

Pass Program Study

Modeling Update

January 16, 2018



Agenda

- Summary of December Options
- Clarifying the Interpretation of SLA Price Tables
- Analysis of Components
 - EcoPass Business Analyses
 - Option Y - No SLA's
 - Option Z - Existing SLA's, DIA Adjust, 0% Discount
 - Low Income Analysis
- Sketch-Level Analysis of Options Y & Z
- Optimized Option
- Next Steps

Summary of December Options

- Option E, starting point for Options Y & Z

	Option Y	Option Z
Fare Products		
Stored Value Discount	\$0.25/\$0.15	\$0.25/\$0.15
Day Pass	2x cash fare	2x cash fare
Monthly Pass	38x cash fare	38x cash fare
ValuPass	not available	not available
Discounts		
Senior/Disabled	50% discount	50% discount
Youth	70% discount	70% discount
Children 12 & Under	free	free
Low Income	50% at 185% FPL	50% at 185% FPL
Pass Program Discounts		
FlexPass	0%	0%
EcoPass	<u>No SLA's</u> / 0% Disc. with \$5 fee	<u>Revised SLA's</u> / 0% Disc. with \$5 fee
CollegePass	0%	0%
Neighborhood EcoPass	0%	0%
Nonprofit Program	Available - priced at low income, youth, and senior/disabled fare	Available - priced at low income, youth, and senior/disabled fare
Bulk Discount	TBD	TBD

Interpreting SLA Price Tables

- Bottom table reflects price that would be needed to generate the Face Value of trips undertaken within the SLA, **prior to any change in employer participation in the EcoPass Program or changes in customer behavior**

Current Pricing (per employee, per year)

	1-24 employ.	25-249 employ.	250-999 employ.	1000-1999 employ.	2000+ employ.
A	\$98	\$85	\$75	\$64	\$60
B	\$209	\$189	\$173	\$160	\$151
C	\$532	\$493	\$470	\$459	\$434
D	\$544	\$522	\$483	\$470	\$445

Pricing, if SLA approach used to reach Face Value of EcoPass Use (no embedded discount)

	1-24 employ.	25-249 employ.	250-999 employ.	1000-1999 employ.	2000+ employ.
A	\$170.99	\$104.29	\$54.35	\$54.19	\$108.87
B	\$201.25	\$148.92	\$63.45	\$82.38	\$144.04
C	\$442.85	\$388.39	\$370.60	\$455.34	\$212.58
D	\$1,656.91	\$2,059.03	\$1,953.79	n/a	n/a

EcoPass Business - Option Y

- Option Y proposes eliminating the SLA concept, replacing it with a single price per eligible employee, regardless of employer location or size
- A single price results in a significant loss in participation and revenue among SLA A & B employers, and revenue loss from SLA C & D employers
- Due to the anticipated attrition of lower use & lower price employers in 2019, the 2020 pricing is estimated to increase significantly

SLA	Approx. Contract Price/Employee, 2016 [Status Quo]	Single Price per Employee, 2019	Estimated Attrition of Eligible Employees	Estimated Single Price per Employee, 2020
A	~\$68		~ -99%	
B	~\$163	\$252	~ -52%	\$419
C	~\$476		~ +33%	
D	~\$505		~ +35%	

- Option Y eliminates a fundamentally beneficial pricing feature - the ability to segment customers by their willingness to pay and to reflect the higher value of transit service levels available to an employer

EcoPass Business - Option Z

- Option Z proposed retaining the SLA concept, but adjusting SLA boundaries and/or employer size categorization in an effort to maximize retention and participation in the program
- The sketch-level analysis makes NO changes to the SLA boundaries or employer size categories, but does change the following assumptions:
 - 0% discount, retain \$5 fee per eligible employee
 - DIA attrition assumption update, based on December meeting discussion
- Optimized option uses Option Z as a starting point for further analysis and future modeling results will incorporate any SLA boundary changes & employer size category changes (work currently underway)

Low Income Analysis

- Since passes will not be available on MyRide, low income participants would only be able to pay the low income fare with stored value (i.e., low income day or monthly passes would NOT be available)
- In some instances, low income riders who make a high number of trips may benefit more from the purchase of a full fare, day or monthly pass instead of paying the low income fare for each trip
- Day and monthly pass low income riders would benefit the most from either a 40% and 50% discount

Discount	Low Income Fare	# of Trips	Amount Paid	Local Day Pass Price	Notes
50%	\$1.30	3	\$3.90		Riders who make ~4.5 or fewer trips/day benefit
40%	\$1.75	3	\$5.25	\$5.80	Riders who make ~3.5 or fewer trips/day benefit
30%	\$2.05	3	\$6.15		Riders who make ~3 or fewer trips/day benefit

Low Income Analysis

- The revenue loss associated with changes in the discount offered to low income riders is non-linear (e.g., increasing the discount from 40% to 50% results in a revenue loss greater than a 20% increase)
 - These nonlinear results are due to the different usage rates associated with the pass products, and new ridership generated by offering a discount
- Maintaining the proposed income threshold proposed in Options Y & Z while reducing the discount from 50% to 40% can greatly minimize the revenue loss associated with introducing a low income program

