

# **Reducing Transportation Costs in the Denver Region through Expanded Transit Pass Programs**

**Conducted by Livable Places Consulting - Richard McClintock, Principal**

Livable Places Consulting is a public interest consulting firm specializing in providing technical assistance regarding livable communities, including creating great places to live, work, and play near transit, with walkable streets, a variety of destinations and efficient transportation choices.

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## EXECUTIVE SUMMARY

Affordable transportation options are central to successful employment and to increasing job opportunities for low and moderate income households. Transportation spending represents the second highest household expense after housing, according to annual national consumer spending data compiled by the U.S. Bureau of Labor Statistics.<sup>i</sup> More than 90 percent of annual household transportation expenditures are for vehicle-related costs, including car ownership, insurance, gas and maintenance. Increased transit use by low and moderate income households represents a major opportunity to reduce those costs and thereby increase household wealth.

One of the most economical ways for low and moderate income households to increase their transit use is through transit pass programs. This report focused on an analysis of Metro Denver's Regional Transportation District (RTD) current transit pass programs, as well as providing recommendations for increasing the availability and use of transit pass programs throughout the Denver region.

RTD has three primary pass programs with an "all in" approach where passes are purchased for everyone regardless of whether they use the pass. These are: the EcoPass for employees, the Neighborhood Pass for small groups of residents who can join together to buy passes for a given geographic area; and the College Pass program where an entire campus population buys passes. RTD also sells individual monthly passes that can be purchased each calendar month or for a year. Together these pass programs represent more than half of all RTD fare revenues (53 percent in 2013).<sup>ii</sup>

This report focuses on the status of the EcoPass and Neighborhood Pass programs and recommendations for changes to those programs. It is worth noting from the outset that RTD was unable to provide any usage data on the effectiveness of these pass programs due to problems with implementation of the new "Smart card" program, initiated in January of 2013. Each pass user now has an electronic card that will be able to provide usage data both by employer and system-wide, which RTD can then aggregate and share with employers as well as the public. RTD has said this data will not be available until sometime in 2015. RTD did provide a current list of employers and total eligible employees participating in the EcoPass program for this report.

The key findings and recommendations regarding the costs of transportation, the accessibility and affordability of transit, and innovations regarding RTD's current pass programs are as follows:

## **KEY FINDINGS**

### **Transportation Costs**

- The costs of transportation are a high burden for low and moderate income households. Transportation costs represent an ever increasing share of low and moderate income household budgets; The lower the income, the higher the share of spending on transportation. Annual transportation costs are more than 20 percent for low-income households (those households below 50 percent of the Denver region's Area Median Income, which is less than \$30,727 annually).
- Increased use of transit for trips to work, school and other destinations reachable by bus or rail could significantly reduce low and moderate income household spending on transportation. Eighty-percent of low-income households in the Denver region have at least one car, which represent the vast majority of their transportation costs.<sup>iii</sup> There could be significant savings in the range of \$2,500-\$5,000 per year for low and moderate income households who can access public transit (savings based on the 2014 AAA cost estimate of 46-62 cents for each mile driven depending on gas costs and vehicle size).<sup>iv</sup>
- Transit ridership can be made more affordable for the more than 250,000 low-income households in the Denver region, especially through expanded RTD pass programs if those programs were modified to increase their availability and use.

### **Employer/Employee EcoPass Participation and Costs**

- The total number of employees who are issued passes as part of the RTD employer EcoPass program has increased by 4.6 percent over the past five years to 107,747 workers out of a regional workforce estimated to be 1.5 million in 2014 (7.2 percent of the total workforce has access to an EcoPass).<sup>v</sup> Conversely, the total number of employers participating in the EcoPass program has dropped 6.6 percent over the past five years (dropping from 783 to 731 employers as of 2014).<sup>vi</sup>

- EcoPasses are much less expensive than RTD monthly passes. The cost of an average EcoPass is approximately \$150/year per employee depending on the employer size and RTD service area (the current price for EcoPasses ranges from \$50 to \$750 per year) whereas a basic monthly pass costs \$948 per year.<sup>vii</sup> Those paying per day end up spending \$1,125 for commuting to work five days a week or more if they use light rail or regional bus service. Low-income riders therefore can end up paying as much as ten times more to take transit on a daily basis as someone who receives an EcoPass through their employer.

### **Neighborhood EcoPass Programs and Affordable Housing Building Pass Programs**

- Neighborhood EcoPass programs have been set up in a limited number of neighborhoods where passes are purchased for all residents in a given area but they have shown to be difficult to establish in many parts of the region given the current pricing structure (\$150-\$750 per resident per year depending on size and service area) and the current requirement that those organizing a neighborhood pass program obtain survey responses from 100 percent of the residents within the defined geographic area. Currently 49 neighborhoods representing a total of approximately 11,300 residents have established EcoPass programs, all in Boulder County.<sup>viii</sup>
- Some affordable housing building owners have been purchasing EcoPasses for all building residents in Boulder and Longmont where the cost of the pass is included in the rental cost. EcoPasses for all residents are also planned for a new senior affordable housing project in Denver located at University Station starting in 2015.<sup>ix</sup>

### **Communitywide Pass Program Pilots and Feasibility Study**

- The towns of Lyons and Nederland recently created free communitywide EcoPass programs at an annual cost to the towns of \$15 and \$58 per resident respectively<sup>x</sup>. These pilot programs suggest that additional communitywide pass programs in the region could give many more regional residents access to transit.
- Boulder County recently conducted a feasibility study of the costs and benefits of providing communitywide EcoPasses to all residents and/or employees in the entire county. The study concluded there would be a 15-20 percent increase in transit ridership at a cost of approximately \$16 million per year for about

300,000 residents with a corresponding decrease in traffic and reduced air pollution as a result of increased transit ridership.

### **Pass Programs are a Major Source of RTD's Fare Revenues**

- RTD generated \$118 million in fare revenues in 2013, which represents 21 percent of its operating income. Revenue from passes, including annual EcoPasses, monthly passes and the College EcoPass program, represented 53 percent of all fare revenues<sup>xi</sup> and are a major source of potential new income as more rail lines open and bus service is expanded.

## **RECOMMENDATIONS**

### **Overall Recommendation Regarding the Expansion of RTD Pass Programs**

1. Given the multiple benefits of increased ridership and pass programs to RTD's revenue, residents, employees, employers as well as to the region's economy and quality of life, RTD should take bold steps to significantly increase the number of employees and residents who participate in pass programs through changes to its own policies, programs, increased marketing, and partnerships with the public, private and nonprofit sectors.

### **Employer EcoPass Recommendations**

2. RTD should not raise the cost of EcoPasses in 2015 or 2016 given the lack of smart card usage data. Any increases in 2017 should only take place after a complete analysis of the actual incremental cost of additional riders and the impacts of price increase on participation.
3. RTD should reduce the inequality in the current structure of EcoPass programs for small employers by eliminating the contract minimums for those with less than 20 employees.
4. Large employers and developers of buildings near transit stops should be required to provide EcoPasses or other alternative Transportation Demand Management (TDM) programs such as bulk purchasing of individual passes through site-specific development agreements and/or by establishing TDM policies enacted at the local, regional and statewide levels.
5. Cities and counties in the Denver region should create incentive programs to encourage additional employers to purchase EcoPasses at a recommended subsidy of at least 50 percent of the costs per employee for the first year and 25 percent for the second year with a required three-year commitment by the employer.
6. Employers should be discouraged from charging employees for EcoPasses to increase program participation and ridership because the program requires employers to pay RTD for all employees, regardless of whether they use the pass or not.

### **Neighborhood EcoPass Recommendations**

7. RTD should eliminate the 100 percent resident participation requirement in the initial survey, replacing it with a supermajority (two-thirds of those households in the geographic area).
8. RTD should also create and market innovative options for Neighborhood EcoPass programs, including building-scale programs for residents, particularly for those living in affordable housing units.
9. Cities and counties should help fund the creation of additional Neighborhood EcoPass programs, particularly focused around affordable housing buildings and lower-income communities well served by transit.

### **Communitywide Pass Program Recommendation**

10. Local jurisdictions should be encouraged to partner with RTD to create communitywide pass programs to provide passes for all residents within a given town, city or county or potentially the entire region. Additional funding sources for communitywide passes could include general or dedicated tax funds, fees from new development and/or redirection of current or new local or state transportation revenues.



