

FY 2017 Proposed Fare Changes

January 4, 2016

Balancing the FY17 Budget

Internal cost control is our primary focus and cost initiatives account for > 60% of total FY17 deficit reduction initiatives (\$\$ range of \$185-267M)



- FY17 Recast (\$55-66M) reducing OT and non-essential cost growth
- Retirement Incentive for non operational roles, strict backfill limits (\$30-36M)
- AFC Maint and Cash handling – savings TBD (\$34M is MBTA internal cost)
- Bus Maintenance reform (\$10-20M)
- Shift 30% of RIDE users to taxi and TNC pilots (\$13-25M)

- Targeting total \$85M in own-source revenue for FY17 (100% increase over FY15 own-source revenue of \$43M)
- Advertising +\$8-10M impact on FY17 deficit
- Real Estate +\$15-16M impact on FY17
- Parking +\$7-10M impact on FY17

- Focus on low-ridership, high-per trip subsidy services
- Late night subway/bus (\$13 subsidy/trip)
 - \$10-15M potential savings
- Weekend commuter rail (\$24 subsidy/trip)
 - \$8-\$14M potential savings
- Non-ADA Ride (\$45+ subsidy/per trip)
 - \$8-10M potential savings
- Low ridership bus routes (\$6 subsidy/trip)
 - \$10-19M potential savings

- 5% fare increase included in FY17 status –quo pro-forma
- 6.7% increase is a +\$10M impact on FY17 structural deficit
- 8% increase is a +\$20M impact
- 10% increase is a +\$26M impact

Note: All \$ savings shown in relation to their impact on \$242M FY17 deficit

In Fiscal Year 2015 the MBTA collected \$602.6 million in fare revenue for a Farebox Recovery Ratio* of 40%

Three ways to increase fare revenue

1. Increase Ridership
2. Increase Fare Collection
3. Increase Fare levels

**Farebox Recovery Ratio is calculated by dividing total fare revenue by total non-debt operating expenses*

Key to increasing ridership is improving service

The fare levels may have an impact on ridership.

- When considering changes to the fare structure the MBTA uses an elasticity model to estimate ridership impacts
- The model provides a high estimate of possible ridership losses
- After the FY15 fare increase (implemented July 2014) monthly ridership increased compared to the previous year until January 2015 (due to impacts of winter storms)

- Limitations of existing data on actual losses due to uncollected fares and fare evasion
 - Need to determine what share of rear door entries on the Green Line are passholders
 - Improve Commuter Rail data collection on ridership and fare collection
- MBTA cannot currently estimate an amount lost to uncollected fares and fare evasion
- Next Steps
 - Remainder of FY 16: Collect data to develop more accurate estimate of fare losses
 - FY 17 set goal for reduction and implement enforcement plan

Requires weighing the options against all Fare Policy Goals

- Increase Revenue
- Improve Service and Customer Experience
- Advance Social, Equity, Environmental, and Regional Economic Goals

Staff has modeled four potential options for changes to the fare structure and recommends the FMCB advance a set of options for public comment

The following timeline is needed to make fare changes in time for the beginning for FY 2017

- January 4, 2016: FMCB Considers Fare Changes
- January- February: Public Comment Period
- March: FMCB votes on Fare Changes
- April-June: Automatic Fare Collection system reprogrammed to implement changes
- July 1, 2016: Fare changes can take effect

- **Option A** will increase all fare products approximately 5% (systemwide average 4.56%)
- **Option B** will increase single-ride fares approximately 5% and will increase pass prices (systemwide average 6.71%).
- **Option C** will increase all fare products approximately 10% (systemwide average 8.33%).
- **Option D** will increase single-ride fares approximately 10% and will increase pass prices (systemwide average 9.77%)

- Fare Policy encourages the use of passes and pass pricing based on multiples (the number of single-ride fares needed to reach the price of the pass)
- The fare policy goal is to set pass multiples at the median usage, which varies by pass type and mode
 - LinkPass: Used for approximately 40 linked trips per month
 - Commuter rail passes: Used for approximately 32 trips per month

In all of the options

- Senior/T.A.P. and Student Monthly Pass cost equalized to one reduced fare pass price
- Inner and Outer Express Bus combined into one Express Bus fare
- Elimination of 10 ride paper ticket on Commuter Rail, still available on mTicket (mobile app)
- Cash fares set to .25 cent increments, and in some options lowered as part of a plan to phase out change tickets and magnetic stripe tickets entirely

Comparison of Impacts

The elasticity model estimates what would have happened to ridership and revenue in FY 2015 at the proposed fares. This means the estimates do not take into account any ridership gains between FY15 and FY17.