Income Threshold	Discount		
	50% + SV Discount (\$1.30/\$2.35/\$4.85)	40% (No SV Discount) (\$1.75/\$3.00/\$6.00)	30% (No SV Discount) (\$2.05/\$3.50/\$7.00)
200% FPL	(\$7.0M)	(\$3.5M)	(\$1.1M)
185% FPL	(\$6.4M)	(\$3.1M)	(\$0.8M)
150% FPL	(\$4.9M)	(\$2.1M)	(\$0.1M)

Sketch-Level Analysis of Options Y & Z

- Sketch-level analyses of Options Y & Z were conducted to approximate the revenue shortfall associated with the proposed options
- Option Y is not likely to achieve the guiding principles
- Additional analysis would be required, if proceeding with Option Z. Modeling results would be impacted by:
 - Timeline for implementation of low income program
 - Adjustments to the SLA boundaries and employer size categorization by RTD
 - Consideration of how phasing of EcoPass Business/NECO/College Pass Programs may impact revenue collected
- The Option Z sketch analysis shows that even with the reduction in discounts, an increase in the base fare would be required to reach the SBP revenue target

Sketch-Level Analysis of Options Y & Z

Component	Linked Trips			Fare Revenue		
	E10	~Y	~Z**	E10	~Y	~Z**
General Public (Adult/Senior/Disabled)	-	-	-	-	-	-
Low Income	↑↑	↑↑	↑↑	↓↓↓↓↓ ↓↓↓	↓↓↓↓↓ ↓	↓↓↓↓↓ ↓
Youth	↑↑	↑↑	↑↑	-	-	-
College	-	-	-**	↓	↑	↑**
EcoPass	-*	↓	↓**	↓↓↓↓↓*	↓↓↓↓↓ ↓↓↓↓↓	↓↓↓**
FlexPass	-	-	-	-	↑	↑
NECO Pass	-	-	-**	-	-	-**

* E10 EcoPass results differ from Dec-2017 presentation. Updated to reflect higher DIA retention

** Sketch-level analysis. Additional analysis of SLAs and phasing implementation required

Legend: arrows based on comparison with the 2019 baseline

Linked Trips

↑ ≅ +0.5 million ↓ ≅ -0.5 million

Revenue

↑ ≅ +1.0 million ↓ ≅ -1.0 million

Optimized Option – Core Elements

- Preserve EcoPass
 - Preserve Neighborhood EcoPass
 - Preserve College Pass
 - Provide a real Low-Income Program that reduces the probability that lower income riders are paying more than riders who have resources
 - Give Non-Profits access to one-time passes while asking them to help move their clients to the Low-Income Program for ongoing transit needs
 - Serve young riders and encourage them to be life-long transit users
- Our Goal – Find the Most Advantageous Option to Preserve/Increase Ridership, Meet Equity Test, Achieve SBP Target, Produce a Fiscally Sustainable Solution, Simplify Rider/Driver Interaction, Improve Brand Loyalty

Optimized Option

- The consultant-optimized option retains the principles underlying Option Z. Further, it attempts to share the burden of reaching the SBP revenue targets amongst RTD riders by limiting the size of discounts offered and addressing concerns about fairness
- By limiting the size of discounts offered and by offering similar discounts to riders regardless of affiliation, the necessary increase in the base fare required to reach the SBP revenue target can be minimized
- Some changes are to address concerns besides revenue achievement:
 - Charge a fare for 12 & under to assist with fare enforcement by bus operators and fare inspectors (no need to determine youth age)
 - Offer only single ride & day passes through the Nonprofit Program to reduce administrative costs associated with distributing monthly passes and reconciling unused passes (nonprofits would still be able to purchase monthly passes available to the general public to distribute to clients; clients would also be encouraged to sign up for the low income program)

Optimized Option

1.9

	Option Z	Consultant Optimized Option	Revenue Impact of the Change
Fare Products			
Stored Value Discount	\$0.25/\$0.15	\$0.25/\$0.15	-
Day Pass	2x cash fare	2x cash fare	-
Monthly Pass	38x cash fare	38x cash fare	-
ValuPass	not available	not available	-
Discounts			
Senior/Disabled	50% discount	50% discount	-
Youth	70% discount	50% discount	↑ (\$1M), enforcement
Children 12 & Under	free	50% discount	
Low Income	50% at 185% FPL	40% at 185% FPL	↑↑↑ (\$3M)
Pass Program Discounts			
FlexPass	0%	0%	-
EcoPass	0% + \$5 fee	0% + \$5 fee (SLA Review)	??
CollegePass	0%	0%	-
Neighborhood EcoPass	0%	0%	-
Nonprofit Program	available - priced at low income, youth, and senior/disabled fare	single ride & day pass only - 50% off full fare	simplify admin
Bulk Discount	TBD	0%	

Next Steps

- Modeling results of the optimized option are pending several items:
 - RTD's SLA boundary review, and whether to update SLA boundaries
 - The phasing-in of the price increases for the pass programs
- Updated assumptions for modeling the optimized option include:
 - Phasing in the price increase for EcoPass, CollegePass, and Neighborhood EcoPass over 3 years
 - Low income program starts in 2020, rather than 2019
- Determine base fare change required to reach Strategic Budget Plan (SBP) revenue targets