## INTRODUCTION

This report focuses on pass programs as one of the main opportunities for increasing the use of transit and lowering transportation spending, especially for low-income households (less than 50 percent of Area Median Income or AMI) and moderate income households (less than 80 percent of AMI), as well as increased transit use leading to greater access to quality employment opportunities through the increased use of transit pass programs. The report includes an analysis of the current household costs of transportation, especially the high costs associated with private vehicle travel, findings regarding RTD's current transit pass programs, as well as recommendations for increasing the availability and use of transit pass programs throughout the region. It is important to note that increasing the use of transit will also require better connectivity for the "first and last mile" to and from transit stops throughout the region, which is also an important objective for the Denver region but is beyond the scope of this report.

Current daily vehicle miles traveled (VMT) on any given workday in the Denver region total an average of approximately 74 million miles. Given the projected addition of an expected one million people to the region's current population of three million people by 2040,<sup>xii</sup> the number of vehicle miles driven every day in the region in 2040 is projected to be more than 100 million miles (for comparison purposes it is 93 million miles from the earth to the sun). All this driving leads to numerous problems, including congestion, air pollution and lost time stuck in traffic.

The Denver region experiences thousands of lost hours of productivity every day due to congestion and traffic. The costs of traffic and congestion are increasing in the Denver region each year as well. Congestion costs to the Denver region in 2012 were an estimated \$1.6 billion dollars according to the 2012 Urban Mobility Report, released by the Texas A&M Transportation Institute, (costs of \$16.79 per hour of person travel and \$86.81 per hour of truck time) and the price of excess gasoline burned. The price of fuel was based on local averages.<sup>xiii</sup> The Urban Mobility Report also concluded that congestion costs each Denver region resident \$937 per year in fuel and lost time stuck in traffic on average, up from \$921 per year in 2010.

Clearly congestion is one major economic cost for the region and the resulting air pollution from driving poses significant additional costs and health concerns each year, including increased respiratory illnesses associated with smog caused by excessive ground level ozone pollution (summertime smog), and small particulate matter (PM 2.5) known in the Denver region as the "Brown Cloud" that occurs primarily in the winter. Congestion-related pollution is particularly detrimental to the health of people with respiratory diseases, especially children, the elderly and those living near highways.<sup>xiv</sup>

While pollution per vehicle has been decreasing as a result of lower emission standards for new cars, total miles traveled is outstripping those gains in air quality and the region is once again close to violating current federal air quality standards. The federal Environmental Protection has also recently proposed tightening the ozone standard from the current allowable limit of 75 parts per billion to a range of 65 to 70 parts per billion starting in 2015.<sup>xv</sup>

Increasing the use of transit, especially through the increased use of transit pass programs, offers a major solution to reducing the economic impacts of congestion and air pollution, as well as the transportation and health costs to households. Pass programs are a proven approach to increasing transit ridership of employees commuting to work. These programs have multiple benefits for the employee, the employer, and the economic development of the region, including less traffic and time lost in congestion, less pollution and cleaner air, and more personal savings for users of the transit system. The report examines the benefits of current pass programs and opportunities for expansion in the near future as the region completes the build out of the regional FasTracks (light rail transit) system and experiences continued population growth.

## **RESEARCH METHODOLOGY**

This report consisted of three main research elements; a review of a wide range of existing reports on transportation costs, transit use and transit pass programs in the region and around the country; data collection from RTD and other local, state and federal government sources about transit pass programs and the impacts of transit ridership on low and moderate income households; and interviews with key stakeholders with expertise about transit pass programs nationally and in the region. RTD pass program staff were contacted directly for an interview, but declined to be interviewed for this report, instead providing written answers to questions and limited available data about pass programs. Additional analysis was also coordinated with other Mile High Connects and other Affordable Fares Task Force partners involved in researching and analyzing transit programs and advocating for low-income, transit dependent communities. Preliminary report findings were also shared with Mile Connects stakeholders in September 2014 and their feedback was incorporated into the final report.

## RESULTS, FINDINGS AND ANALYSIS

### The High Costs of Transportation for Households

Transportation expenses are the second highest household costs after housing in the Denver region and across the country.<sup>xvi</sup> A standard measure of the affordability of housing and transportation has been developed known as the H+T index by the Center for Neighborhood Technology, the Brookings Institute and others which states that housing plus transportation costs combined should be no more than 45 percent of income.<sup>xvii</sup> Economists and affordable housing experts have used 30 percent as the standard for the upper limit of affordable housing costs, leaving 15 percent for transportation costs for a household to meet the standard. In the Denver region, the recent rise in housing prices (including a 13 percent rise in average rental housing in the Denver region over the past year compared with 6 percent nationally)<sup>xviii</sup> means that many low and moderate income households are spending well over 30 percent of their income on housing. Transportation costs are also more than 20 percent for most low and moderate income households in the Denver region (see chart below), meaning that many low and moderate income residents are spending more than half of all their available household income on housing plus transportation. The following table shows that low and moderate income households are paying a higher share of their income on transportation than the average household (approximately 16 percent for the average household in the Denver region with an annual income of \$61,554 in 2012). Low and moderate income households under \$30,000 pay anywhere from 20 percent to more than 50 percent of their income on transportation currently, with those households making the least paying the highest percent on transportation. There are currently a total of 252,000 low-income households (below 50 percent of the AMI) in the Denver area that spend more than 20 percent of their income on transportation. Each of those low-income households has an average of 2.5 people, representing more than 600,000 people in the Denver region.<sup>xix</sup>

The numbers in the chart below showing annual income and spending on transportation are from 2012 Bureau of Labor Statistics regional data on household income and national data on household transportation spending (the latest regional data from the 2010 census shows transportation spending in the Denver region is consistent with national spending levels).

**Table 1 - Household Transportation Expenses as a Percentage of Income**

| Annual Household Income Levels (2012 dollars)  |                    |                |                 |                 |                 |                  |
|--|--------------------|----------------|-----------------|-----------------|-----------------|------------------|
| Income Range   | Less than \$5,000  | \$5,000-9,999  | \$10,000-14,999 | \$15,000-19,999 | \$20,000-29,999 | \$30,000-39,999* |
| <b>Annual Household Vehicle Related Transportation Spending**</b>  | \$3,655            | \$2,552        | \$2,851         | \$3,943         | \$4,771         | \$6,031          |
| <b>Public Transit</b>  | \$262              | \$196          | \$136           | \$185           | \$220           | \$281            |
| <b>Total Transportation Expenses</b>   | \$3,917            | \$2,748        | \$2,987         | \$4,128         | \$4,991         | \$6,311          |
| <b>Transportation Spending as a Percentage of Income</b>   | <b>73% - 100+%</b> | <b>27%-55%</b> | <b>20%-30%</b>  | <b>20%-28%</b>  | <b>20%-25%</b>  | <b>16-21%</b>    |
| <p><i>* 50 percent of the Area Median Income (AMI) for the Denver region is \$30,727</i></p> <p><i>** Department of Labor Statistics data, which includes income for the Denver region and national household transportation expenditure data for 2012</i></p> |                    |                |                 |                 |                 |                  |

The transportation spending percentages for households below 50 percent of AMI are clearly unaffordable when compared with the H+T index referenced above, whereby transportation and housing should be no more than 45 percent of household income. Given that housing in the Denver region is currently costing more than 30 percent of many low and moderate income household budgets, this high cost of transportation is especially unaffordable.

One other consideration is that car and truck ownership are negative investments given that vehicles depreciate in value over time. Therefore, vehicle investments do not build equity like investments in home ownership or education that can increase in value over time and help low and moderate income households increase their wealth building opportunities.

**The Economic Benefits of Transit and Pass Programs**

One important economic factor for low and moderate income households is the long-term rise in regional income associated with large-scale transit build out. Numerous national studies have shown the regional economic benefit of transit for household incomes. A report entitled *Link Between Transit Spending and Personal Income* by Alan

Hoback and Scott Anderson of the University of Detroit - Mercy stated, “transit spending and changes in personal income were compared in the top two dozen U.S. Combined Statistical Areas. During and after the [transit] projects there was a trend for income to rise.” The report went on to conclude that, “Investments in large-scale transit projects have a significant impact on local economies such that the effect is observable using macroeconomics.”<sup>xx</sup> The passage of FasTracks by the Denver region’s voters in 2004 has resulted in the largest expansion of rail and bus service in the entire country since the Washington DC Metro system was constructed in the 1970s and 80s.

