

Board Strategy Session

Strategic Financial Role of Ridership Fares in the Financial Health of TriMet

October 5, 2022

Defining a Government

What makes a Government

- Public corporations
- Bodies corporate and politic
- Officers are elected by the people
- ✦ • Controlling majority of the governing body is appointed
- Entity can enact and enforce a tax levy
- ✦ • Presumed to be government if entity has the ability to issue federally tax-exempt debt

What type of Government is TriMet

- Enterprise funds report any activity for which a **fee is charged to external users**
- A given activity must be accounted for in an Enterprise fund if:
 - Outstanding debt is backed solely by user fees and charges or
 - There is either a pricing policy or legal requirement that fees and charges be set to recover costs, including capital costs.

As described in ORS 267.200, TriMet meets the definition of a governmental entity (not a non-profit) that reports activity in an Proprietary Enterprise fund.

Strategic Financial Plan – Fare Policy

The fare policy outlined below seeks a financially sustainable system that encourages and supports ridership and ensures broad access to transit services.

Financial – *strive for a sustainable balance of growth in ridership and passenger revenue*

- ✦ ○ *Pricing strategy keeps pace with cost of service*
- *Encourage pre-payment of fares for operational efficiency*
- ✦ ○ *Leverage electronic fare collection to reduce costs and improve fare recovery*

Customer Experience – *improve customer experience through electronic fare collection, other emerging technologies, while achieving operational efficiencies.*

- *Design fares to be simple to understand, easy to use and convenient to purchase*
- *Consider impact on customers and equity when changing fares*
- *Support simple and efficient fare enforcement*
- *Strike a balance between service quality and cost*

Strategic Financial Plan – Fare Policy

The fare policy outlined below seeks a financially sustainable system that encourages and supports ridership and ensures broad access to transit services.

Transit Equity – *mitigate fare cost for low-income, transit-dependent riders*

- *Reduce barriers that keep these riders from using transit*

Public Engagement – *inform and engage communities in decision making*

- *Design fares to be simple to understand, easy to use and convenient to purchase*
- *Consider impact on customers and equity when changing fares*
- *Support simple and efficient fare enforcement*
- *Strike a balance between service quality and cost*

