## STAFF REPORT

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| **Agenda Item:** | 6 | **Name:** | Mary Bourguignon |
| **Proposed No**.: | 2018-0255 | **Date:** | June 6, 2018 |

**SUBJECT**

Proposed Motion 2018-0255 would require the Executive to transmit a report by September 13, 2018, identifying opportunities to make public transit more affordable and accessible to people in need.

**SUMMARY**

The King County Code sets fares for Metro Transit, including regular fares and special fare provisions for children, youth, seniors and people with disabilities, paratransit passengers, human services agencies, and low-income passengers.[[1]](#footnote-1)

The Code also allows Metro Transit to participate in and develop regional and institutional transit pass programs for employers and other organizations.[[2]](#footnote-2) Under this authority, Metro Transit has implemented 940 “Passport”[[3]](#footnote-3) accounts with local businesses, student pass agreements with five local school districts, and a multifamily development Passport program through which multifamily property owners and managers can purchase fare-loaded ORCA cards to offer to their residents.[[4]](#footnote-4)

In addition to these programs, King County and the City of Seattle have piloted programs to offer free fare to youth under certain conditions. Metro Transit is evaluating additional opportunities to assist people in need, including youth and college students, as part of its Fares Phase 2 work program.

Proposed Motion 2018-0255 would require the Executive to report on opportunities to make transit more affordable and accessible to people in need, including youth, college students, residents of subsidized housing, and low-income employees. The proposed motion asks the Executive to include implementation timelines, cost estimates, an alignment with equity and social justice goals for each identified opportunity. The proposed motion notes that opportunities to increase access and affordability could be tested through pilot projects in conjunction with the Fares Phase 2 work program. The report required by the proposed motion would be due by September 13, 2018.

**BACKGROUND**

**Metro Transit Fare Structure and Policies.** King County Metro Transit’s fares are established in King County Code.[[5]](#footnote-5) The current fare categories include regular off-peak, regular one-zone peak, regular two-zone peak, child, youth, senior and persons with disabilities, and low-income. Regional and institutional passes are also available. (This fare structure was revised in 2017. The new fare structure, described below, takes effect on July 1, 2018.)

The policy framework for these fare structures and rules is established by the [Strategic Plan for Public Transportation 2011-2021](http://metro.kingcounty.gov/planning/strategic-plan/)*,* which was adopted in 2011[[6]](#footnote-6) and updated in 2016.[[7]](#footnote-7) Strategy 6.3.2 is to: “Establish fare structures and fare levels that are simple to understand, aligned with other service providers, and meet revenue targets established by Metro’s fund management policies.” Metro’s Fund Management Policies call for a farebox recovery ratio of at least 25 percent, with a target of 30 percent. The Fund Management Policies also call for achieving fare parity, defined as a one to one ratio, between the Access fare and adult off-peak fare over time.

**History of Metro Fares.[[8]](#footnote-8)** Metro service began in 1973 and fares were charged based on the number of zones crossed in a system of 38 fare zones. In 1977, the zones were simplified to from 38 to 2, with the Seattle city limits as the zone boundary. These same two zones continue to be used today (until July 1, 2018). In 1999, the two-zone surcharge was eliminated in the off-peak to simplify fares.

In 1982, a peak surcharge was added in order to shift demand toward off-peak hours. It was eliminated for youth passengers in 1993. It was added to the senior and persons with disabilities fare in 2001 and eliminated again in 2008. The 2010 Regional Fare Coordination Report and Recommendations noted another policy basis for the peak period surcharge: “Considering the cost of sizing the fleet to meet peak capacity, peak-hour service is more expensive to provide, and this is reflected in the peak-hour surcharge.”

Since 2000, adult fares have been increased by $0.25 in 2001, 2008, 2009, 2010, 2011, and 2015. In 2018 (until July 1, 2018, when the new fare structure takes effect) the adult fare is $2.50 off-peak, $2.75 one-zone peak, and $3.25 two-zone peak. Simultaneously with the 2015 adult fare increase, the ORCA Lift low-income fare was established at a rate of $1.50 for adults in households with family incomes of 200 percent or less of the federal poverty level.

