

Fare Strategy Briefing: Fare Policy Update

Executive Committee

03/07/2024



Why we are here

- Recap the Board's fares-related work in 2023 and 2024.
- Share staff recommendations to update farebox recovery targets and triggers for future fare adjustments.
- Informational briefing only, no action.

Areas of focus in 2023

Major policy topics

- Fare policy – originally adopted in 2010 with a minor update in 2014 (Resolution No. [R2014-27](#))
 - ✓ Fare structure.
 - Farebox recovery targets.
- Parking management program – last Board action in 2018 to allow priced monthly parking permits (Resolution No. [R2018-27](#))
 - Expanded program with daily paid parking.

Fare policy update

Rationale for a fare policy update

- Current fare policy was adopted in 2010 with a minor update in 2014 to add new passenger fare categories (low-income adult fare category).
- Addressing substantive issues associated with **farebox recovery targets and approach for adjusting fare rates.**
- Making minor and administrative/clerical changes to other sections.

Farebox recovery targets

The Board's fare policy establishes farebox recovery ratios

- Farebox recovery ratio is the percentage of operating expenses made up by passenger fares.
- RCW requires Sound Transit to have a farebox recovery policy: “Agencies providing high capacity transportation service shall...establish [a] farebox recovery return policy.” (RCW 81.104.130)
- **“Farebox recovery below the minimum recovery targets** signals that fare revenues are not keeping pace with costs of operations and that the financial plan is threatened.”

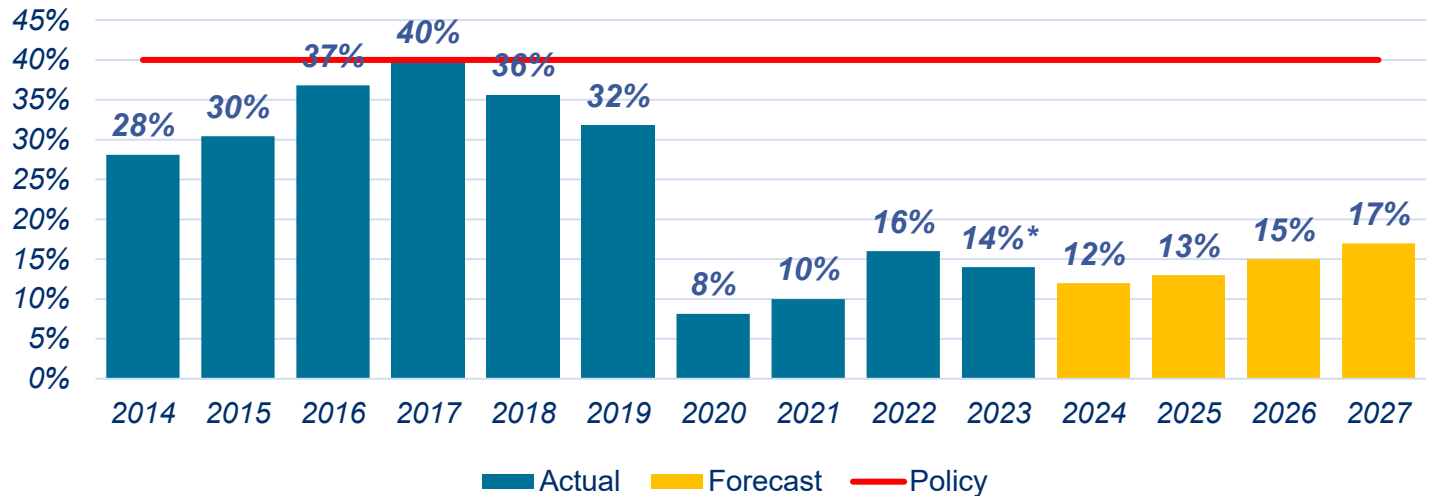
Existing farebox recovery targets by mode

Mode	Farebox recovery target
Link	40%
Souder	23%
ST Express	20%
T Line	Not yet established
Stride	Not yet established

