

BOARD OF DIRECTORS REPORT

To: Phillip A. Washington, Interim General Manager
From: Bruce Abel, Assistant General Manager, Customer and Contracted Services
Date: October 6, 2009
Subject: Recommendations from Pass Program Committee

Date:
GM
Board Meeting Date: 10/20/2009
ACTION X DISCUSSION INFO

RECOMMENDED ACTION

It is recommended by the Operations/Customer Services Committee that the RTD Board accept the recommendations of the RTD Pass Committee for pricing of the Eco Pass and Neighborhood Pass programs as outlined in Attachments A and B, to be implemented following the availability of utilization data from smart cards. In addition, lift the current moratorium on new and expanded contracts in the Neighborhood Pass program as described in Attachment B.

BACKGROUND

The RTD Pass Program Committee began meeting in May 2009. The purpose of the committee was to develop viable pricing formulas for RTD Eco Pass and Neighborhood pass programs to be used at such time as smart card data is available to provide actual utilization data. The committee was comprised of four members of the RTD Board and four external representatives. The committee met six times, with the last meeting held on September 30.

A joint staff working group, comprised of representatives from RTD, the city of Boulder, Boulder County and the University of Colorado, was charged with developing a proposed pricing structure for the business Eco Pass and the Neighborhood Pass programs that could be forwarded to the Pass Program Committee for consideration.

DISCUSSION

The joint staff working group met a number of times to discuss the factors that should be considered in pricing unlimited access pass programs as well as the appropriate level of discount within RTD's overall fare structure. After considerable discussion, the group developed a set of recommendations for both the business Eco Pass and the Neighborhood Pass. Those recommendations were forwarded to the Pass Program Committee and were endorsed by that committee. The key recommendations for each program are outlined in Attachments A and B, along with summaries of the key similarities and differences from the current pricing structure.

FINANCIAL IMPACT

The financial impact of the proposed changes to pricing formulas for Eco Pass and Neighborhood Pass will not be known until such time as utilization data from smart cards are available and used for pricing the programs. In general, the pricing formulas as proposed will for the first time be based on the value of service used by pass holders.

ALTERNATIVES

1. Accept the recommendations of the RTD Pass Committee for pricing of the Eco Pass and Neighborhood Pass programs as outlined in Attachments A and B to be implemented following the availability of utilization data from smart cards. In addition, lift the current moratorium on new and expanded contracts in the Neighborhood Pass program as described in Attachment B. This is the recommended action.
2. Do not accept the recommendations of the RTD Pass Committee for pricing of the Eco Pass and Neighborhood Pass programs and direct staff to develop an alternative pricing recommendation.

Prepared by: Tony McCaulay, Senior Manager, Marketing

Attachment A
Business Eco Pass Pricing Recommendation
October 2009

This proposed pricing structure as recommended by the RTD Pass Program Committee is consistent with the two primary philosophies of the Eco Pass Program established by the committee: 1) that it is financially sustainable to RTD, and 2) that it serves to increase transit ridership.

The pricing model proposed is a revenue based approach that used RTD's existing fare structure and the levels of discounts available through various fare media as the basis upon which the unlimited access pass programs could be priced. The availability of ridership data through the use of smart cards will, for the first time, give RTD the opportunity to price the Eco Pass Program based on actual ridership data.

A summary of the key recommendations and a broad overview of the primary similarities and differences of the existing and proposed Eco Pass pricing structures are outlined below.

Key Recommendations

- No changes to the Eco Pass pricing structure would be implemented until after adequate smart card ridership data are available, unless there is a general RTD fare increase.
- Continue to use the four current services level areas (SLA's) as part of the pricing structure, but use four levels of employer size (1-24, 25-99, 100-499 and 500+).
- Continue to use a matrix of employer size and SLA to determine price. The value of trips taken by all companies within a cell of the matrix will be used to determine the price for that cell. A 40 percent discount will be applied to the cash value of those trips which will be divided by the total number of employees within that cell to determine a per employee price. This pricing approach will be revisited for possible adjustments after three full years of smart card data are available.
- During the first two years of the new pricing structure, no company's contract amount will increase by more than 10 percent, unless there is a general fare increase. This limit does not apply to contract minimums.
- Contract minimums will use a blended rate that will use actual ridership data by service type within an SLA to compute the cost of a hypothetical annual pass that reflects the actual proportions of local, express and regional use. The contract minimum would be twice that blended cost.
- The \$5 surcharge for trips to DIA will be eliminated when the new pricing structure is implemented.
- When the new pricing structure is implemented, call-n-Ride service areas will revert to SLA A, except in cases where the 25+ trip threshold is met.