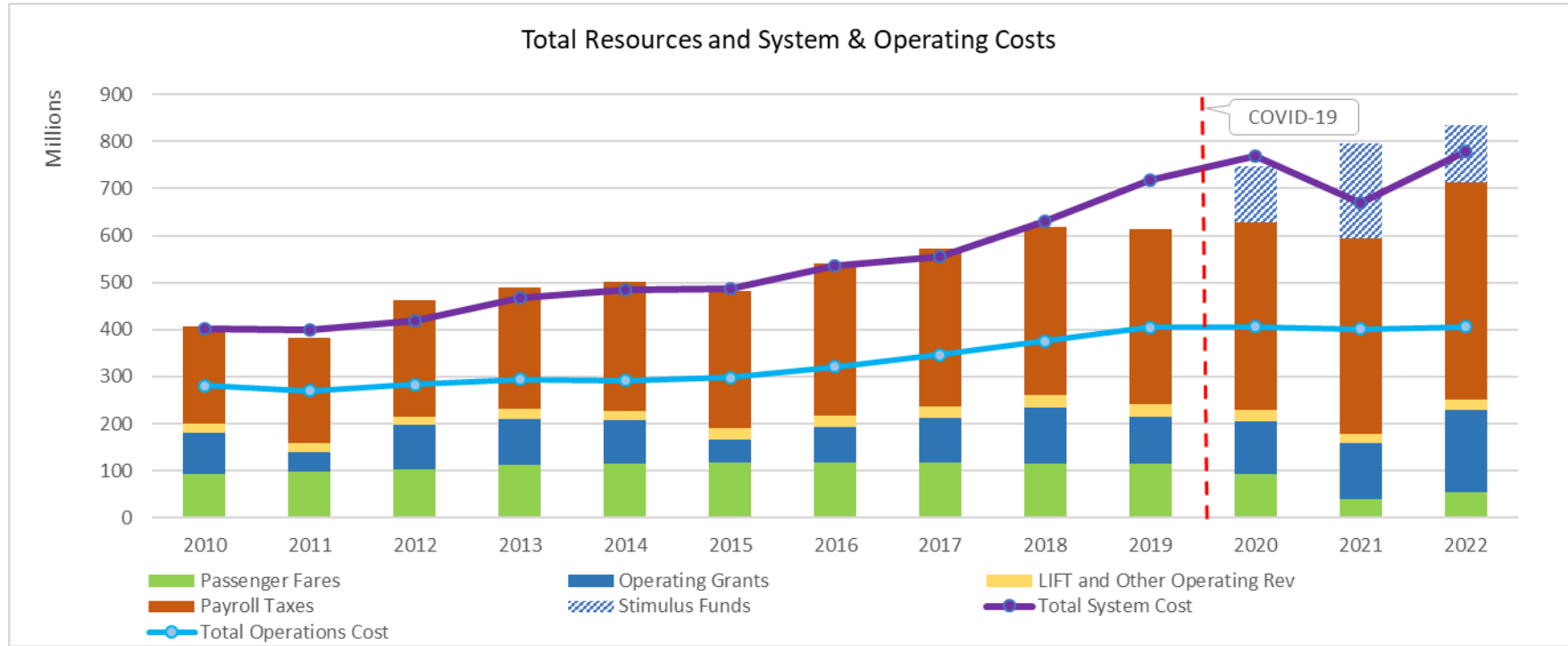
Farebox Recovery Ratio - FRR

Passenger Fares / Operating Costs = Fare Recovery Ratio

Operating Costs = total cost it takes to run service

- Transportation/Maintenance Division Costs
 - Operators
 - Mechanics
 - Fuel, lubricants, parts
 - Station Agents
 - Dispatchers
 - Facilities Management/Road Operations/Security

Total Resources Compared to System & Operating Cost



