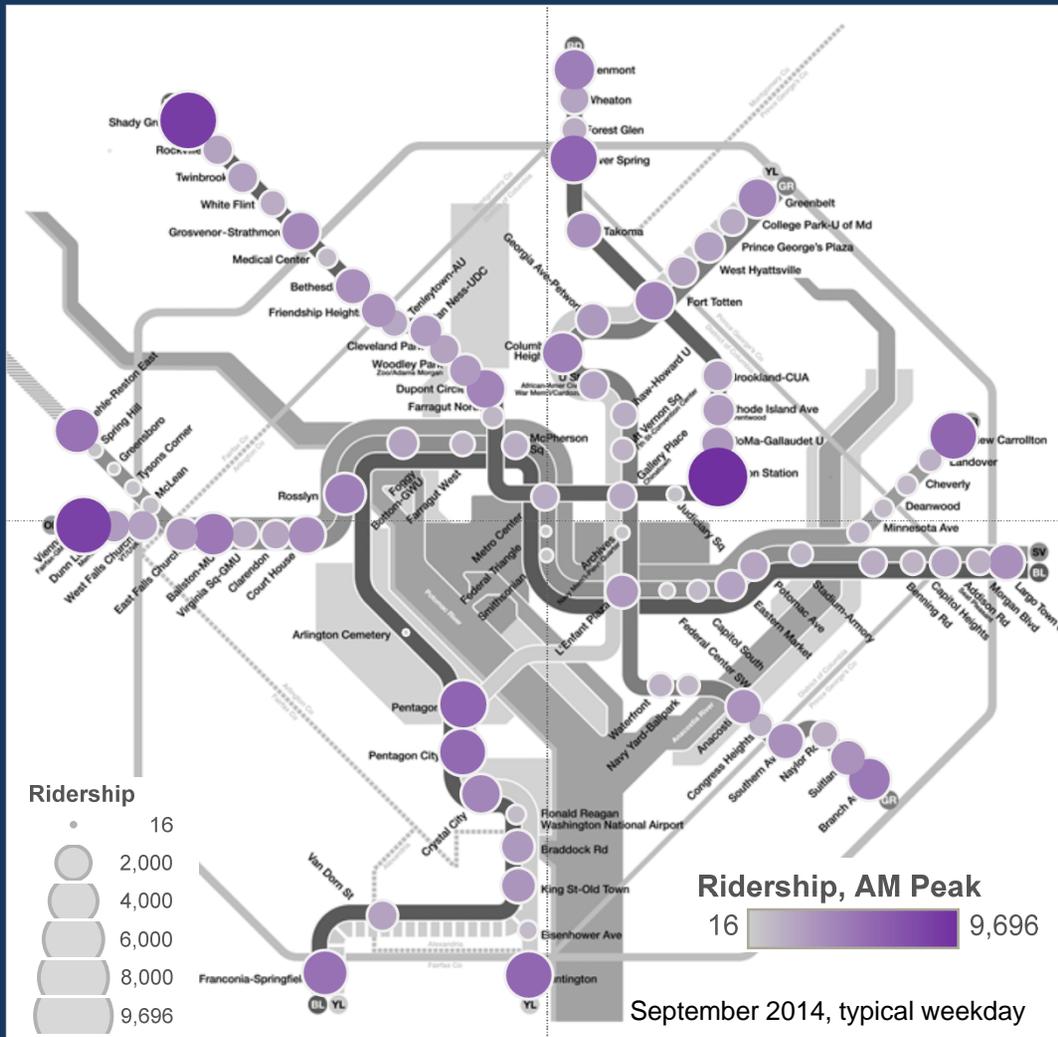
Snapshot of Rail and Bus Riders

	Metrobus	Metrorail
Weekday Ridership	460,000	710,000
Low-Income (< \$30K)	51%	12%
High-Income (>\$100K)	12%	50%
Federal Workers	14%	35%
Pay using SmartBenefits	19%	56%
Operating Cost Recovery	29%	71%

Sources: Weekday average ridership from FY2015; demographic data from passenger surveys (2014 Bus, 2012 Rail)



Rail Carries Both Short and Long Trips Across the Entire Region



AM Peak, September 2014

Distance (miles)	Share of Riders	Avg. Fare
0-6	46%	\$2.19
7-12	36%	\$3.65
13+	18%	\$5.09
Total	100%	\$3.25



Metrorail Mode of Access and Trip Purpose

AM Peak Mode of Access

Mode	Share
Walk	37%
Park & Ride	26%
Metrobus	14%
Other Bus	8%
Shuttle	2%
Dropped Off	8%
Commuter Train	3%
Ride Sharing	1%
Bicycle	1%

Trip Purpose

- Riders' trip purposes vary significantly by time of day:
 - AM Peak: 93% to work or school
 - PM Peak and Evening: 80% to home, 20% other (personal, shopping, recreation)
 - Midday: 50% work, 25% home, 25% other