Similarities

- Both the existing and proposed pricing structures use the underlying premise that all employees within a company are paid for and all are eligible to receive an Eco Pass.
- Both pricing structures use the size of the employer and the employer's location (called Service Level Areas or SLAs) to determine pricing level.
- Both pricing structures have contract minimums.

Differences

- The existing pricing structure was developed in 1990 and was based on company location, company size and estimated ridership. The proposed pricing structure will still use company location and size, but will use smart card data to determine actual ridership and the value of trips taken.
- The existing structure uses a pricing matrix that has 20 cells, representing four SLA's and five different ranges of company size. The proposed structure will still use four SLAs but will have only four different ranges of company size.
- The proposed structure will use actual utilization data to determine the value of trips taken by all employees of companies within a pricing cell. A 40% discount would then be applied to the cash fare value of those trips. The result will then be divided by the total number of employees in that pricing cell to determine the following year's per employee rate. The 40% discount rate is in line with discounts offered through other RTD pass products and reflects the benefits that accrue to RTD from the Eco Pass Program.
- The current contract minimums are approximately the cost of one annual pass for local, express or regional fares, depending on SLA. The proposed contract minimum will use a blended rate that will use actual ridership data by service type within an SLA to compute the cost of a hypothetical annual pass that reflects the actual proportions of local, express and regional use. The contract minimum would be twice that blended cost.

Attachment B
Neighborhood Eco Pass Pricing Recommendation
October 2009

This proposed pricing structure as recommended by the RTD Pass Program Committee is consistent with the two primary philosophies of the Neighborhood Eco Pass Program established by the committee: 1) that it is financially sustainable to RTD, and 2) that it serves to increase transit ridership.

The pricing model proposed is a revenue based approach that used RTD's existing fare structure and the levels of discounts available through various fare media as the basis upon which the unlimited access pass programs could be priced. The availability of ridership data through the use of smart cards will, for the first time, give RTD the opportunity to price the Neighborhood Eco Pass Program based on actual ridership data.

A summary of the key recommendations and a broad overview of the primary similarities and differences of the existing and proposed Neighborhood Eco Pass pricing structures are outlined below.

Key Recommendations

- For neighborhoods currently participating in the program, no changes to the Neighborhood Eco Pass pricing structure would be implemented until after adequate smart card ridership data are available, unless there is a general RTD fare increase.
- Neighborhoods will continue to be defined by contiguous blocks as the basis for pricing.
- The value of trips taken by all residents within a contractually defined neighborhood will be used as the basis to determine the following year's price for that neighborhood. A 40 percent discount will be applied to the cash value of those trips which will be divided by the total number of households within that neighborhood to determine the per household price. This pricing approach will be revisited for possible adjustments after three full years of smart card data are available.
- During the first two years of the new pricing structure, any increase to a neighborhood's contract price will be by no more than 33 percent of the difference between the smart card calculated price and the pre smart card price, unless there is a general fare increase.
- Contract minimums for each neighborhood will be set at \$5,000 and a minimum of 40 households. Any existing neighborhood with less than 40 households will be grandfathered from this requirement.
- The \$5 surcharge for trips to DIA will be eliminated when the new pricing structure is implemented.
- Prices for new neighborhood wishing to enter the program will be based a survey of existing ridership patterns. The survey may be calibrated over time as smart card data are available.
- Lift the moratorium on new or expanding neighborhoods in recognition of a \$10,000 financial contribution from the city of Boulder and the fact that smart card data will be available in future

years. RTD will survey new and expanding neighborhoods and the per household price will be the higher of the survey result or the existing rate.

Similarities

- Both the existing and proposed pricing structures use the underlying premise that all residences within a geographically defined neighborhood are paid for and all are eligible to receive a Neighborhood Eco Pass.
- Under both the existing and proposed pricing structures, survey results will be used to establish the first year price for a new neighborhood joining the program.
- Both pricing structures have contract minimums.

Differences

- The existing pricing structure within the city of Boulder was developed in 1999 and was based on travel diary information. The proposed pricing structure will use smart card data to determine actual ridership and the value of trips taken, apply a 40 percent discount to that amount, then divide by the number of households in the neighborhood to determine the per household rate. The 40% discount rate is in line with discounts offered through other RTD pass products and reflects the benefits that accrue to RTD from the Eco Pass Program.
- The current contract minimums are \$5,600 per neighborhood. The new contract minimums for each neighborhood will be set at \$5,000 and a minimum of 40 households. Any existing neighborhood with less than 40 households will be grandfathered from this requirement.