When ridership declines and less fare revenue is collected, TriMet covers operating costs by imposing cost cutting efforts

➤ **Reduced Service**

- Bus
- MAX
- WES
- LIFT
- Portland Streetcar

➤ **Pause on Service Expansion**

➤ **Hiring Freeze***

➤ **Evaluation of Vacant Positions**

➤ **Limited New Positions**

➤ **Wage Freeze***

➤ **Limited Travel***

- Online training when available

➤ **Overall Operating expense reduction**

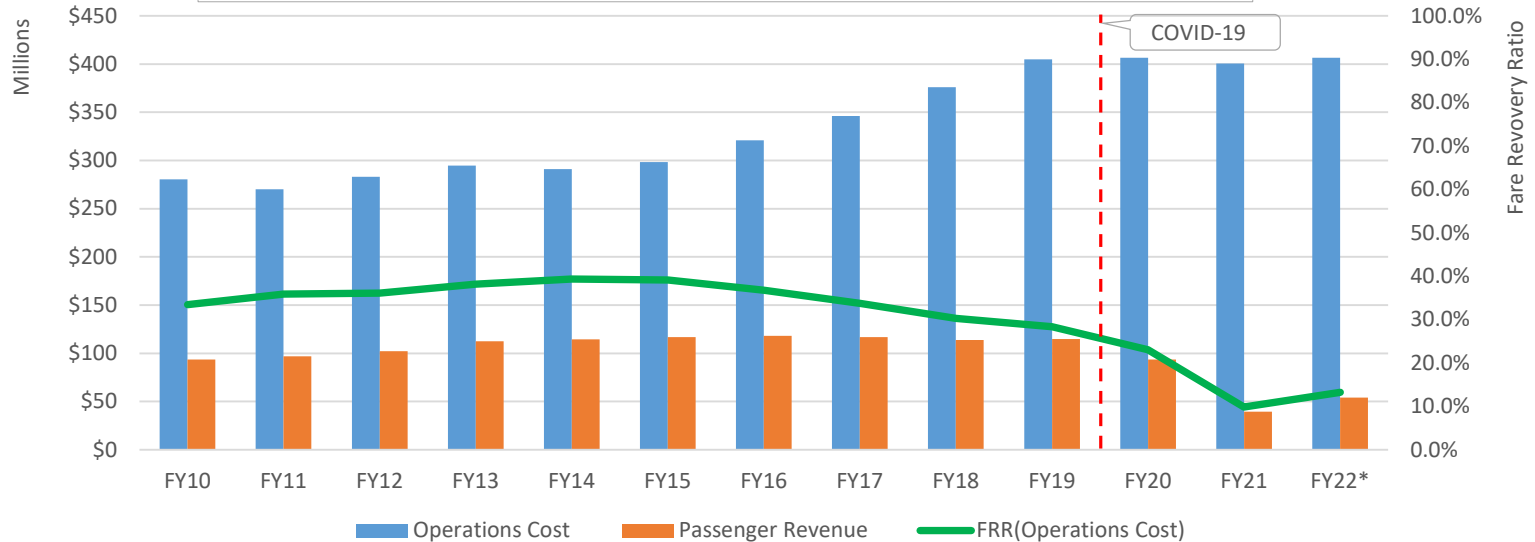
- All divisions made efforts to reduce expenses