Ridership and use of the transit system is a key component of the investment in the system itself. RTD has developed numerous pass programs to encourage transit ridership over the past decade. RTD estimates that the average rider could save up to \$10,000 per year if they were able to have one less car in the household.<sup>xxi</sup> Pass programs are a major way of achieving those savings. Transit pass programs are a key tool being used by transit agencies across the country to increase ridership and affordability for riders. A report by the Rand Corporation and ICF International entitled *Impacts of Transit Benefits Programs on Transit Agency Ridership, Revenues and Costs* conducted in 2008 concluded that “transit benefits programs are responsible for healthy percentages of ridership and revenues, and anecdotally they appear to have some cost advantages over individual fare media. Transit agencies should focus on better data collection, as well as conduct surveys, to optimize their existing programs and to plan new ones.”<sup>xxii</sup>

### **Overview of RTD Pass Programs**

The RTD pass programs portfolio includes monthly passes that can be purchased each month or annually, the EcoPass program for employers whereby passes are purchased for all full-time employees, the Neighborhood EcoPass program where residents can purchase passes for all households within a given geographic area, and the College Pass program where colleges or universities can purchase passes for all students on that campus. This report focused primarily on analyzing the EcoPass programs for employers and neighborhoods as well as new communitywide pass programs that were established recently in Lyons and Nederland and studied by Boulder County.

The EcoPass program is modeled after insurance programs in that an employer is required to go “all in” and purchase passes for all full-time employees and neighborhoods are required to purchase passes for all households within a defined geographic area. While not everyone picks up or uses the passes (see a table of

employee pass pickup rates in Appendix A), those that do use the program can do so at a cheaper rate than if they were to purchase passes individually, which is similar to how group insurance programs work. RTD offers variable EcoPass pricing for passes based on service levels and has divided the region into four levels of service A (lowest) B (mid level) C (high level) and D (DIA area). Passes in the higher level service areas cost more, whether it is an EcoPass or a Neighborhood Pass. The other factor in pricing is the number of participants with larger employers or neighborhoods getting “bulk” discount pricing. Small employers under 25 employees have to pay a minimum contract price for 1-9, 10-19 or 20-25 employees, resulting in much higher per employee pass prices than larger employers. Large employers tend to have lower pickup rates so they get lower pricing, but the cost is still prohibitive for many large employers such as Children’s Hospital, which recently dropped their EcoPass program because of the high cost and low utilization rate.<sup>xxiii</sup> Future pricing of the passes is dependent on more comprehensive use data, according to an RTD pass task force that examined the pass program in 2009 and made recommendations for future structure and pricing of the pass programs.

To that end, RTD initiated a “smart card” electronic pass program that started in 2013 and all pass participants now have electronic cards that are read by a scanning device each time a user boards. There have been complications with the system such that RTD has not been able to provide any usage data for the last year and a half of the program. RTD reports that data will not be available until sometime in 2015. When released publicly, the data will be available only in the aggregate by employer size and service area to help determine future pricing, but individual employers will be able to get specific data about the number of employees participating and how often they ride.

### **RTD Pass Program Trend Data**

RTD reported as part of the data collection for this report that the total number of employees currently eligible to participate in RTD’s EcoPass program is 107,747 out of a regional workforce estimated to be 1.5 million in 2014 (approximately seven percent of the total number of employees in the region).<sup>xxiv</sup> The following chart shows the total number of employees eligible to receive an EcoPass over the past twelve years as reported by RTD.

**Chart 1 – Total Number of Employees Eligible for EcoPasses by Year\***



\* Numbers from information provided by RTD. Totals for 2010-2013 have not yet been released.

This data shows that there has been a 4.6 percent increase in the total number of eligible employees over the past five years. RTD does not currently have data available on the number or percentage of employees using the passes for commuting regularly, but that information is expected to become available in 2015 as part of the smart card data reporting mentioned above. The total number of participating employers has dropped by 6.6 percent over the past five years from 783 to 731 individual employers; however there is an opportunity to significantly expand the number of participating employers with EcoPass programs as more FasTracks lines open up near more workplaces and households in the coming years. The total number of individual employers with EcoPass programs referenced above does not include an additional 1000 employers in downtown Boulder (many of whom are small businesses) who are eligible to purchase EcoPasses for their employees through the City of Boulder’s master contract if they are located within the downtown Boulder General Improvement District (GID).<sup>xxv</sup> The City of Boulder offers an EcoPass discount for all employers located throughout the city, subsidizing half the cost of the passes for the first year, 25 percent of the cost the second year and none of the cost in the third year of the program or 25 percent for each of the first three years. All businesses that choose the Eco Pass

support program must provide the passes to all full-time employees for a minimum of three years. The City and Boulder and Boulder County also offer passes to all of their employees at no charge to the employee. The City and County of Denver only offers passes to employees who pay \$468 per year even though the City has to pay RTD for all of its approximately 12,000 full-time employees. No other local governments in the region currently offer EcoPasses incentives for employers or passes for public employees.

**Size of Employers Offering EcoPasses**

One important finding about the profile of employers with EcoPasses throughout the region is that many are in fact employers with less than 50 employees. As the data in Table 2 below indicates, 47 percent of current employers with EcoPasses have 25 employees or less (340 out of a total of 731 employers with EcoPass programs) and 64 percent have less than 50 employees (465 out of 731 employers). Contrary to public impressions based on the interviews conducted, large employers with 250 or more employees make up just 10 percent of the total number of employers despite the fact that they receive much lower pricing than small employers with less than 25 workers. Small employers with less than 20 employees currently pay contract minimums instead of paying for each employee, resulting in some smaller employers paying as much as five times more per employee than large employers for EcoPasses in the same area.

**Table 2 - Employers with EcoPasses by Total Number of Employees\***

\*(from current list of employers provided by RTD in August 2014)

| Number of Employees          | Employers |
|------------------------------|-----------|
| 1 to 9                       | 148       |
| 10 to 19                     | 142       |
| 20 to 25                     | 50        |
| 26 to 49                     | 125       |
| 50 to 99                     | 100       |
| 100 to 249                   | 91        |
| 250 and up                   | 75        |
|                              |           |
| Total Employers w/ EcoPasses | 731       |

This data shows that there is a major opportunity to expand the total number of participating EcoPass employers as the FasTracks lines open up near more workplaces



and households over the coming years. The expansion depends on RTD’s ability to more effectively price and market the program to small and large employers throughout the region, especially those located along transit lines and major bus corridors.

### **Costs of EcoPasses compared to Monthly Passes and Daily Fares**

EcoPasses are significantly less expensive than RTD monthly passes. The cost of an average EcoPass is approximately \$150/year per employee depending on the employer size and RTD service area (the range is \$50-\$750), whereas a basic monthly pass costs \$948 per year (unless the transit rider is able to pay for the whole year up front, in which case the 12<sup>th</sup> month is free and the annual cost is \$869).<sup>xxvi</sup> Given the difficulty for

“The EcoPass program works like health insurance, not everyone uses it but we all benefit. I believe that RTD, employers, building owners, local governments and civic groups should work together to greatly expand the EcoPass program. It is in everyone’s interest to reduce traffic and put more money in our pockets.”

- Dr. Henry Chu, pathologist and former President of MetroPath in Lakewood

low and moderate income households to purchase an annual or even a monthly transit pass in advance (they have to be purchased with cash or a credit card up front), many low and moderate income transit riders end up paying at least \$4.50 per day (at the current rate of \$2.25 each way) or more for those using rail or regional bus service. Paying for each trip costs riders \$1,125 annually to commute five days a week or \$1,642.50 per year if they use transit for one round trip each of seven days a week. Low and moderate income riders therefore can end up paying as much as ten times more to take transit on a daily per ride basis as someone who receives or purchases an EcoPass through their employer. Some employers provide EcoPasses cost-free as a benefit and others charge their employees for some or all of the cost of the passes. While charging employees for EcoPasses helps employers

defray the costs of the program, it also discourages employees from picking up the pass and as a result many more passes end up being unused.

