City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 17, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES K. HARTMANN, CITY MANAGER

FROM: RICHARD J. BAIER, P.E., DIRECTOR
TRANSPORTATION & ENVIRONMENTAL SERVICES

SUBJECT: BUDGET MEMO # 18: TRANSIT COST RECOVERY

This memorandum is in response to Councilman Krupicka's request for staff to provide additional information on the issue of the variance in the City's subsidy between DASH and WMATA. DASH's 70 percent subsidy (30 percent cost recovery) as compared to WMATA's 43 percent subsidy (57 percent cost recovery). Other information requested includes staff's recommendation on a cost recovery goal or a complete subsidy. Councilman Macdonald also asked for information on whether we should increase DASH fares at the March 15, 2005 budget work session.

1. *Provide comments on the differences between Alexandria's over 70 percent operating subsidy for DASH and WMATA's 43 percent operating subsidy for Metro. They have a 57 percent operating cost recovery policy.*

The 57 percent operating cost recovery for WMATA is a blended rate, based on a 71.5 percent recovery for Metro Rail costs and a 30.6 percent cost recovery for Metro Bus. Thirty percent cost recovery is in line with industry standards for bus systems. The DASH cost recovery rate has declined from 35 percent when the base fare rate was last increased in FY 2000 to 25 percent in the FY 2005 approved budget. The FY 2006 proposed operating rate of 28 percent reflects the proposed increases in the DASH pass and rail-to-bus transfer rates, a reduction in the Pentagon fare rate, and the addition of PTO/Carlyle service to be fully funded by private Carlyle Transportation Management Plan (TMP) contributions. The attached chart shows DASH cost recovery rates since its inception. It should be noted that all of these ratios exclude capital costs (buses, railcars, facilities, infrastructure, etc.) as this is standard industry practice.

Recovery of 57 percent of WMATA's costs is not a matter of policy; the cost recovery rate can vary. WMATA reports its cost recovery as a performance benchmark, as does DASH.

2. ***Should Alexandria institute a cost recovery goal, and if so, what would staff recommend?***

Rather than instituting a cost recovery policy for DASH, staff recommends that Council consider, for the future as a goal, budgets that assume base fare rate increases that are generally proportional to Metro Bus increases. This recommendation is based on ridership for DASH routes that serve similar corridors as WMATA, such as Duke Street and Washington Street. DASH buses are sometimes overcrowded on these routes. Holding the DASH base fare to $1.00 while WMATA fares are rising could lead to increased ridership and further crowding on DASH buses. Over the past two years, WMATA has raised bus fares by $0.15, to a base fare of $1.25 in FY 2005. T&ES staff and the Alexandria Transit Corporation (ATC) Board members discussed a rate increase for DASH to $1.25 in order to mirror WMATA's rates, but the ATC Board decided to defer further discussion on this issue. A $0.25 base fare increase would generate approximately $0.2 million in revenue and increase the cost recovery rate to 30 percent with about a 3 percent loss in ridership estimated by DASH from the FY 2006 estimated total of 3.3 million trips annually.

3. ***Or conversely, should our goal be a complete subsidy? Would that have a meaningful impact on traffic congestion and transportation convenience in the City?***

Comparable city systems that have experimented with free bus service City-wide have generally found that ridership increased by as much as 50 percent, but that the traffic impact was minimal due to the majority of new rides coming from transit dependent riders and pedestrians instead of commuters switching from single occupancy vehicles. Commuters tend to base their transportation choice less on bus fares and more on safety, convenience, frequency, reliability, and driving/parking costs. Improved service is more likely to entice commuters than reduced fares. Also, free bus service could have the unintended consequence of causing some commuters who currently ride the bus to switch to single occupancy vehicles as a result of overcrowding from the increased ridership.

If DASH were to implement a pilot free fares program, it would be recommended for under-utilized off-peak hour service such as the King Street corridor (King Street Metro station to Market Square). In this corridor there is excess mid-day capacity and it could be a relatively inexpensive way to promote tourism (as does DASH About), as well as mid-day travel up and down King Street by workers and residents to dine and shop. Free mid-day shuttles or free all-day shuttles linking key downtown areas (such as Denver's 16th Street corridor) have been successful in other cities.