➤ **Deferred or de-scoped capital projects where possible**

Operations Cost, Passenger Revenues and Fare Recovery Ratio

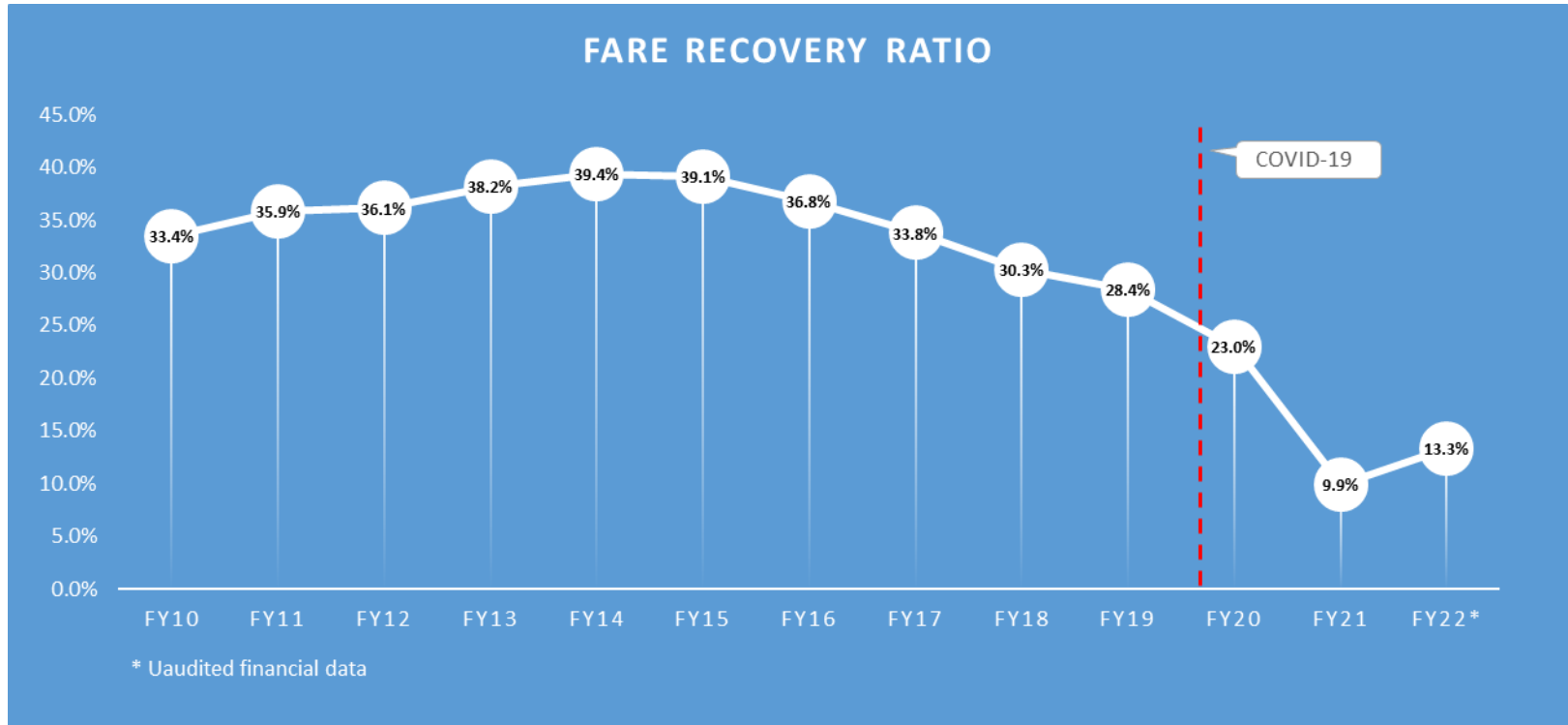
Total Operations Cost, Passenger Revenue, Fare Recovery Ratio Comparative Analysis