### **Neighborhood EcoPass Programs**

RTD’s Neighborhood Pass program currently requires residents to define a specific area of at least 50 residents and then to conduct a survey and obtain participation from 100 percent of the residents in the defined area. Once that is completed, RTD determines a

price for the passes for all residents, whether or not they indicated in the survey that they would use the pass. Many neighborhoods that have tried to get the Neighborhood Pass for residents have failed to get 100 percent participation in the survey. In addition, it is up to each neighborhood to collect a year's worth of funding up front to pay for the passes, which has also proven difficult for many neighborhoods. Neighborhood EcoPass programs have been set up in a limited number of neighborhoods, but they have shown to be difficult to establish in others given the current pricing structure (\$150-\$750 per resident per year depending on size and service area) and the 100 percent survey participation requirement within the defined geographic area. Currently 49 neighborhoods representing a total of approximately 11,300 residents have established EcoPass programs, all in Boulder County, which has an incentive program that helps reduce the cost of the program for residents by paying 60 percent of the cost of passes the first year and 30 percent the second year.<sup>xxvii</sup>

### **Affordable Housing Building Pass Programs**

Some affordable housing building owners have been purchasing EcoPasses for building residents in Boulder and Longmont where the cost of the pass is included in the rental cost. EcoPasses are also planned for a new senior affordable housing project in Denver located at University Station starting in 2015.<sup>xxviii</sup> RTD highlighted this innovative EcoPass agreement when the project was approved as a means of reducing the amount of parking needed around the station area.<sup>xxix</sup>

Nationally, building scale pass programs located near transit, especially for residents of affordable housing, have shown to be remarkably effective at increasing transit use. A program in Santa Clara, California by First Community Housing has provided transit passes to all of its low and moderate income housing residents, where residents reported using transit 40 percent to 90 percent more frequently than before receiving the passes.<sup>xxx</sup> The San Francisco Bay area rapid transit system (BART) also has begun programs in partnerships with local governments and affordable housing developers to offer passes for low-income residents located near transit.<sup>xxxi</sup> Seattle recently created a lower cost pricing program for all low-income residents who are at 200 percent of the poverty level or less. Residents can go to local human service agencies to get verification and a pass indicating that they are eligible for the lower daily fares, which are 50 percent less than the usual fare.

## Communitywide Pass Program Pilots and Feasibility

Communitywide pass programs are ones where all residents in a jurisdiction and/or all employees working in that jurisdiction are eligible to receive passes through a communitywide master contract with RTD. The towns of Lyons and Nederland recently created communitywide EcoPass programs at a cost to the towns of \$15 and \$58

“The cost savings from the [communitywide EcoPass] program would be most beneficial to young adults, seniors and low-income households.”

- *Boulder County EcoPass Feasibility Study – January 2014*

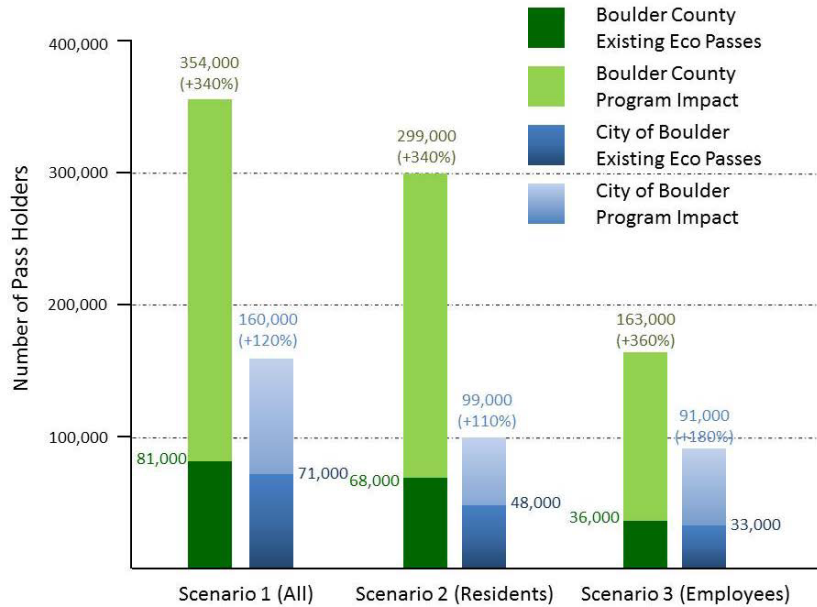
annually per resident respectively<sup>xxxii</sup> (low service areas for RTD). The Lyons town council approved the expenditure as part of the city budget and Nederland put it to a vote of all its residents in 2013, making it the first community in the nation to have a vote on providing transit passes to all its residents.<sup>xxxiii</sup> The City of Longmont also recently opted to buy out the cost of the fare box for local service so passengers boarding a local bus do not have to pay to ride local RTD transit within Longmont. These pilot programs suggest that other

communitywide pass programs in the region would have the potential to give many more regional residents access to transit on a comprehensive basis.

The feasibility of a large-scale communitywide EcoPass Feasibility program was conducted recently (2014) for Boulder County and the City of Boulder in coordination with RTD by Charlier Associates and the firm Nelson Nygaard. The study concluded, “A qualitative analysis found that the provision of a free transit pass would improve access to jobs in Boulder County and help reduce the housing plus transportation (H+T) costs for many households in the County.”<sup>xxxiv</sup> The study also concluded there would be increase in transit ridership in Boulder County in the range of a 62 percent at a cost of approximately \$16 million per year for about 300,000 residents with a corresponding decrease in traffic and reduced air pollution as a result of increased transit ridership. Boulder County and the City of Boulder are currently exploring funding options for a communitywide pass program for all residents, employees or both.

See Chart 2 below for more data on the scale of the impact of a proposed communitywide program compared to current pass programs in the City of Boulder and Boulder County.

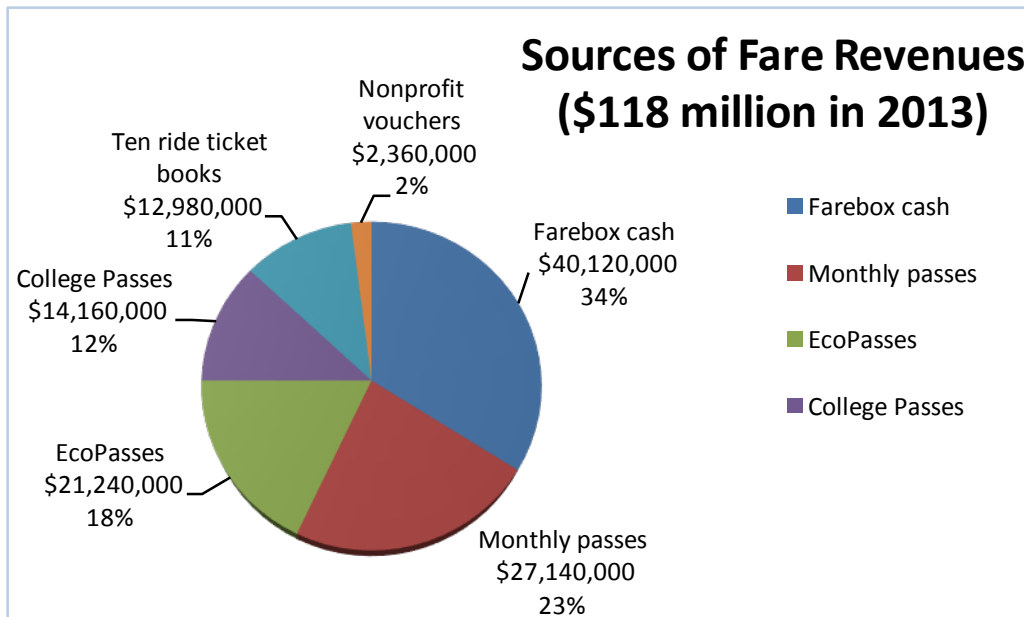
**Chart 2 – Existing and Potential Communitywide Pass programs in Boulder County<sup>xxxv</sup>**



**Pass Programs are now the Primary Source of RTD Fare Revenues**

RTD’s decision to establish the pass programs described above over the past decade has led to passes becoming the primary source (53 percent) of fare revenues as of 2013. See Chart 3 below for a breakdown of the pass program revenues and other sources.<sup>xxxvi</sup>

**Chart 3 – Sources of Fare Revenues for RTD (2013)<sup>xxxvii</sup>**



RTD now has many annual contracts with employers, neighborhoods and universities as well as annual and monthly pass purchase programs with individuals, meaning that the pass program revenue of approximately \$63 million provides a stable source of income. Most of the pass income comes in at the beginning of each year rather than the more unpredictable nature of fare box fares throughout the year. This also allows for greater planning of transit services for the community, more financial stability for RTD as well as increased ridership that benefits all.

### **Fare Increases Reduce Ridership, especially among “choice riders”**

National research summarized in the TCRP 95 report by the Transportation Research Board has shown that fare increases consistently reduce transit ridership across the country. The “Simpson & Curtin” formula states that for every 10 percent increase in fares there is a 4 percent decrease in ridership. The Simpson & Curtin formula was estimated as a shrinkage ratio from fare changes that ranged from 10 to 40 percent. While RTD has stated that in the past that they have not seen significant ridership decreases when fares were raised,<sup>xxxviii</sup> there are now many more “choice riders” using the system who have the option of driving or riding a bicycle if fares are increased. Therefore, national data on the effects of price increases on ridership should be factored into fare and pass price increase discussions among the RTD board and staff.

