

RESOLUTION to ADOPT a FARE CHANGE POLICY

WITNESSETH

WHEREAS, on June 2, 2016 the board approved releasing a request for proposal (COTPARFP2016009) seeking a professional services agreement to establish a Fare Policy and evaluate EMBARK's fare structure; and

WHEREAS, on October 7, 2016 the board authorized the Administrator to negotiate and enter into a contract with Four Nines Technologies (Four Nines) for fare study consulting services; and

WHEREAS, Four Nines has collaborated with EMBARK staff to review current fare structure, fare collection methods and past practices for fare changes; and

WHEREAS, using feedback received from the various public engagement efforts, comparisons to peer bus systems and streetcar systems and previous experience with similar projects, Four Nines has developed and recommended Fare Change Policy, a Fare Collection Strategy (mobile ticketing) and a Fare Schedule; and

WHEREAS, on December 15, 2017 the Chairman and Trustees of Central Oklahoma Transportation and Parking Authority received the Fare Change Policy, the Fare Collection Strategy and Fare Schedule recommendation reports prepared by Four Nines Technologies; and

WHEREAS, following the Board's acceptance of the recommendations staff initiated additional public engagement;

WHEREAS, the policy was made available on the embarkok.com website from December 18th, 2017 through February 4th, 2018;

WHEREAS, no official comments were received from the public during that time;

NOW, THEREFORE, BE IT RESOLVED that the Chairman and Trustees of Central Oklahoma Transportation and Parking Authority hereby adopts the COTPA Fare Change Policy to be effective March 2, 2018 as set forth on the attached.

APPROVED by the Trustees and **SIGNED** by the Chairman of the Central Oklahoma Transportation and Parking Authority this 2nd day of MARCH, 2017.

**CENTRAL OKLAHOMA TRANSPORTATION
AND PARKING AUTHORITY**

ATTEST: (Seal)



Secretary



Chairman

REVIEWED for form and legality.

Masha O. Harrod
Assistant Municipal Counselor



Fare Change Policy

December 15, 2017

EMBARC Fare Change Policy

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EMBARC Fare Change Policy

Introduction

In 2017, EMBARK initiated a fare study to establish a fare policy, evaluate EMBARK's fare structure, and develop a fare collection strategy. This Fare Change Policy is an outcome of the fare study. The Fare Change Policy also reinforces the 5-Year Board Initiatives that were adopted by the COTPA Board of Trustees on September 2, 2016.

In addition to the transit services provided under the EMBARK family of services, COTPA also provides public parking, vanpool, and bike share services in Oklahoma City and is investigating opportunities to integrate the payment of parking charges and bike share fees with transit fare products, by creating multimodal fare payment options. To the extent that parking and bike share fees are integrated with transit fare products that support multimodal fare payment, the Fare Change Policy also applies to parking, vanpool, and bike share fees.

The EMBARK Fare Change Policy is intended to support EMBARK's fare policy goals and the resulting fare collection strategy as well as COTPA's 5-Year Board Initiatives. The goal of the fare policy and fare collection strategy is a fare system that:

- Provides choices for customers that are easy to understand, explain, and use,
- Attracts new customers and additional trips from existing customers,
- Promotes multimodal fare integration and trip making,
- Uses fare collection technology to enhance fare payment options for customers and assist in fare enforcement,
- Is equitable and takes into consideration a customer's ability to pay,
- Achieves fare revenue needs and strives to achieve EMBARK's farebox recovery revenue targets,
- Accommodates accounting and reporting needs, and
- Considers transit industry best practices in fare technology for the different modes while taking into consideration the costs of the technology and approaches used by similar size peers.

Fare Change Policy Objectives

The purpose of the EMBARK fare change policy is to provide guidance to EMBARK staff in planning and implementing fare changes for all of the public transportation services EMBARK provides. The objectives of defining and adopting a fare change policy are to:

- Ensure that fares are reviewed on a regular basis as part of ongoing annual financial planning, so that transportation operations remain sustainable for EMBARK and affordable for its customers.
- Provide a basis for evaluating fare changes, including the introduction of new fare programs, as well as fare increases or reductions, and changes to fare policies and fare structure, by defining criteria for program eligibility, and considering factors such as fare revenue impacts, administrative costs, data needs, fare collection and enforcement, operating impacts, and documenting agreements.