FY10-FY19, Operations cost annual increase =4.2% and Passenger rev =2.3%
 FY10-FY22, Operations cost annual increase = 3.1% and Passenger rev decrease = (4.5%)

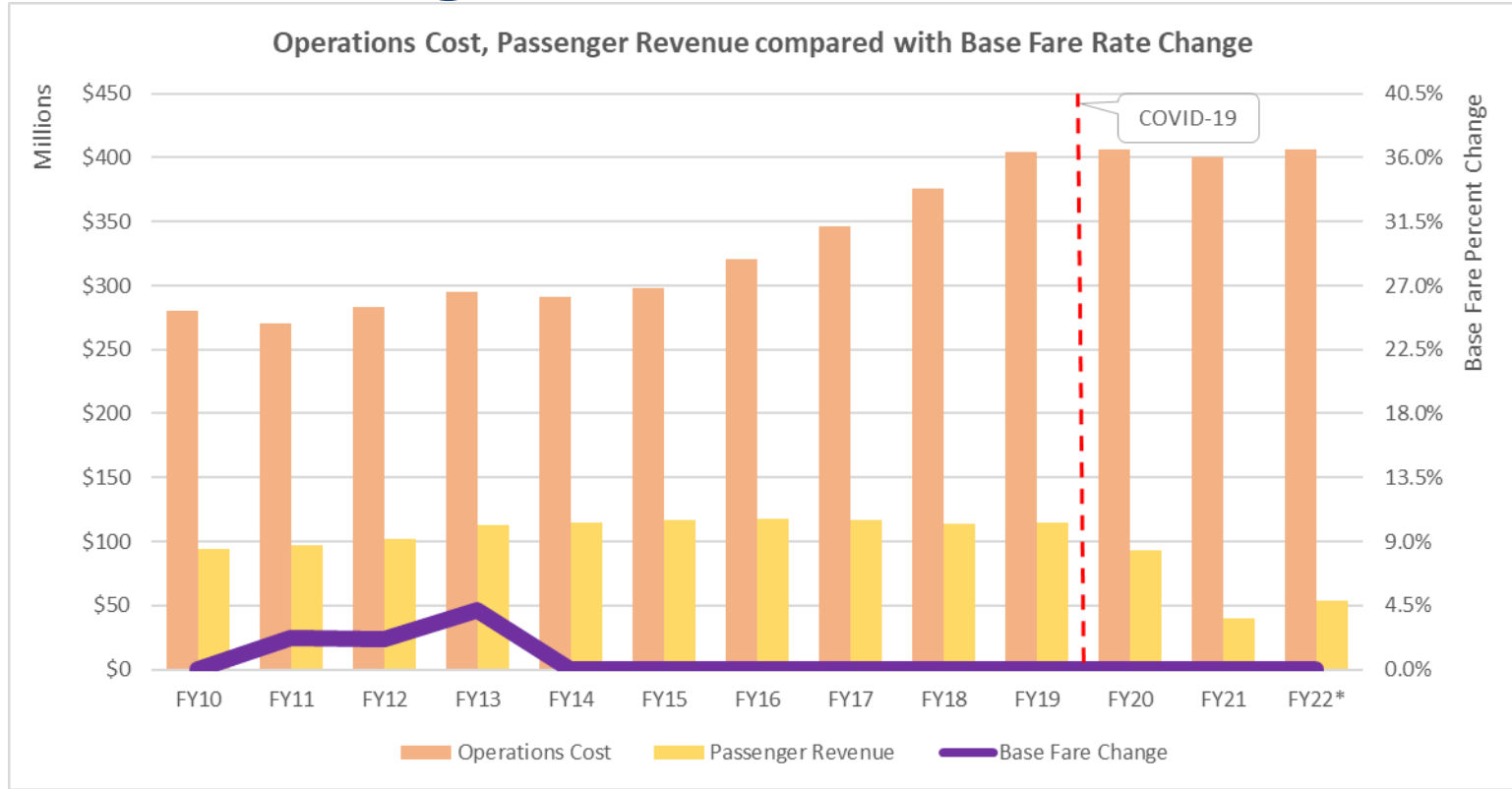


* Unaudited financial data

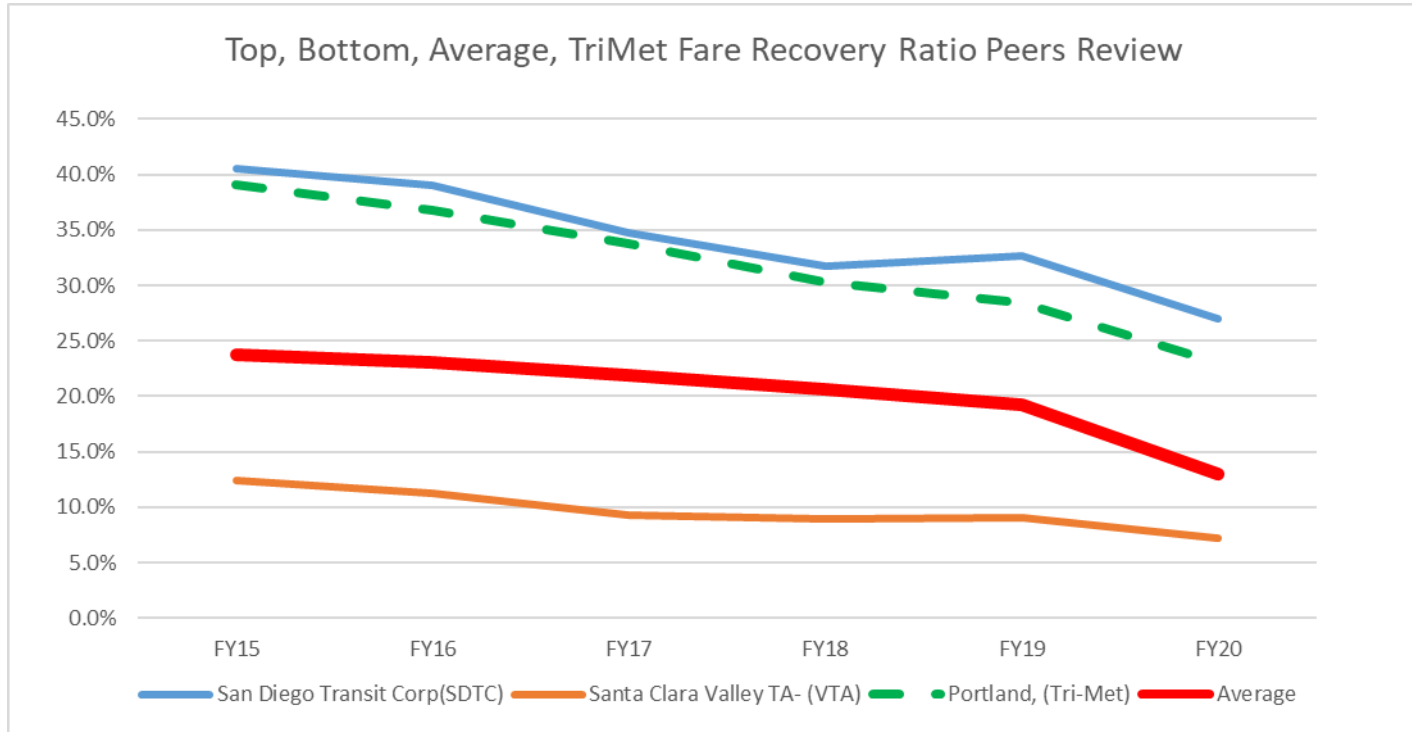
Fare Recovery Ratio



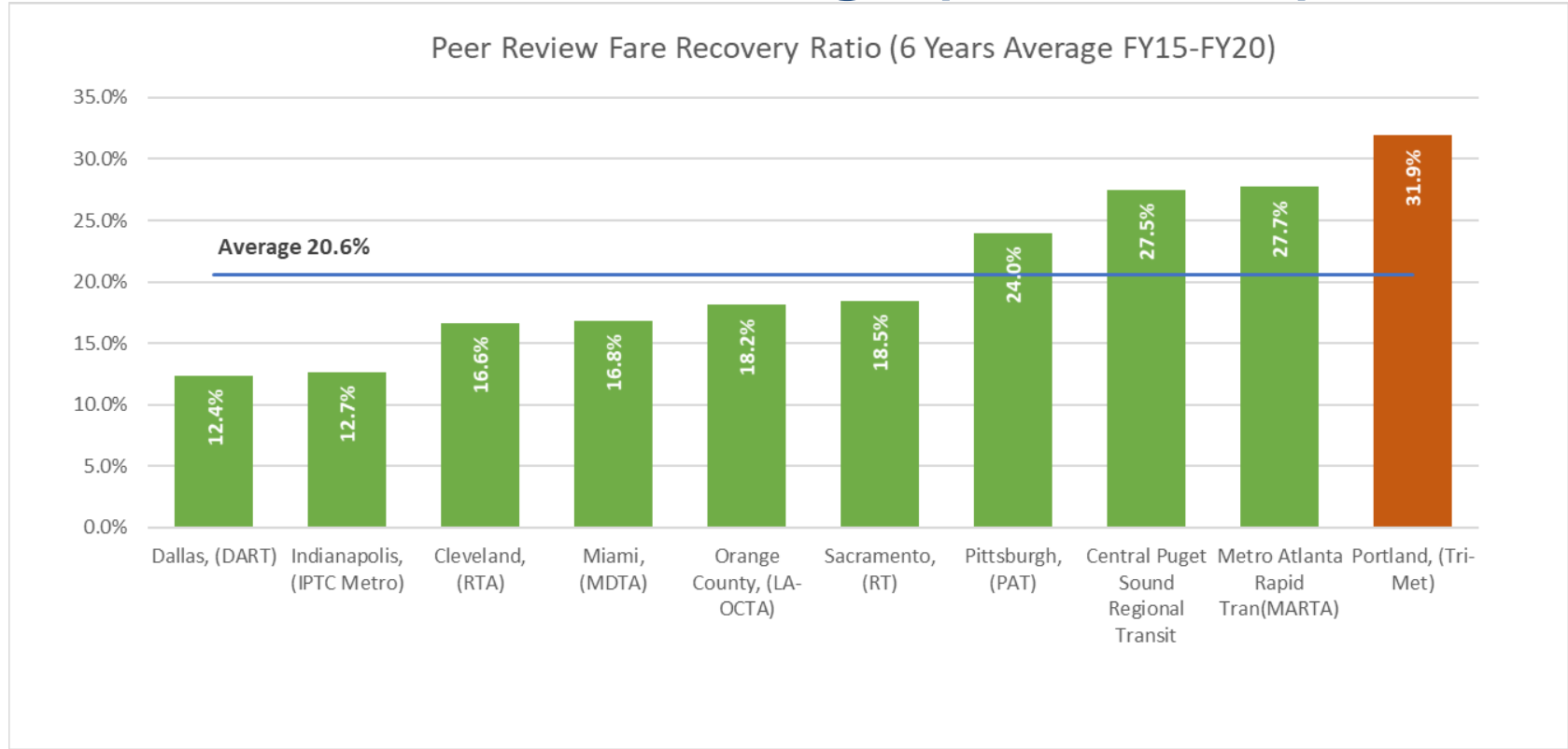