### **Possible Implications of Current RTD Fare Review**

“Develop simplified pass program (EcoPass, CollegePass, etc.) recommendations; gather public input, and RTD Board will approve new pass programs.”

*- Summary of RTD’s planned pass program changes for March-September 2015, RTD website, December 2014*

RTD is currently undertaking a fare structure review that will lead to consideration of potential price increases in 2016 for daily transit use and potentially for EcoPasses, which have traditionally been set at a discount of 40 percent off the retail price of transit service.<sup>xxxix</sup> RTD also committed back in 2009 to having three years of smart card usage data before raising EcoPass prices, which would not be until 2017 given the current pace of debugging the smart card computer issues that have prevented accurate data collection to date.<sup>xl</sup>

Based on conversations with RTD stakeholders and staff coordinating the current fare structure review process, the RTD board will be making decisions about fares and about future EcoPass pricing in 2015 with possible price increases taking effect in January of 2016. More information on the current fare review process and the timeline in 2015 for reviewing pass programs and prices can be found on the RTD website at [rtd-denver.com](http://rtd-denver.com).

## **RECOMMENDATIONS**

These recommendations derived from a combination of the data presented above, interviews, and Affordable Fares Task Force stakeholder meetings. The recommendations seek to increase access to and use of public transit in the Denver region, particularly for those low-income households who are currently spending 20 percent or more of their income on transportation costs. The recommendations include proposed changes to the structure and pricing of pass programs that can be undertaken by RTD, as well as action steps for local governments, employers and communities. See the appendices for a complete description of RTD's own findings regarding potential changes to the pass programs as part of an RTD fare review task force that reviewed the pass programs in 2009 and developed recommendations for the future of the program.

### **General Recommendation for Expansion of RTD Pass Programs**

- 1. Given the multiple benefits of increased ridership and pass programs to RTD's revenue, residents, employees, employers as well as to the region's economy and quality of life, RTD should take bold steps to significantly increase the number of employees and residents who participate in pass programs through changes to its own policies, programs, increased marketing, and partnerships with the public, private and nonprofit sectors.**

The region's investment of more than \$7 billion dollars in the FasTracks build-out can only be fully realized through strong ridership of the system in the coming years. It will take significant changes to RTD pass policies and programs, as well as partnerships with all sectors to achieve regional goals of increased economic prosperity, reduced traffic and air pollution, and more resources spent locally on wealth building and quality of life, rather than on income-draining transportation expenses, especially for low and moderate income households. Specific

recommendations about more specific potential changes to pass programs follow.

### **Employer EcoPass Recommendations**

- 2. RTD should not raise the cost of EcoPasses in 2015 or 2016 given the lack of smart card usage data. Any increases in 2017 should only take place after a complete analysis of the actual incremental cost of additional riders and the impacts of price increase on participation.**

This recommendation is based primarily on the prior conclusions reached by the RTD fares task force convened in 2009 that at least three years of smart card use data should be collected and analyzed prior to any increase in EcoPass pricing. Since data is only becoming available in 2015 for one full year of usage, there needs to be further data analysis of usage in 2015 and 2016 before any increases should be considered by the RTD Board. RTD should also examine changes to EcoPass that could expand ridership, pass use and revenue, which could offset the need for price increases.

- 3. RTD should reduce the inequality in the current structure of EcoPass programs for small employers by eliminating the contract minimums for those with less than 20 employees.**

Starting in 2009, RTD began charging small employers with less than 20 employees a contract minimum instead of charging for the actual number of employees, as is the case with larger employers. These contract minimums were established primarily on the assumption that smaller employers will only enroll in the program if most or all of their employees will fully utilize the system. However, the pickup rate for passes last conducted in 2009 showed that the rate has been only somewhat higher (79 percent for employers with less than 25 employees compared to 70 percent for those with 25-49 employees and 65 percent for employers with 50-99 employees). See Appendix A for a complete list of pickup rates, no current data is yet available. Even if there is a higher usage rate among small employers, it could be factored into the price per employee without contract minimums costing as much as four times higher for small employers with fewer than 20 employees. This current inequity is a disincentive for small employers who are often watching costs closely from using the EcoPass program.

- 4. Large employers and developers of buildings near transit stops should be required to provide EcoPasses or other alternative Transportation Demand Management (TDM) programs such as bulk purchasing of individual passes through site-specific development agreements and/or by establishing TDM policies enacted at the local, regional and statewide levels.**

Many communities around the nation are realizing the impacts of large employers on the transportation system and have established requirements that employers over a certain size (100 employees in the state of Washington) create TDM programs. Typically, employers work in partnership with local transportation management associations (TMAs), to reduce their impact on the local and regional transportation system. These TDM programs can include offering passes to employees either through EcoPass, or where not feasible, through bulk purchasing of individual passes at a discount. In addition, given the goal of encouraging transit-oriented development in the region it is critical to create policies and programs that foster the use of transit by residents and workers living in or working near the more than 90 new transit stops that are planned throughout the Denver region.

- 5. Cities and counties in the Denver region should create incentive programs to encourage additional employers to purchase EcoPasses at a recommended subsidy of at least 50 percent of the costs per employee for the first year and 25 percent for the second year with a required three-year commitment by the employer.**

The successful experiences of the City of Boulder and Boulder County in fostering EcoPass programs through initial subsidies for businesses is a clear model for the rest of the region to follow. Greater use of public transit accrues fiscal benefits to local governments from reduced driving and the resulting increased quality of life in the local community.

- 6. Employers should be discouraged from charging employees for EcoPasses to increase program participation and ridership because the program requires employers to pay RTD for all employees, regardless of whether they use the pass or not.**

There are far too many examples of unused EcoPasses sitting in human resource office's desk as a result of employer policies that charge employees for EcoPasses. Given the "insurance model" whereby employers are required to



purchase passes for all full-time employees in order to participate in the EcoPass program, it appears to be ‘penny wise and pound foolish’ for employers to only distribute passes to those who pay and leave the rest unused even though the employer is paying RTD for all the passes.

### **Neighborhood EcoPass Recommendations**

- 7. RTD should eliminate the 100 percent resident participation requirement in the initial survey, replacing it with a supermajority (two-thirds of those households in the geographic area).**

The recent establishment of the 100 percent survey participation after the lifting of the moratorium in 2009 appears onerous and designed to discourage neighborhoods from coming together to participate in the EcoPass program. One or two holdouts in any neighborhood can potentially doom the efforts of their neighbors to bring EcoPass to the community. This provision should be modified to only require a super-majority of households voting to participate, so as not to create a strong disincentive to creating more Neighborhood Pass programs throughout the region.

- 8. RTD should also create and market innovative options for Neighborhood EcoPass programs, including building-scale programs for residents, particularly for those living in affordable housing units.**

RTD is already bending the Neighborhood Pass program model to allow for building-scale programs. These programs could be expanded to include mixed-use buildings that have both workers and residents or to specific areas around transit stations where both residents and workers in a designated area around the station could participate in one shared program to create economies of scale in pass pricing.

- 9. Cities and counties should help fund the creation of additional Neighborhood EcoPass programs, particularly focused around affordable housing buildings and lower-income communities well served by transit.**

Neighborhood Pass programs are very difficult to set up under the current system and residents would be more likely to self-organize if they knew that the local government would be willing to help offset the cost of participation in the

initial years. Local governments would also see multiple economic and community benefits from increased transit ridership as more neighbors join together, increasing their civic capacity along the way.

## **Communitywide Pass Program Recommendation**

- 10. Local jurisdictions should be encouraged to partner with RTD to create communitywide pass programs to provide passes for all residents within a given town, city or county or potentially the entire region. Additional funding sources for communitywide passes could include general or dedicated tax funds, fees from new development and/or redirection of current or new local or state transportation revenues.**

Communitywide pass programs would be one the most effective ways to increase transit ridership in large numbers. This would establish a social norm that transit is for everyone and that the community is serious about wanting its residents and workers to take transit whenever possible instead of driving. The Denver region is growing at one of the fastest rates of any metropolitan area in the country and increased transit ridership is critical to a resilient economy, strong quality of life and improved social equity. The region is projected to grow by 33 percent or more over the next 25 years and investing in increased use of the transit system is critical if the Denver area is going to change the car culture and respond the changing needs and desires of both the younger and older generations.