We are out of compliance with Board-adopted fare policy

Link farebox recovery well below 40% policy

Link farebox recovery

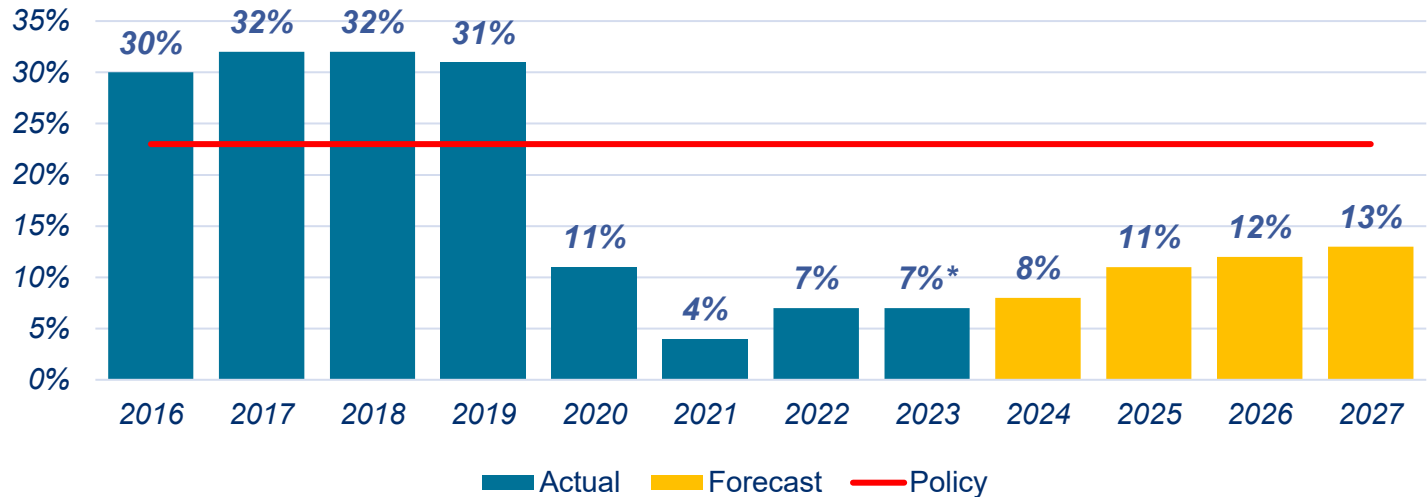


*preliminary figure and subject to change

We are out of compliance with Board-adopted fare policy

Sounder farebox recovery well below 23% policy

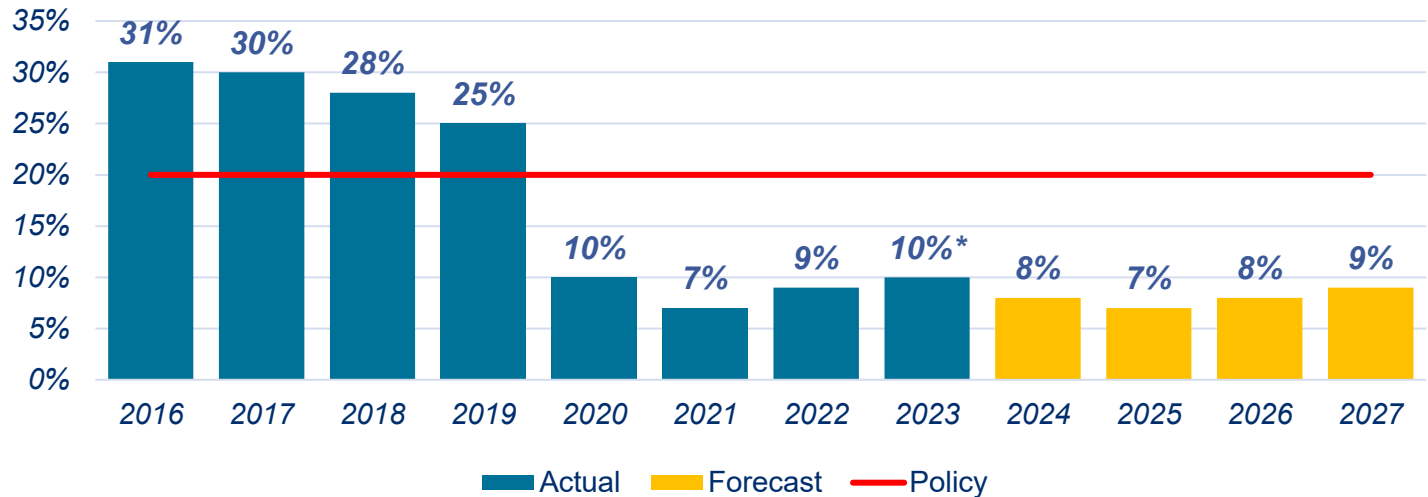
**Sounder
farebox
recovery**



We are out of compliance with Board-adopted fare policy

ST Express farebox recovery well below 20% policy

**ST Express
farebox
recovery**



**preliminary figure and subject to change*

Farebox recovery policy updates

Changes to Existing Policy	Rationale
<p>Update modal farebox recovery minimums and add targets:</p> <ul style="list-style-type: none">• Link: from 40% to a 17% minimum & 22% target.• Sounder: from 23% to a 13% minimum & 18% target.• ST Express: from 20% to a 7% minimum & 12% target.	<ul style="list-style-type: none">• Minimums are based on projected fare revenue performance in the fall 2023 Long Range Finance Plan update.• Minimum and targets figures are more realistic per expanding transit system and post-Covid ridership trends.
<p>Add a systemwide farebox recovery minimum (15%) and target (20%).</p>	<p>A systemwide minimum and target enables a broader understanding of fare revenue health.</p>
<p>Delete a reference to when farebox recovery minimums are in effect (i.e., start-up phase).</p>	<p>Initial language was established just after Link started service.</p>
<p>Add language that minimums and targets must be set within three years for new modes or after existing modes begin charging fare.</p>	<p>Applies to Stride and T Link and allows for ridership and operating expenses to normalize before setting minimums and targets.</p>

Fare rates & adjustments

The Board's fare policy establishes a trigger for when a change must be considered

- “Farebox recovery below the minimum recovery targets signals that fare revenues are not keeping pace with costs of operations and that the financial plan is threatened.”
- **Per policy, when farebox recovery falls below the established levels, a fare change process is triggered.**

Fare rates & adjustments policy updates

Changes to Existing Policy	Rationale
Require Board consideration of a fare change and review of operational expense trends every four years.	Align the fare policy with assumptions in the agency's Finance Plan regarding fare increases.
Require Board consideration of a fare change if a minimum threshold is not achieved for two consecutive calendar years.	Supplements the above change should we not meet farebox recovery minimums and requires sustained underperformance in the event of outlier years (e.g., known operational expenses associated with system expansion or maintenance).

Toward a comprehensive fares strategy

Next steps for fare policy update

April 2024

- 4/4: Executive Committee recommendation on fare policy update.
- 4/25: Board action to update fare policy.

Update on fare capping

- Developing information on the policy, technical, financial, and passenger experience considerations related to fare capping.
- Engaging with partner agencies about their interest in and potential scenarios for fare capping across the region.
- Coordinating with ORCA team regarding technical capacity and feasibility to implement in the near-term.

Thank you.



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