16 Bus Corridors Carry Almost Half Of Bus Ridership

	Corridor	Ridership, All-Day (May 2015)	% of Total
DC	30s (all)	21,500	5%
	16th Street	19,200	4%
	14th Street	14,500	3%
	Georgia Ave.	20,400	5%
	Benning/H	17,400	4%
	B2 Bladensburg	7,500	2%
	As to Anacostia	14,400	3%
	Ws to Anacostia	12,400	3%
	MD	Georgia Ave in MD (Ys)	8,500
Viers Mill - Qs		8,500	2%
East-West - Js		8,200	2%
University - Cs		13,700	3%
P12 - Silver Hill Rd		5,700	1%
VA	Leesburg Pike - 28s	6,200	1%
	Columbia Pike	12,900	3%
	10s	4,700	1%



Metro's Fare Policy Principles (#2010-66)

- Ensure and enhance customer satisfaction
- Establish a mechanism to allow customers to determine their fares easily

QUALITY
SERVICE

- Optimize the use of existing capacity
- Facilitate movement between modes and operators throughout the region

REGIONAL
MOBILITY

- Establish equitable fares and ensure compliance with federal regulations
- Encourage the use of cost-effective media
- Generate adequate revenue while maximizing ridership

FINANCIAL
STABILITY



Fares Have Increased Since June 2004

Date	Local Bus	Rail Base	Rail Max	Parking (Range)
Jun 2004	\$1.25	\$1.35	\$3.90	\$2.50 - \$4.00
<i>...No changes for 3 ½ years...</i>				
Jan 2008	\$1.25	\$1.65	\$4.50	\$3.25 - \$4.75
Feb 2010	\$1.35	\$1.75	\$4.60	\$3.25 - \$4.75
Jul 2010*	\$1.50	\$1.95	\$5.00	\$3.25 - \$4.75
Jul 2012	\$1.60	\$2.10	\$5.75	\$3.50 - \$5.00
Jul 2014	\$1.75	\$2.15	\$5.90	\$3.60 - \$5.10
<i>Change between 2004 - 2014</i>				
\$ Increase	\$0.50	\$0.80	\$2.00	\$1.10
% Increase	40%	59%	51%	28% to 44%

* Additional "peak of the peak" rail fare of \$0.20 per trip implemented in July 2010, rescinded in July 2012.



Board Policy: Evaluate Fares Every Other Year (#2007-47)

- What is the current environment?
 - Rail ridership declining
 - Bus ridership showing limited growth
 - Access ridership growing
 - Low inflation
 - Competition by other modes
 - Challenges in providing consistent level of service





Potential Ridership and Revenue Opportunities

Metrorail

- Change pass pricing generate more discretionary ridership
- Implement University Pass program

Metrobus

- Emphasis on Transit Signal Priority and elimination of cash loading to speed service
- Expansion of high ridership routes

MetroAccess

- Provide autonomous access with SmarTrip cards and change fares for riding fixed-route service

Other

- Expanded advertising
- Concessions
- Land sales



Summary of Ridership and Revenue Drivers

Mid-90s to 2009: Consistent Growth

- Revitalization of regional core
- Expansion of federal employment
- Expansion of regional transit network

2010 to 2014: Changing Market

- Continued demand for development near rail stations, but...
- Telecommuting
- Regional economy
- Competition from other modes
- Pricing concerns:
 - Transit benefit
 - Gasoline
 - Cost of park & ride

2015: Service Challenges

- Customer concerns about service quality and reliability on both bus and rail



Next Steps

- **November:** Budget preview
- **December:** GM/CEO budget proposal; agreement in principle on CFA
- **January-March:** Board discussions and public hearings/outreach
- **April:** Budget adoption



Appendices



Title VI

Section 601 of Title VI of the Civil Rights Act of 1964:

"No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

Requirement	Metro Obligation
Set System-Wide Standards and Policies	Required
Collect & Report Data	Required: <ul style="list-style-type: none">• Demographic and service profile maps and charts• Survey data regarding customer demographic and travel patterns
Evaluate Service and Fare Equity Changes	Required
Monitor Transit Service	Required



Peer Bus Fares

Agency	City	Smart Card Fare	Cash Fare
MBTA	Boston, MA	\$1.60	\$2.10
WMATA	Washington, DC	\$1.75	\$1.75
SEPTA	Philadelphia, PA	\$1.80	\$2.25
CTA	Chicago, IL	\$2.00	\$2.25
MARTA	Atlanta, GA	\$2.50	\$2.50
MTA	New York City, NY	\$2.75	\$2.75

Local bus fares only – does not include express or special service buses



Peer Rail Fares

Agency	City	Base Fare	Max Fare
CTA	Chicago, IL	\$2.25	\$2.25
SEPTA	Philadelphia, PA	\$1.80	\$2.25
MARTA	Atlanta, GA	\$2.50	\$2.50
MBTA	Boston, MA	\$2.10	\$2.65
MTA	New York City, NY	\$2.75	\$2.75
WMATA	Washington, DC	\$2.15	\$5.90
BART	San Francisco, CA	\$1.85	\$7.10

Max fare for MBTA & SEPTA is the cash fare; BART, CTA fares do not include airport trip routes