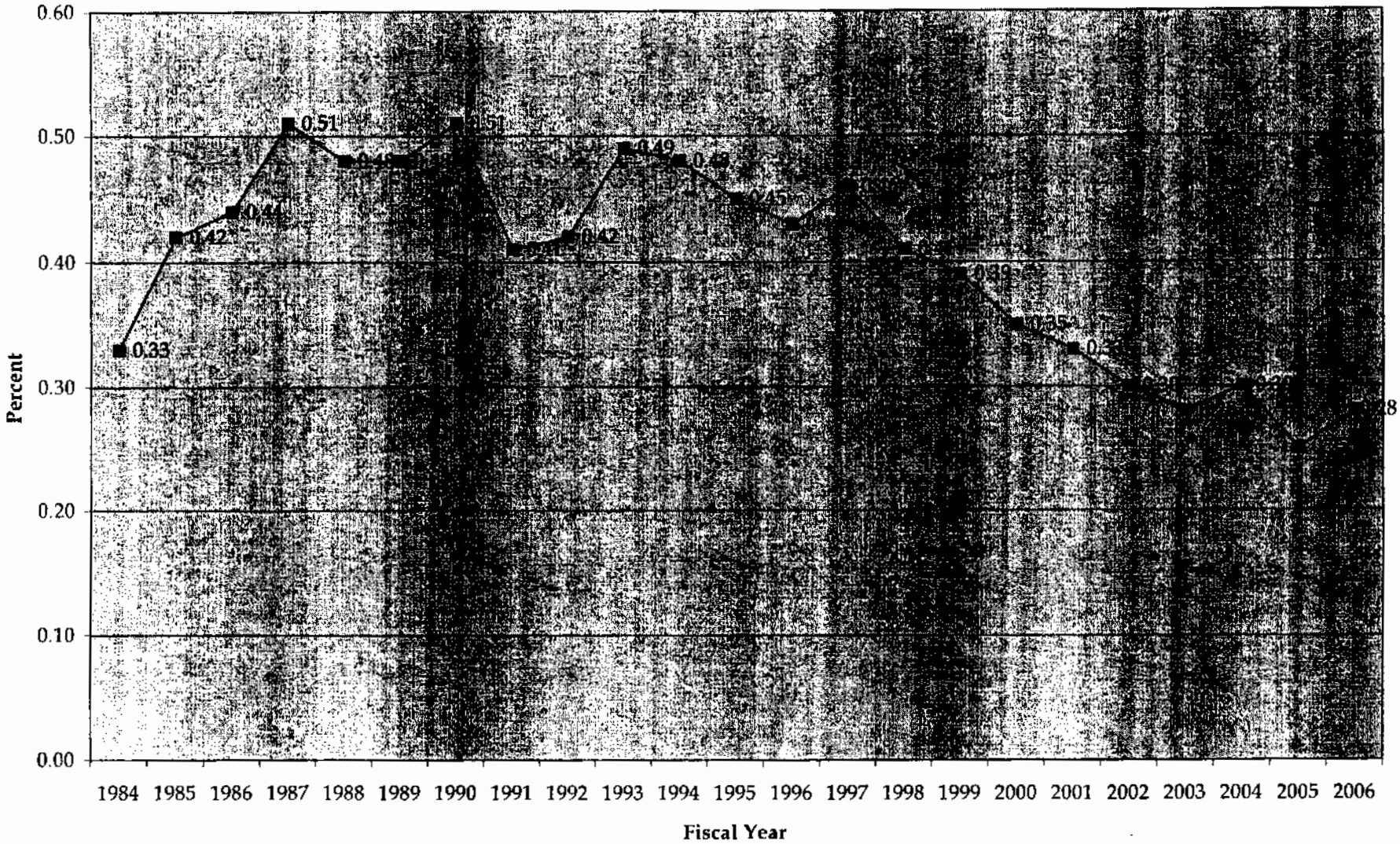
The cost impact of implementing free bus service would be the loss of DASH passenger revenues ($1.9 million is budgeted in FY 2006), plus 100 percent of any cost incurred by adding service to accommodate the ridership increase.

4. ***Is this subject on the agenda for the City's Transportation Ad Hoc Task Force and the DASH Board?***

The Ad Hoc Transportation Task Force has received information on transit cost recovery in the context of existing transit services and transportation funding. Related discussion to date has

been broad in nature, covering both regional and local systems. While this will be a matter of general interest to the task force in developing transportation policies and programs, it is unlikely (and arguably inappropriate) that the recommended transportation plan will include operational details such as transit cost recovery levels.

DASH reports the cost recovery rate to the Alexandria Transit Company (DASH) Board of Directors as a performance benchmark, but it has no specific target or policy guideline regarding cost recovery.

Attachment

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