- Provide a basis for triggering fare changes by establishing farebox recovery targets that consider fare revenues relative to operating costs, and recognize differences in the costs of providing different services as well as the role of fares in attracting and retaining customers.
- Recognize that there is a regional interest in multimodal fare integration, using fare policies and/or fare collection technology to facilitate and broaden the use of public transportation, such as by using transit or bike share to meet first and last mile needs of drivers and their passengers who park in COTPA parking facilities, encouraging commuters to use public transportation for both commute and non-commute trips, and providing access to a variety of public transportation services.

Scope and Authority

This policy governs planning, adoption, and implementation of all fare changes, including fare increases and decreases as well as changes to the fare structure,¹ and reserves to the COTPA Board of Trustees the authority for all fare changes. Staff are responsible for planning fare changes, analyzing fare options that meet EMBARK's revenue needs and other fare policy goals, obtaining public input, conducting fare equity analyses, making recommendations to the Board of Trustees, and implementing fare changes adopted by the Board of Trustees.

The fare change policy encompasses the fares for all of the public transportation services operated by EMBARK, including:

- Fixed route bus
- Streetcar (which is scheduled to begin operations in late 2018)
- Paratransit
- Ferry
- Vanpool
- Bike share

Context for Fare Changes

EMBARK's operating costs must be fully covered by a combination of fare and non-fare operating revenues. Therefore, fares must be set with the objective of generating sufficient revenue to cover operating costs that are not covered by non-fare operating revenues.

The primary sources of revenue for EMBARK operations include fare revenues (including ferry charters, vanpool, and bike share fees as well as transit and paratransit fares), City general funds, federal grants, and other public reimbursements. Additional sources of revenue include state and local grants, advertising, and interest. Most of these revenues do not increase automatically with inflation, but require adjustment to support and maintain operations. Transit fares represent the largest source of transit revenue that is under COTPA's control.

The overall intent of this policy is to plan for routine fare reviews on a regular basis by monitoring farebox recovery, a fare-related performance metric, on an on-going basis. This approach is designed to hold fare increases to modest levels by triggering the need for fare changes and adopting and implementing them as they are needed. Small, regular fare

¹ Fare structure includes but is not limited to fare products, fare programs, fares based on distance traveled, and fares based on time allowed for travel and applies to all modes of service, individually and as a whole.

increases benefit customers and EMBARK. Customers benefit because they recognize that transit prices, like other costs, increase routinely but at modest levels that can be planned for and absorbed more easily than infrequent and higher increases. EMBARK benefits because it can count on steady, predictable income to plan, provide, and sustain quality service. Since farebox recovery results may trigger a fare review, EMBARK will also work to manage the operating expenses that also impact the farebox recovery ratio.

Fare Change Planning

The COTPA Board of Trustees will review fares and fare revenue projections annually, as part of the budget process. For this purpose, the COTPA Board of Trustees will set farebox recovery targets for each transit mode operated under the EMBARK service umbrella: fixed route bus, streetcar, paratransit, ferry, vanpool, and bike share. The farebox recovery targets will define the share of modal operating costs that will be covered by fare revenue. Farebox recovery target(s) will be set for a five (5) year forecast period, taking into consideration factors such as expected growth in service levels, ridership, fare revenue, non-fare revenue, and operating costs. Targets are set to provide some stretch from current farebox recovery levels, and it is expected that EMBARK services will improve and achieve their modal targets over the five-year period.

Factors that will help to determine whether and how much to change fares include actual and projected farebox recovery ratios by mode, actual and projected ratio of average fare to base fare, and projected revenues, operating costs, and ridership, as well as the fare policy goals stated in the Introduction to the Fare Change Policy. Applying these factors in considering fare changes recognizes that there is a need to allocate ridership and fare revenue associated with multimodal fare products to the modes on which they are used. Other factors that will be recognized in planning fare changes include:

- Ridership trends and objectives
- Fare collection and fare payment strategies
- Changes to EMBARK services
- External mandates that apply to fare-related metrics (e.g., farebox recovery requirements), constraints on fare pricing (e.g., paratransit fares, mandated discounts), and the ability to cover scheduled bond payments
- Public input
- Results of Title VI fare equity analyses

The following process will be adhered to in order to consider and implement a fare change in accordance with this policy:

- Annually, in conjunction with the annual budget process, EMBARK management will prepare and submit a report to the Board of Trustees assessing transit fares relative to inflation, peer fares and other performance indicators, actions taken to manage growth in operating costs, performance against farebox recovery targets, pass usage rates and pricing multiples, financial need, and other relevant information.
- If a fare change is warranted based on the analysis, EMBARK management will recommend changes to the existing fare structure and pricing. At a minimum, recommended fare changes will consider payment options for customers; impacts on operations, fare collection, and fare enforcement; expected ridership and revenue impacts; and projected farebox recovery and average fare.