Total % Change Since FY2010



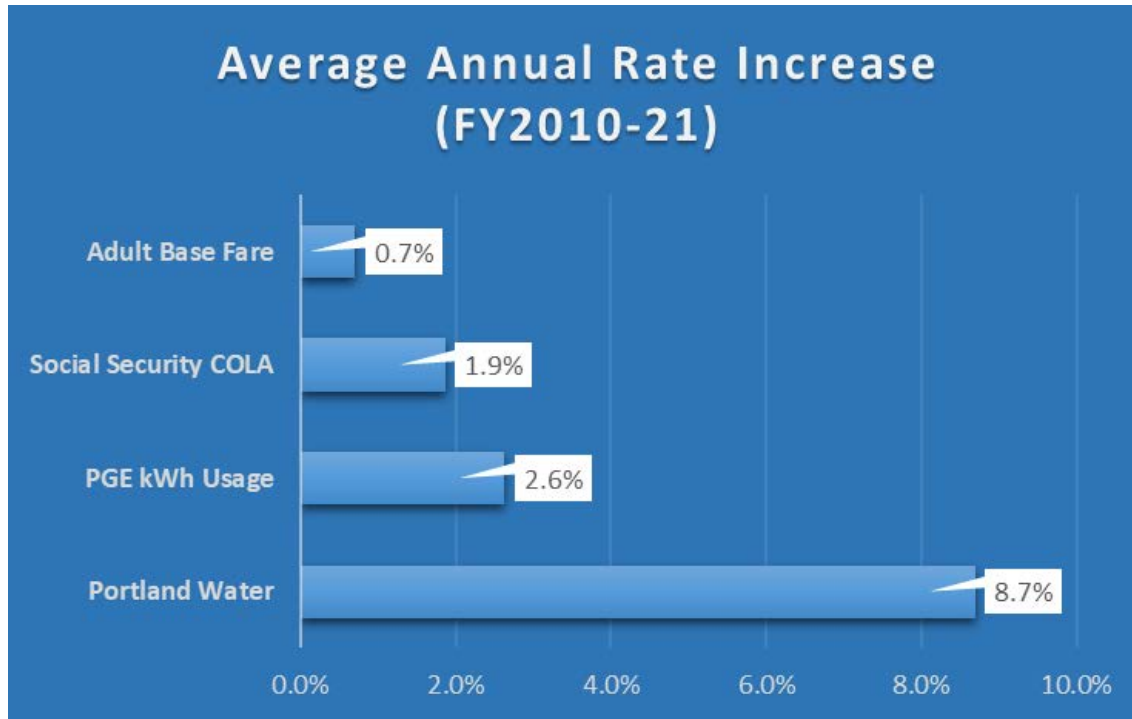
NTD Peer Review FY2015-FY2020 (24 Agencies)



NTD Peer Review Average (FY2015-20)



