

**AGENDA ITEM 8-A**  
**ACTION ITEM**

**TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD**

**FROM: DALE ZEHNER**

**DATE: APRIL 18, 2008**

**RE: AUTHORIZATION TO MODIFY VRE'S FARES**

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**RECOMMENDATION:**

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to amend VRE's tariff to increase fares by 3% beginning on June 30, 2008, without any change to the current ticket discount structure. The VRE Operations Board is also being asked to recommend that the Commissions authorize the Chief Executive Officer to revise the official tariff to include past amendments and initiate the fare indexing policy as part of the FY 2010 budget process.

**BACKGROUND:**

During the FY 2009 budget process, the VRE Operations Board authorized a fare increase of up to 3% to offset increases in fuel, insurance, and maintenance costs. VRE staff subsequently proposed an across the board increase of up to 3% without any change to the current ticket discount structure. On January 18, 2008, VRE received authorization to conduct public hearings in Washington, D.C. and other locations on both lines.

VRE solicited public comment via e-mail, public hearings, letters and faxes. The comment period began on February 6 and concluded on March 14, 2008. Eighty-six e-mails were received during the process and 19 people attended the public hearings. In addition to comments regarding the change in fares, passengers also took the opportunity to relay opinions regarding on-time performance, the

discount on ten trip tickets, FRC distribution, and adding more service/capacity. A summary of the comments received is shown below:

Summary of Comments	Number of Comments
Positive comments on proposed increased fare	24
Negative comments on proposed increased fare	68
Commented that the need to increase fares was understandable	13
On-time performance needs to improve	17
Opposed to the fare indexing proposal	5
VRE needs to improve overall service	12

Note: Summary of comments totals more than number of comments as in some cases, more than one topic was addressed.

After reviewing the comments, VRE is recommending that fares be increased 3%. Reduced fares for seniors and persons with disabilities have also been recalculated per federal requirements. Revised fare tables are attached along with the revised tariff. As the tariff has not been updated since 2003, the Operations Board is being asked to officially adopt the revised tariff so that past Board adopted changes can be officially integrated into the document. All changes have been previously approved by the Operations Board and include things such as changing the FRC program from 30 minutes to 60 minutes and changing the Step-Up policy.

A change is not being recommended to the existing ticket discount structure. Currently, VRE offers an 8% discount on the Ten-Trip ticket as compared to the Single-Ride ticket. While not as substantial as the discount for a Monthly Ticket (34%), VRE staff feels that it is competitive. VRE has found that several other transit systems, including SEPTA, NJ Transit and Metro North, offer no discount on a ten-trip ticket compared to a single trip ticket, on a per mile basis.

Finally, as part of this process, comments were solicited on the fare indexing proposal. As the comments were minimal (5), VRE staff is recommending that the following policy be implemented as part of the FY 2010 budget. Specific recommendations would be worked through the CAO Task Force and presented to the Operations Board next year.

Fare Indexing Policy

Future fare increases would be based on the Six-Year Plan that is required by the Master Agreement and provided as part of the annual budget process. The fare increase would be adjusted year-to-year as part of the budget process. The six-year plan takes into consideration service and ridership levels, capital

requirements, federal and state funding levels, and anticipated increases in various cost components. As such, it provides a comprehensive snap-shot of future funding needs and estimates the future fare revenue necessary to achieve financial stability.

Based on these discussions, VRE recommends the following approach to fare indexing:

1. As part of the annual budget process, develop a calculation of the average annual increase needed in fare and subsidy funds over a six year period, beginning in FY 2010.
2. Provide information on historical increases to relevant standard indices including the Association of American Railroads (AAR) QMPW Index and the Bureau of Labor Statistics (BLS) Consumer Price Index – All Urban Consumers, U.S. Transportation only and U.S. All Items.
3. If a fare increase for the proposed budget year is recommended, it will be within the general range of the Six-Year Plan average annual increase, with the following considerations:
  - a. The impact of fare increases on ridership and total fare revenue
  - b. The pros and cons of annual vs. biannual fare increases
  - c. The extent to which year to year variability can be managed by adjusting annual subsidy levels
  - d. Other special circumstances

### **FISCAL IMPACT:**

Funding for the marketing of the proposed changes is included in the FY 2009 operating budget. It is anticipated that the marketing costs will be about \$10,000, and that the fare changes will generate \$630,000 in additional fare revenue in FY 2009.

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**RESOLUTION  
8A-04-2008  
OF THE  
VIRGINIA RAILWAY EXPRESS  
OPERATIONS BOARD**

**WHEREAS**, as part of the FY 2009 VRE budget, VRE must increase revenue to cover increasing costs; and,

**WHEREAS**, the VRE Operations Board authorized a fare increase of up to 3% on which public hearings were held; and,

**WHEREAS**, passengers and interested parties commented via e-mail, letter, fax, and in person at any one of the seven public hearings held.

**NOW, THEREFORE, BE IT RESOLVED THAT**, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to amend VRE's tariff to increase fares by 3% beginning on June 30, 2008, without any change to the current ticket discount structure.

**BE IT FURTHER RESOLVED THAT**, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to revise the official tariff to include past amendments and initiate the fare indexing policy as part of the FY 2010 budget process.