- The COTPA Board of Trustees, after reviewing the management report and recommendations(s), will make a determination on how to proceed. If the Board of Trustees determines that no change is necessary, no additional action will be required until the next annual review cycle.
- If the COTPA Board of Trustees determines that a change is warranted to the fares charged the general public:
 - The COTPA Board of Trustees will provide management with direction as to the fare policy to be presented for public comment.
 - EMBARK management will advertise and conduct public meetings on fares consistent with laws and regulations and EMBARK's Public Participation Plan.
 - Public meetings will be held on the proposed fare change and public comments will be documented in accordance with the Service & Fare Changes Procedure in the Title VI Program.
 - A fare equity analysis of the recommended fares will be completed consistent with EMBARK's Title VI Disparate Impacts and Disproportionate Burdens Policy for Major Service and Fare Changes, once COTPA operates 50 or more fixed route vehicles in peak service.
 - EMBARK management will consider the public comments received and the findings of the Title VI fare equity analysis, and prepare a report recommending appropriate action by the Board.
 - A public hearing will be conducted on the fare change prior to COTPA Board of Trustees action on fare change recommendations.
 - The COTPA Board of Trustees will determine whether to implement a fare change.
 - If a fare change is adopted, management will prepare and execute an implementation plan for the new fares.
- Within one year of action by the Board of Trustees to adopt a fare change or make a finding that no change is necessary, management will prepare and submit a report reviewing fares as noted in the first bullet above.

EMBARK management will consider the following factors, at a minimum, in evaluating new fare programs:

- Program eligibility, including implications of a proposed program for maintaining fare equity
- Funding requirements to cover the impact of any fare revenue lost as a result of a fare change, including opportunities to reduce operating costs and increase fare revenues
- Administrative costs of implementing and managing a fare change, particularly a new fare program
- The ability to track data required for programs that are reimbursed by third parties on the basis of a metric such as ridership
- The ability to collect and enforce the fare on the services EMBARK operates and with the available fare collection systems and equipment
- The impact of fare payment and enforcement on operations

- Formalizing and documenting agreements with external organizations to establish responsibilities, program eligibility, pricing, contract term, etc., by establishing Memoranda of Understanding (MOUs)

Performance Metrics

Farebox recovery targets and fare revenue requirements will be determined for each mode by estimating modal operating costs, the non-fare revenues available to cover them, and the fare revenues needed to cover the remaining operating costs. Farebox recovery ratios are calculated as follows:

$$\text{Farebox Recovery Ratio} = \text{Fare Revenue divided by Total Operating Costs}$$

Fare revenue is defined as revenues earned from carrying passengers, including special programs such as reduced passes or ticket prices for students, seniors, or individuals with disabilities. Fares may be paid by the rider or by an organization (e.g., an employer, a university) on behalf of the rider. Fare revenues do not include subsidies, fare assistance to provide a reduced or free fare, or local matches. Therefore, fare revenues include fares paid by riders on-board transit, paratransit, or other vehicles providing public transportation services; transit fare products purchased before boarding; monthly fees paid by vanpool riders; and fees paid for bike share programs. Fare revenues also include payments made by employers on behalf of employees, universities on behalf of students, or conferences on behalf of attendees, as well as fare products purchased by non-profit organizations on behalf of their clients.

Operating costs are defined as the expenses associated with the operation of the public transportation agency and the goods and services purchased (i.e., consumable items with a useful life of less than one year or an acquisition cost which is the lesser of the capitalization level established by the agency for financial statement purposes or \$5,000). Capitalized costs, vehicle capital lease expenses, and depreciation costs are not included as operating expenses.

Farebox recovery targets are set for the five-year period from FY2019-FY2022, with the intent of increasing the proportion of operating costs to be covered over that period, and achieving the target ratio by the end of the period.

The following modal farebox recovery targets are recommended by EMBARK management and will be approved by the COTPA Board of Trustees with the adoption of the Fare Change Policy. The streetcar farebox recovery target will be estimated at the end of the first year of service and set after the second year of service.

Mode	FY2017 Farebox Recovery Ratio	FY2019-FY2022 Farebox Recovery Target
Fixed Route Bus	11.8%	13.0%
Streetcar	Not available	To be determined for FY2022 using FY2020 and FY2021 performance data
EMBARK Plus paratransit	6.9%	7.6%
River Ferry	3.9%	4.3%
Bike Share	31.6%	34.8%