Various Rate Changes



Resources and Other Funding

Transit Agency	Other Operating Revenue						2020 Total
	Fares	Taxes & Fees	Local	State	Federal		
Orange County, (LA-OCTA)	0.5%		15.6%	64.2%	19.7%	100.0%	
Indianapolis, (IPTC Metro)	5.7%	0.8%	33.9%	10.5%	49.1%	100.0%	
Dallas, (DART)	5.8%	5.8%	54.7%	0.0%	33.6%	100.0%	
Central Puget Sound Regional Transit	6.6%	9.3%	41.9%	0.5%	41.7%	100.0%	
Miami, (MDTA)	6.9%	2.5%	58.5%	2.4%	29.6%	100.0%	
Cleveland, (RTA)	9.9%	2.1%	40.3%		47.6%	100.0%	
Sacramento, (RT)	11.1%	9.1%	51.0%	7.7%	21.1%	100.0%	
Portland, (Tri-Met)	15.5%	7.0%	39.8%	0.2%	35.6%	100.0%	
Metro Atlanta Rapid Tran(MARTA)	15.5%	12.6%	42.5%	5.2%	24.2%	100.0%	
Pittsburgh, (PAT)	17.8%	2.6%	3.4%	58.9%	17.4%	100.0%	
Average	9.5%	5.8%	41.4%	26.3%	20.8%		



How other Transit Agencies decide to raise fare

Agency	Percentage requirement	% Subsidy Require
RTD	Removed	was 30%
SFMTA	Policy to define	
King	Guideline	25% < target 30%
UTA	none, but try to keep subsidy per ride to \$5.88	
MTA, Baltimore	Policy to define	40%
CTA	none	-
WMATA	none	-
LA Metro	Policy to define	-
MBTA	none	-
SEPTA	Guideline	45%
MARTA	none	-
OCTA	State Legislated	20%
Valley Metro	none	-
BART	Policy to define	60%
AC Transit	Adopted policy	30%
VTA	none	-
DART	none	-

Fare Evasion

- Last survey done in 2019 (10,782 riders)
- Surveys have been on hold due to COVID-19
- Looking to survey in Spring 2023
- **TriMet's fare evasion is 18.2%**
 - 80.5% of riders were in fare compliance
 - Reached an all-time high fare evasion rate of 18.2% (no fare)
 - An additional 1.3% had the wrong fare
 - Of the riders surveyed without a valid fare, 2% said they could not afford it and 62% said they either did not tap, forgot to tap, or took a chance.
- **Each 1% is roughly \$1M in loss**
- **Compared to other agencies, this is one of the highest in the nation behind LA Metro (25%)**

Average fare evasion across other systems

Transit Agency	Fare Evasion
LA Metro	25%
TriMet	18.2%
SFMTA	12.75%
Valley Metro	7.50%
King County	6%
DDOT	6%
SacRT	5%
RTD	5%
MBTA	4%
VTA	3.50%
MARTA	2.20%

Questions & Discussion

Fare Increase History

Year	Passenger Revenue 000s	Reason for Fare Increase		
		Regularly Scheduled	Special	Diesel Fuel
FY1999	\$40,991	\$0.05		
FY2000	\$46,373		\$0.05	
FY2001	\$51,702	\$0.05		
FY2002	\$53,191		\$0.05	
FY2003	\$52,746			
FY2004	\$55,664	\$0.05		
FY2005	\$59,487	\$0.05		\$0.05
FY2006	\$68,484	\$0.05		\$0.05, \$0.15
FY2007	\$75,931	\$0.05		
FY2008	\$80,861	\$0.05		
FY2009	\$90,017	\$0.05		\$0.20
FY2010	\$92,806	\$0.00		
FY2011	\$96,889	\$0.05		
FY2012	\$102,240	\$0.05		
FY2013	\$112,501	\$0.10-\$0.40		
FY2014	\$113,502	\$0.00		
FY2015	\$116,702	\$0.00		
FY2016	\$119,853	\$0.00		