Options	A: 5% base	B: 5% and increase pass prices	C: 10% base	D: 10% and increase pass prices
Systemwide average increase	4.56%	6.71%	8.33%	9.77%
Projected increase above FY15 revenue*, including saved operating costs	\$23.4m	\$33.2m	\$43.0m	\$49.4m
Percent increase above FY15 revenue*	3.9%	5.5%	7.1%	8.2%
Impact on structural deficit (amount over increase assumed in pro forma)	\$0	\$9.8m	\$19.6m	\$26.0m
Estimated Farebox Recovery Rate for FY17**	38.3%	38.9%	39.5%	39.9%
Percent ridership loss from FY15 levels	-0.8%	-1.2%	-1.3%	-1.6%

*FY 2015 adjusted to not include pass discount in May 2015

** Includes the increased operating expenses due to transferring employees from capital to operating budget

Fare Comparison

	Current Price	Option A	Option B	Option C	Option D	New York - MTA	Philadelphia - SEPTA	Chicago - CTA	Portland, OR - TriMet
Base fare (Rapid Transit Cash / Ticket)	\$2.65	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.25	\$2.25	\$2.50
Rapid Transit CharlieCard	\$2.10	\$2.20	\$2.20	\$2.25	\$2.25				
Local Bus CharlieCard	\$1.60	\$1.70	\$1.70	\$1.75	\$1.75	\$2.75	\$2.25	\$2.00	\$2.50
Monthly LinkPass (or equivalent)	\$75	\$79	\$82.50	\$82.50	\$84.50	\$116.50	\$91.00	\$100.00	\$100.00
LinkPass trips to break even	35.7 trips	35.9	37.5	36.4	37.5	42.4	40.4	44.4	40

Equity Analysis

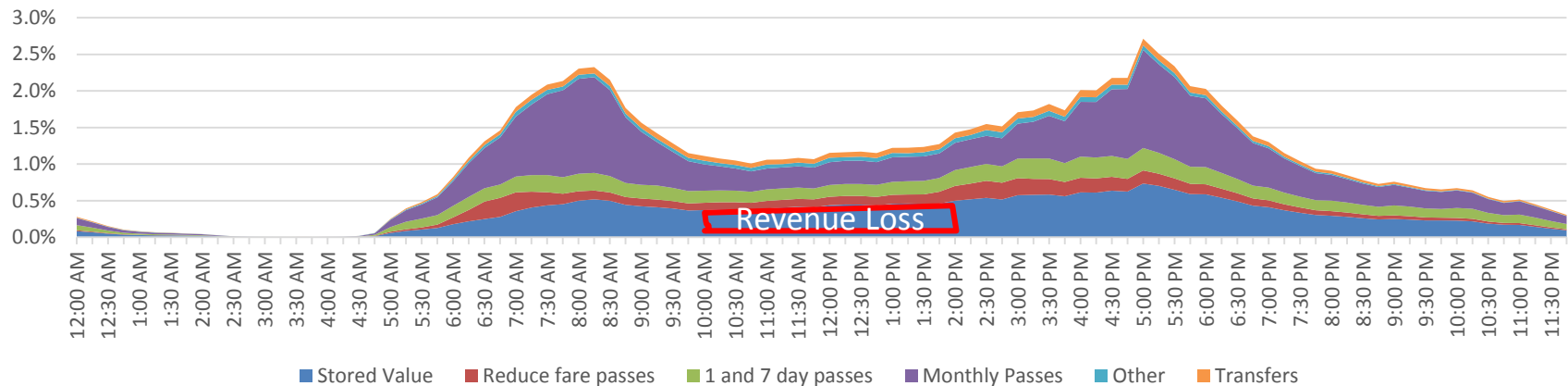
- Under Title VI FTA requires an Equity Analysis for all fare changes
- MBTA policy sets the threshold for disparate impacts for minority populations and disproportionate burdens for low-income populations

	Type of Fare Increase	Disparate impact for minority riders	Disproportionate burden for low-income riders
Option A	Minor	Lower average increase compared to overall riders	Lower average increase compared to overall riders
Option B	Minor	Lower average increase compared to overall riders	Lower average increase compared to overall riders
Option C	Major	Lower average increase compared to overall riders	Lower average increase compared to overall riders
Option D	Major	<i>Analysis in progress</i>	

The MBTA has considered other means to maintain access for low-income riders

- Time of day pricing requires significant changes to our fare collection technology, but is feasible in the future
- Making the system free in the middle of the day would have too large a revenue impact

Validations by Time of Day (August-October 2015)



Back of the envelope free fares from 10am-2pm would cost \approx \$30 million a year without any time of day shifting

Considerations for implementing means-testing

- Does means-testing require off-setting revenue?
- How should means-testing be administered?

MBTA has piloted means-testing for The RIDE and as part of the Youth Pass

Staff recommends continuing to evaluate and pilot means-testing, but does not expect a full program can be implemented by July 1, 2016

- Any proposed changes to MBTA fares will undergo a comprehensive public input process
 - 10 public meetings
 - An online comment form
 - Email and physical mailing addresses
- The public comment period will be concurrent with input on
 - Late Night service
 - Changes to Commuter Rail schedules

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Staff recommends advancing a set of options for public comment