One option to fund communitywide passes would be to increase the current RTD sales tax to significantly expand ridership. A recent analysis by the Colorado Fiscal Institute showed that an increase of the current RTD sales tax from 1 percent to 1.25 percent would generate enough revenue to provide passes to all residents and employees in the region.<sup>xli</sup> Whether it is increased revenue from the sales tax, local government funding or other innovative approaches, new financing sources for pass programs are going to be necessary to fully address the goal of increasing transit access and ridership, which is especially important for the more than 250,000 low-income households in the Denver region that currently spend a disproportionately high portion of their budgets on transportation expenses.

## ENDNOTES

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- <sup>i</sup> 2012 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics – national transportation data
- <sup>ii</sup> Source of revenue data are the RTD annual financial statements for 2013 – [rtd-denver.com](http://rtd-denver.com)
- <sup>iii</sup> From 2010 census of the Denver region – source Colorado Fiscal Policy Institute analysis of census data
- <sup>iv</sup> AAA data on the costs of driving for 2014 based on car size and gasoline costs [aaa.com](http://aaa.com)
- <sup>v</sup> Regional workforce estimate for the region from the CO Dept. of Labor and Employment –Sept. 2014
- <sup>vi</sup> RTD list of current employers sent by RTD in August of 2014 (email from RTD pass staffer Danny Widdel).
- <sup>vii</sup> RTD data on EcoPass costs and monthly pass costs – source is [rtd-denver.com](http://rtd-denver.com)
- <sup>viii</sup> Boulder County report on EcoPass programs – source is [Bouldercounty.gov](http://Bouldercounty.gov)
- <sup>ix</sup> From RTD minutes of the University Station senior housing project approval that required the purchase of 50 EcoPasses and interview November 11<sup>th</sup> with Holly Jackson, manager of the University Station apartments for Com Cap Asset Management ([comcapmgmt.com](http://comcapmgmt.com)) confirming that passes will start in 2015.
- <sup>x</sup> Boulder County website – 2014. For more on the pass programs go to [Bouldercounty.gov](http://Bouldercounty.gov)
- <sup>xi</sup> Source of revenue data are the RTD annual financial statements for 2013 – [rtd-denver.com](http://rtd-denver.com)
- <sup>xii</sup> DRCOG MetroVision 2040 planning documents – source is [drcog.org](http://drcog.org)
- <sup>xiii</sup> Denver Business Journal report on the Texas A&M study from 2013 –source is [dbj.com](http://dbj.com)
- <sup>xiv</sup> American Lung Association reports on air pollution from vehicles – sources can be found at [ala.org](http://ala.org)
- <sup>xv</sup> Announcement on November 25, 2014 by EPA Administrator Gina McCarthy – source is [epa.gov](http://epa.gov)
- <sup>xvi</sup> Data from multiple sources, including the 2010 census, the Center for Neighborhood Technology, Reconnecting America and Consumer Expenditures Data compiled by the U.S. Bureau of Labor Statistics
- <sup>xvii</sup> Center for Neighborhood Technology reports – source is [cnt.org](http://cnt.org)
- <sup>xviii</sup> Denver Post article regarding rental cost report by the Trulia Rent Monitor – September 9, 2014
- <sup>xix</sup> Annual income data for the Denver region from 2012 – source is the U.S. Bureau of Labor Statistics
- <sup>xx</sup> Source is [www.trforum.org/forum/downloads/2010\\_12\\_Link\\_Transit\\_Spending\\_Personal\\_Income.pdf](http://www.trforum.org/forum/downloads/2010_12_Link_Transit_Spending_Personal_Income.pdf)
- <sup>xxi</sup> RTD analysis of savings from American Public Transportation Association data ([apta.org](http://apta.org))
- <sup>xxii</sup> Rand Corporation and ICF International report. Source is [www.nctr.usf.edu/jpt/pdf/JPT11-2Ecola.pdf](http://www.nctr.usf.edu/jpt/pdf/JPT11-2Ecola.pdf)
- <sup>xxiii</sup> Interview with John Hudgens, sustainability coordinator for Children’s Hospital, July 2014.
- <sup>xxiv</sup> Regional workforce estimate for the region from the CO Dept. of Labor and Employment –Sept. 2014
- <sup>xxv</sup> City of Boulder EcoPass program summary – source is [bouldercolorado.gov](http://bouldercolorado.gov)
- <sup>xxvi</sup> RTD data on EcoPass costs and monthly pass costs – source is [rtd-denver.com](http://rtd-denver.com)
- <sup>xxvii</sup> Boulder County report on EcoPass programs – source is [Bouldercounty.gov](http://Bouldercounty.gov)
- <sup>xxviii</sup> From RTD minutes of the University Station senior housing project approval that required the purchase of 50 EcoPasses and interview November 11<sup>th</sup> with Holly Jackson, manager of the University Station apartments for Com Cap Asset Management ([comcapmgmt.com](http://comcapmgmt.com)). Passes will start in 2015.
- <sup>xxix</sup> RTD board minutes from 2012 meeting approving the University Station project.
- <sup>xxx</sup> Report on Santa Clara County transit pass being used in affordable housing provided by First Community Housing – source is [firsthousing.com](http://firsthousing.com)
- <sup>xxxi</sup> City of Hayward project is one example. Sources are [Hayward-ca.gov](http://Hayward-ca.gov) and [BART.gov](http://BART.gov)
- <sup>xxxii</sup> Boulder County website – 2014. For more on the pass programs go to [Bouldercounty.gov](http://Bouldercounty.gov)
- <sup>xxxiii</sup> Boulder County website – 2014. For more on the pass programs go to [Bouldercounty.gov](http://Bouldercounty.gov)
- <sup>xxxiv</sup> Charlier Associates & Nelson Nygaard study of EcoPass feasibility in Boulder County (2014). See [bouldercounty.gov](http://bouldercounty.gov) for the complete report.
- <sup>xxxv</sup> Charlier Associates & Nelson Nygaard study of EcoPass feasibility in Boulder County (2014).
- <sup>xxxvi</sup> Source is from RTD annual financial statements for 2013 – [rtd-denver.com](http://rtd-denver.com)
- <sup>xxxvii</sup> Source is from RTD annual financial statements for 2013 – [rtd-denver.com](http://rtd-denver.com)
- <sup>xxxviii</sup> RTD staff presentation regarding the fare structure review (August of 2014) that RTD does not believe that price increases lead to decreased ridership as described by the national Simpson and Curtis formula.
- <sup>xxxix</sup> RTD task force on fares – 2009. Source is [rtd-denver.com](http://rtd-denver.com) under board committee meeting notes.
- <sup>xl</sup> Email correspondence with Theresa Rinker, Pass Programs Coordinator, RTD – July and August 2014.
- <sup>xli</sup> Colorado Fiscal Institute memo on RTD sales tax revenue projections – November 2014

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## APPENDICES

### Appendix A – EcoPass Pickup Rate by Employer Size – 2008 (current data not yet available)

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# Business Eco Pass Program

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Decal pick-up percentage by company size  
(as of May 2008, excluding CAGID and CU Boulder Faculty/Staff)

| Employee size category | %   |
|------------------------|-----|
| 1 - 24                 | 79% |
| 25 - 49                | 70% |
| 50 - 99                | 65% |
| subtotal: 1 - 99       | 70% |
| 100 - 249              | 59% |
| 250 - 999              | 48% |
| 1,000 - 1,999          | 45% |
| 2,000+                 | 25% |
| Total                  | 49% |



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## **Appendix B - RTD Pass Program Committee Notes from 2009 – Future EcoPass pricing options**

### **Eco Pass Pricing Subcommittee: Pricing Options (memo dated July 13, 2009)**

#### **1. Modified Service Level Area Approach**

The pricing for each employer will be determined based on the four Service Level Areas. To improve the simplicity and improve the aggregate analysis, company size should no longer be used or should be reduced to two size categories (e.g., under 200 employees or 200 or more employees) to determine price. Smart card data will be used to set the pricing and monitor the equity of this approach.

#### **Pros**

Simplicity- Pricing can be shown on a map. Conceptually easy to understand that areas with higher (or lower) transit service should be charged more (or less).

Familiarity- this is what we have now. Existing contract holders likely understand it.

Stability- With few categories, price per pass is unlikely to shift much between years.

Incentive – Encourages ridership for those who have the Eco Pass.