**Phase 1 of the Fares Work Program.** In 2017, the Council approved a package of transit fare-related legislation. The components of the fare change package included:

* Implementing a $2.75 flat fare and eliminating the adult peak and zone fare categories.[[9]](#footnote-9) The new fare will take effect July 1, 2018.
* Increasing the annual cap on the subsidy for the Human Services Ticket Program by $400,000 to $4 million.[[10]](#footnote-10)
* Eliminating the $3 fee for Regional Reduced Fare Permits for seniors and people with disabilities.[[11]](#footnote-11)

**ORCA Passport Program for Businesses, Schools, Multifamily Developments.** Metro Transit’s ORCA Passport Program[[12]](#footnote-12) is the primary means for businesses, educational institutions, and government agencies to provide a transit benefit to employees working in King County. Since ORCA is a regional fare card, it is valid on other regional transit agencies, but it is provided through Metro Transit to businesses and institutions within King County.

The King County Code,[[13]](#footnote-13) which authorizes Metro Transit to provide this type of an institutional pass program, also provides a formula by which Metro Transit sets the price of Passport passes during the first, second, third, fourth, and subsequent years of a Passport agreement with a particular business or institution. Billing is based on a standard average weighted trip cost for all firms in a geographic area. The first year charge is based on an estimate of the firm’s usage. The second and future year costs are based on the firm’s prior year ORCA card usage. According to Metro staff, first-year incentives may include a percentage reduction of the pass price but the price is not typically discounted in the second and future years.

To date, Metro Transit has implemented:

* **940 business Passport accounts** with local businesses, with the University of Washington (U-Pass), [[14]](#footnote-14) Microsoft, and Amazon among the largest customers. Metro staff report that business Passport revenue currently comprises 54 percent of Metro Transit fare revenue.
* **Student pass agreements** with five local school districts (Seattle Public Schools, and the Bellevue, Highline, Lake Washington, and Mercer Island school districts). Under these agreements, transit pass costs are paid for by the school districts to provide free transit fare during the school months to eligible students, with eligibility determined by a combination of age, income level or distance from school.[[15]](#footnote-15)
* **A multifamily development Passport program** through which multifamily property owners and managers can purchase fare-loaded ORCA cards to offer to their residents.[[16]](#footnote-16)

In addition to these institutional fare programs, both King County and the City of Seattle have implemented pilot fare programs to offer free transit fares to youth under certain conditions:

* The City of Seattle provides funding to supplement the transit pass agreement with Seattle Public Schools to provide students who are eligible for the free and reduced lunch program and are in grades six through twelve, with an ORCA card that allows them free fare on transit year-round (Seattle Public Schools funds the transit pass during the school months; the City of Seattle provides funding during the summer).
* In 2017, Metro Transit implemented a summer reduced ORCA youth fare that was one-third of the regular youth fare for young people between the ages of six and eighteen during the summer months.
* For summer 2018, Metro Transit is planning a 2018 summer ORCA youth pass pilot program for the Highline and Lake Washington school districts, through which high school students who are eligible for the free and reduced lunch program and are working during summer 2018 will receive an ORCA card that will allow them free fare on transit during the summer months.
* The City of Seattle has announced the intention to fund the “[ORCA Opportunity Program](http://durkan.seattle.gov/2018/05/mayor-durkan-announces-legislation-to-provide-free-orca-passes-to-seattle-students-and-help-meet-growing-demand-for-transit-with-new-creative-solutions/),” which will provide ORCA cards that will allow free fare on transit year-round to all high school students in the Seattle public school district, as well as college students who are participating in the Seattle Promise program, with a contribution to be provided by Metro Transit during the first year of program operations

**Phase 2 of the Fares Work Program.** Beginning in 2018, Metro is assessing strategies and conducting outreach in the following fares program areas:

* **Fare Payment:** including planning for expansion of all-door and off-board payment, and developing strategies for moving cash off-board.
* **Ridership:** including increasing business accounts, and simplifying and improving retail products.
* **Innovate and Coordinate:** including identifying opportunities and risks associated with next generation ORCA and developing a pricing strategy for multimodal transfers.
* **Equity:** Including conducting a needs and opportunities assessment and evaluating existing reduced-fare programs.