#### **Cons**

Less sensitive to use - Companies with low transit use pay the same as high use companies.

Less opportunity for expansion - Difficult to attract low use companies to join, reducing number within the “transit arena.”

More waterfall effects - Outside DIA, there are only three SLA cells, making jumps across these lines large.

#### **2. Pricing Based on Usage**

Establish categories of usage based on the value of previous year’s ridership. The categories could be as few as three (high, medium or low) or as many as ten (with the consequence that employers might move from category to category more frequently, but with less of a pricing impact).

#### **Pros**

Expand program - Encourages entry by lowering the price for companies with low transit use or higher use of service with low priced service.

Increased Equity - Increases equity since low-use companies do not subsidize high-use companies.

#### **Cons**

Lack of familiarity - Change can be difficult and could lead to unintended consequences.

Discourages use - May lead to companies discouraging their employees to ride to keep costs down.

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Price Changes with Implementation - Since prices will more closely align with use, high use companies' price will go up (low-use companies will go down).

### **3. How to address cons of each**

#### **SLA model**

Less sensitive to use - Tailor SLAs so that transit use is more closely correlated

Less opportunity for expansion - Offer a large discount for first year companies. This is similar to the programs the City of Boulder and Boulder County have.

More waterfall effects - Increase the number of SLAs.

#### **Usage model**

Lack of familiarity - Provide education materials. This may take many phone calls to RTD.

Discourages use - Ensure that the numbers of pricing categories are sufficiently large to ensure

buffering. Or create a maximum price differential between highest and lowest categories.

Price Changes with Implementation - Create a transition program where the price increases a certain percentage each year to approach the true pricing.

### **4. Early thoughts about implementation**

#### **Example of Modified SLA Approach:**

Service Level Area

Price by Employee Size

Less than 200 200+ Employees

A Linked Trips x Value of Linked

Trips x 30% Discount

Linked Trips x Value of Linked

Trips x 35% discount

#### **Example of Usage Model Approach:**

Based on Smart card ridership data, each company (currently 783 employers) has a "value per employee." Value per ride reflects not simply the number of rides, but the type of trip (e.g., local versus regional). These values are distributed into a number of levels or strata from high to low. The staff group has talked about the pros and cons on a more limited number of strata (i.e., three) to a larger number (i.e., ten). With six strata, there would be approximately 161 companies in each stratum. The values within each stratum are averaged and become the basis for establishing the price for that stratum. Implement the price per employee on a company-wide basis for each company within the strata. Incentives for ridership could be reflected in the pricing model (e.g., more discount for higher value of ridership).

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**5. Transition Thoughts:**

2010: business as usual (any Eco Pass price change will be a function of overall system-wide fare changes).

2011: price change based on generated Smart card data. Depending on magnitude, price increases over a specified threshold (e.g., 10 percent) might be phased in over time to lessen impact.

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## **Appendix C – Full RTD Board Discussion of EcoPass pricing notes from 2009**

### **Summary of the Board Study Session Meeting held on Tuesday, July 22, 2008**

**To:** All Board Members/Staff

**From:** Paula Perdue, Executive Manager to the Board

**Date:** July 22, 2008

**Subject:** Minutes of the Study Session Meeting held on Tuesday July 22, 2008 at 5:30 p.m. in Rooms T & D

**Board Members Present:** Directors Christopher, Daly, Kinton, Martinez, McMullen, Quinlan, Ruchman, Tayer and Yamrick

**Member Absent:** Directors Brohl, Busck, Chacon, Elfenbein, Kemp, Pulliam

**Staff Present:** Senior Staff: Bruce Abel, Dave Genova, Paula Perdue, Scott Reed, Liz Rao, and Phil Washington, Rick Clarke, Terry Howerter, Suzanne Henry, Cheryl Holmes, Caitlin Magee, Tony McCaulay, John Perry, Teresa Sabrusula, Daria Serna, Errol Stevens, John Tarbert, Pauletta Tonilas

**Others Present:** Jeff Lieb, Kevin Flynn, Tex Elam, Holman Carter, Steve Roberts, Aylene Quale, Martha Roskowski, Steve Fisher, Bob Pearce

**Call to Order:** Chair Pro-Tem Martinez called the meeting to order at 5:35 p.m.

### **(Excerpt below summarizes the EcoPass discussion)**

#### **Review of Existing RTD Fare Policy**

Bruce Abel introduced this item and referred to the manual that had been provided to the Board members in their packets. He walked through each tab and provided an explanation of what was included. Tab 12 provided a possible 2009 fare increase timeline. For more details, please refer to the manual on fare and fare prepayment programs dated July 2008.

#### **Questions and Answers:**

Director Tayer read from a prepared statement: The mission statement for the ECO Pass is a tool for increasing ridership, but it must work in a financially responsible manner. As a tool for increasing ridership it is excellent. Statistics demonstrate that ridership amongst individuals who get an EcoPasses is 4 to 5 times more likely to use RTD services. Certainly, though we currently are bearing the burden of a sudden shift to transit due to high fuel prices, we don't want to lose the marketing strength of the Eco pass. But, let's look at the other side of the coin, the revenue that RTD generates from the EcoPass. There is a perception amongst us that the entire Eco Pass program is under-priced. In fact, the statistics tell another story. One of the benefits of the working group has been to provide a forum for reviewing RTD's EcoPass ridership data. This data is not perfect but it is the best we have to rely on until we have the electronic systems. What does it tell us?...

(Director Tayer then references a one page handout that he provided to the Board members, a copy that is attached herein to these minutes)



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Effectively this analysis shows the cost recovery from EcoPass is 23.7percent compared to 18.9percent for non-EcoPass and the EcoPass percent of potential revenue is comparable at 40.8percent to the non-EcoPass of 41.6percent. Director Tayer's conclusion and bottom line is the EcoPass may need minor tweaking to align prices more closely with actual ridership and address issues with small businesses. However the analysis indicates that the Eco Pass is reasonably priced based on potential revenue and cost recovery. The EcoPass is a valuable revenue tool for RTD as well as an important marketing asset that must be preserved. Several Board members thanked Director Tayer for this analysis stating it was quite good.

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## Appendix D – List of report stakeholder interviews and email correspondence

- Children’s Hospital (Aurora) – John Hudgens, Sustainability Coordinator (approximately 5000 employees). Children’s Hospital recently discontinued their EcoPass program.
- MetroPath (Lakewood) – Dr. Henry Chu (96 employees with EcoPasses)
- Cake Crumbs Bakery (Denver) – Denon Moore – owner (25 employees without EcoPasses)
- Danny Widdel, RTD Pass Program team member (by phone and email)
- Theresa Rinker, RTD Pass Program Coordinator (by email)
- Will Toor, Transportation Director, Southwestern Energy Efficiency Project (SWEEP)
- City and County of Denver, Department of Human Resources
- Bob Whitson, outgoing director of Boulder Transportation Connections
- Scott McCarey, Boulder County Transportation Department
- Holly Jackson, manager for University Station senior housing apartments

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## **Appendix E – Summary of Pass Programs in Other Major Metropolitan Regions**

(Summary from the US Department of Transportation website – [fta.dot.gov/3732.html](http://fta.dot.gov/3732.html))

### **Dallas**

The E-Pass is the Dallas Area Rapid Transit's (DART) photo ID bus and rail pass that employers purchase for all employees. The pass entitles employees of participating companies to one year of free, unlimited rides on all regular DART services. Once a company is enrolled in the program, all employees are issued individual E-Passes. The price of the pass is determined by the company's location, the amount of DART service available to the work site, and the number of employees in the company. Based on service levels and numbers of employees, passes range from a low of \$50 to a high of \$165. Through DART's Employer FareShare Program, an employer can provide their employee monthly passes, and reduced price monthly passes onsite, at the lowest rate available. Local monthly passes for regular bus and rail service normally cost \$30 and are sold to employers for \$30; premium monthly passes for express bus services normally cost \$60 and are sold to employers for \$60. DART Pays 50 percent of the total cost for vanpool services.

### **Los Angeles**

The TransitChek program is an easy, convenient way to provide a tax-free incentive in the form of regional transit vouchers. Employees can use them to buy tokens, tickets, and passes from virtually any of the of mass transit providers in their area. Work/Life Benefits, a division of Accord Corporate Services, administers a turnkey program for the benefit of transit vendors, employers and employees.

Employers can order any quantity. TransitCheks can be made out in the exact denomination that an employer needs. Each TransitChek is valid 15 months from the date the order is produced. Any unused vouchers may be returned for a refund of their face value any time before they expire. Once TransitCheks are given to the employees, they are free to convert them for fare media fare at their nearest transit vendor.