Metro Transit staff has indicated the intention to complete the Fares Phase 2 work program at the end of 2018 and produce phased program recommendations over ten years, consistent with Fund Management Policy revenue recovery goals.

**Proposed Motion 2018-0255.** The proposed motion would require a report from the Executive within the timeframe of the Fares Phase 2 work program. It would require that, by September 13, 2018, the Executive transmit a report that includes implementation timelines, cost estimates or ranges, and information on regional coordination and alignment with equity and social justice goals, as well as information about the possibility of testing concepts through pilot programs for opportunities to make public transit more affordable and accessible to the following groups:

* **Youth,** including options to expand transit pass agreements to additional public school districts or to offer other reduced-fare or no-fare options for youth.
* **College students,** including options to implement transit pass agreements with local colleges and universities.
* **Residents of subsidized housing,** including options to implement ORCA multifamily development passport programs with local public housing authorities or non-profit housing developers for their residents.
* **Low-income employees,** including options to implement transit pass agreements with local labor unions for employees working for employers that do not provide a transit pass program.

**ANALYSIS**

King County has implemented a number of programs over the last several decades to make transit more affordable and accessible to people in need. The Fares Phase 2 work program aims to continue this work by conducting a needs and opportunities assessment and evaluating existing reduced-fare programs.

The proposed motion would add more specificity to this component of the Fares Phase 2 work program, by requiring a report on options to make transit more affordable and accessible to specific groups of people in need: youth, college students, residents of subsidized housing, and low-income employees.

**ATTACHMENTS**

1. Proposed Motion 2018-0255

**INVITED**

* Christina O’Claire, Assistant General Manager, Planning and Customer Service, King County Transit Division
1. KCC 4A.700.010 (The fare structure was changed by Ordinance 18608 and will take effect July 1, 2018) [↑](#footnote-ref-1)
2. KCC 4A.700.010.C [↑](#footnote-ref-2)
3. ORCA Business [Passport](https://www.kingcounty.gov/transportation/kcdot/MetroTransit/ORCABusinessPassport/prospective-customers/what-is-orca-business-passport.aspx) is a comprehensive, annual transportation pass program for employers. [↑](#footnote-ref-3)
4. http://metro.kingcounty.gov/programs-projects/orca-multifamily-passport/ [↑](#footnote-ref-4)
5. KCC 4A.700.010 [↑](#footnote-ref-5)
6. Ordinance 17143 [↑](#footnote-ref-6)
7. Ordinance 18301 [↑](#footnote-ref-7)
8. Summarized from Metro handout “Metro bus fares over time” [↑](#footnote-ref-8)
9. Ordinance 18608 [↑](#footnote-ref-9)
10. Ordinance 18609 [↑](#footnote-ref-10)
11. Ordinance 18610 [↑](#footnote-ref-11)
12. ORCA [Passport](https://www.kingcounty.gov/transportation/kcdot/MetroTransit/ORCABusinessPassport/prospective-customers/what-is-orca-business-passport.aspx) is a comprehensive, annual transportation pass program for employers and other institutions. [↑](#footnote-ref-12)
13. KCC 4A.700.010.C [↑](#footnote-ref-13)
14. The UW U-Pass average weighted trip cost reflects the $1.50 youth fare, which is incorporated based on a percentage of students under the age of 19 per data provided by the UW. [↑](#footnote-ref-14)
15. Each district uses a different set of criteria to determine which students are eligible. Because students are eligible for the $1.50 youth fare, the school districts pay a different average weighted fare than businesses whose employees are typically charged adult rates of fare. [↑](#footnote-ref-15)
16. http://metro.kingcounty.gov/programs-projects/orca-multifamily-passport/ [↑](#footnote-ref-16)