Fees charged are as follows: 1-99 checks cost \$.68 each; 100-199, \$.63 each; 200-499, \$.58 each; 500-1999, \$.53 each; 2000-3499, \$.48 each; 3500 and over, \$.43 each; shipping charges are \$10.75 per order. Rush orders filled within 24 hours cost an additional \$25.

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## **Minneapolis/St. Paul**

MetroPass is a deeply discounted annual bus pass purchased by employers for employees. Metro Transit surveys company employees to determine the number of existing bus riders and charges the company \$54 per month for each rider. Employers determine the level of bus fare subsidy for employees. Employers' total cost equals the revenue contributed by current bus riders, making the program revenue neutral to the transit providers. The pass is good for 12 months of unlimited rides every day of the year. It can be used on any regional bus route. The photo ID pass is non-transferable, and the company can put its logo on it.

Metropass offers employers the opportunity to purchase annual passes for all full-time employees at wholesale value. Employers pay the cost of what their current bus rider's pay in annual fares for the entire workforce. For example, a company with 1000 employees and 300 bus riders would pay \$18,900 (300 current riders times the average system fare of \$63). The employer would receive a Metropass for up to 1000 employees for \$16,200 per month. The employer would decide how much of the total cost to subsidize and how much, if any, employees will contribute.

The TransitWorks program permits employers to sell passes to employees at 10 percent off the monthly pass cost or 5 percent off stored value cards of \$10, \$15, and \$20 denominations. Passes cost \$42 (local bus), \$63 (peak bus or non peak express), and \$85 (peak express bus) and are sold for 10 percent off the retail price. Over 500 employers provide these passes to their employees.

## **Phoenix**

The Bus Card Plus program is designed to meet the needs of employers who are affected by the Maricopa County Trip Reduction ordinance. This legislation applies to employers with 50 or more employees at a worksite in any 24-hour period. It requires the employers to reduce single occupant vehicle trips or average miles driven by their employees. The Bus Card Plus program helps employers administer a cost-effective bus ridership program. The magnetic card reading technology tracks the bus ridership of employees and encourages them to ride the bus by creating a flexible and easy way to pay their bus fares. Employers receive a monthly billing summary and ridership report indicating the number of times each card was used and how much each cardholder owes for his bus rides. Each cardholder is charged for the rides taken that month, not to exceed the cost of a local, express, or reduced

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fare monthly pass. The amount can be deducted from their paycheck or other payment source, less any subsidy provided by the employer. Because the bill is based on usage and not an up-front fee, employers can base their subsidy on a percentage of the actual number of trips each cardholder takes every month.

Monthly passes for local service cost \$34; express bus service, \$51. The Bus Card Plus program bills the employer \$1.25 for local bus service, not to exceed \$34 per month, and \$1.75 for express bus service, not to exceed \$51 per month. Bus cards cost \$.50 each. The card is valid for 2 years.

### **Portland**

An employer-provided transportation subsidy is a real incentive for a company's employees to use the bus or light-rail. For most employers, the full amount can be deducted as a business expense. Additionally, recent state and federal tax legislation can further reduce the cost of providing passes. There are a number of ways a company can offer this benefit to its employees:

*PASSport* -- Tri-Met's annual fare program gives most employers the opportunity to purchase annual All-Zone transit passes for all their employees at a reduced rate per employee. A Tri-Met validation sticker is affixed to an employee photo identification card that the employee then uses as their annual Tri-Met pass. Since this is an annual program, administrative requirements are minimal.

e-PASS allows employers to subsidize all or a portion of monthly transit passes and deduct any remaining portion from participating employees' paychecks – before taxes. An electronic spreadsheet is filled out with the names of the employees participating in the program and e-mailed to Tri-Met each month along with payment. The passes are then sent to the participating employees or to the employer for distribution.

### **Salt Lake City**

The Ecology and Economy (ECO) Pass is an annual transit pass purchased by the employer. It allows employees to enjoy the benefits of a regular bus pass with the added incentive of the Guaranteed Ride Home program. Employers can use the Eco Pass as an added incentive for recruiting and retention. The Eco Pass program is

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tailored to suit the company's needs. For example, the company can decide if the Pass is extended to full-time and part-time employees. Once the company enrolls in the program, each employee is given a sticker to affix to his/her photo identification card. If a company does not issue company ID pictures, then Utah Transit Authority will provide an Eco Pass card for a nominal fee. The program requires 100 percent employee participation.

- ▶ The program offers numerous benefits for both the employee and the employer. Employers may reduce parking shortage problems and costs, create corporate goodwill by encouraging the use of public transportation and provide employees with an economical, environmentally conscious tax-free fringe benefit. Eco Pass is a business tax deduction. Employees receive unlimited bus rides, save significantly on commuting costs, and alleviate driving and parking problems. They are also assisted in case of an emergency or unplanned change in schedule through the Guaranteed Ride Home program.
- ▶ Monthly bus passes vary by service level: Level A for 65 or more trips during the peak period, \$145; Level B for 40-64 trips, \$110; Level C for 25-39 trips, \$65; and Level D for 1-24 trips, \$30; and A-TRAX within ½ mile of TRAX stations, \$145. UTA will assist in determining in which service level category a company falls. A 50 percent discount for level A during the first year is available to new participating companies.

## **Seattle**

### *Employer Pass Subsidy Program*

Employers participating in Pass Subsidy programs provide Metro passes and ticket books at reduced prices to their employees who ride the bus or Metro vanpools. One of the oldest and largest subsidy programs in the country, over 500 employers currently offer this benefit. Large and small employers provide subsidies from as low as \$5 per month to a fully subsidized annual pass. The amount is a tax-deductible business expense and a tax-free benefit to employees if not more than \$100 per month.

### *FlexPass Program*

FlexPass creates a financing tool that allows employers to offer alternative commute benefits to most or all of their employees at little or no additional cost to their

current employee transportation program. The FlexPass program is tailored to the unique needs and resources of each employer and their employees. FlexPass offers employees the ability to choose between a variety of alternative commute options to meet the varied needs of their daily commute.

An employer’s FlexPass program will include full access at fixed costs to all regular service on King County Metro and Sound Transit, and may include ridematch services, Home Free Guarantee emergency ride home service, vanpool fare subsidies, carpool incentives, and free or reduced rate carpool or vanpool parking. The cost of an employer’s FlexPass includes fixed costs for transit access and other Metro services like Home Free Guarantee; and variable costs for subsidies and incentives linked to carpooling, vanpooling, parking and non-motorized modes. Costs vary depending upon the actual number of participants for each mode.

Seattle has also recently added (in 2014, to take effect in 2015) a low-income pass program for residents earning up to 200 percent of the regional poverty level for households. A summary of the fare changes is below:

**Recent Seattle Transit Fare Changes**

| Category                | Current Fare | New Fare      | Difference               |
|-------------------------|--------------|---------------|--------------------------|
| Adult 1-zone Peak       | \$2.50       | \$2.75        | +\$0.25                  |
| Adult 2-zone Peak       | \$3.00       | \$3.25        | +\$0.25                  |
| Adult Off-Peak          | \$2.25       | \$2.50        | +\$0.25                  |
| <b>Adult Low Income</b> | <b>NA</b>    | <b>\$1.50</b> | <b>New fare category</b> |
| Youth                   | \$1.25       | \$1.50        | +\$0.25                  |
| Senior/Disabled         | \$0.75       | \$1.00        | +\$0.25                  |
| Access Paratransit      | \$1.25       | \$1.75        | +\$0.50                  |

The fare changes are intended to strike a balance between generating revenue that will support Metro service and keeping bus trips affordable for people with low incomes. Fares are the second-largest source of revenue for Metro, after sales tax. Metro fares were last changed in 2011. Fares were also increased in 2008, 2009 and 2010.

**How the reduced fare for people with low incomes will work**

The reduced fare will be available to adult riders with incomes at or below 200 percent of the federal poverty level — about \$23,000 in annual income for an individual. This is the income guideline most widely used by government agencies for determining

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eligibility for assistance and services. King County will work with local and state service providers to determine the most accessible and cost-effective way to verify program eligibility. Eligible individuals will have to requalify for this fare program every two years.

Qualified riders will use an ORCA card to pay the fare; cash will not be accepted for reduced-fare payment on buses. For eligible reduced fare customers, using an ORCA card, loading value onto the card, fare payment, and transfers will be the same as it is for other ORCA card users.