

2018 ANNUAL REPORT
OF THE
HONOLULU RATE COMMISSION

The City Charter Section 66.1705-1(c) requires that the Rate Commission annually report to the Council, Mayor, and Director of the Department of Transportation Services (DTS). This is the second annual report of the Rate Commission, and it represents activities from the calendar year 2018.

Summary of Status of Rates and Proposed Changes

The current rate structure took effect January 1, 2018 (enacted prior to formation of the Rate Commission). Transfers were discontinued on October 1, 2017.

ADULT	One Way Fare	\$2.75
	One Day Pass (valid 12 AM to 2:59 am next day)	\$5.50
	Accompanying child 5 years or younger	Free
	Monthly Pass	\$70.00
	Annual Pass	\$770.00
SENIOR and DISABILITY	One way fare	\$1.00
(65 and older) or (Approved disability)	One Day Pass	\$2.00
	Application for Disability ID card or Senior Card	\$10.00
	Monthly Pass Sticker	\$6.00
	One Year Disability Sticker or Senior Pass	\$35.00
	Two Year Disability Sticker or Senior Pass	\$70.00
YOUTH	One way Fare	\$1.25
	One Day Pass	\$2.50
	Monthly Pass	\$35.00
	Youth Annual Pass	\$385.00
	University Bus Pass Program (U-Pass)	\$225/semester
HANDI-VAN	One Way Fare	\$2.00
US MEDICARE	One Way Fare	\$1.00
	One Day Pass	\$2.00

According to DTS, the rate increase that went into effect January 1, 2018 raised \$54.1 M for Fiscal Year 2018 which had six months of the increase and nine months of the one-day pass after eliminating transfers. This resulted in a 26.8% fare box recovery ratio for TheBus, which is close to the lower end of the recommended policy guideline of 27-33% fare box recovery. The projection for Fiscal 2019, based on the first quarter is \$55.1 M, or 26.6% fare box recovery.

After due consideration of input received from the administration and the public, including scheduling extra meetings to get the fullest understanding possible, the Rate Commission recommended that additional increases in all rate categories go into effect on January 1, 2019. The recommendation included a 25 cent increase for the one way fare for both TheBus and for Handi-Van. This would have been the first increase for Handi-Van since 2004. This recommendation received support from the disabled advocacy community. The recommendation also included a special \$1.00 fare for persons qualified under SSI.

ADULT	One Way Fare	\$3.00
	Day Pass	\$6.00
	Monthly Pass	\$80.00
	Annual Pass	\$880.00
	Two Year Pass	Discontinue
SENIOR	One Way Fare	No Change (\$1.00)
	Day Pass	No Change (\$2.00)
	Monthly Pass	\$12.00
	Annual Pass	\$120.00
YOUTH	All categories	No Change
HANDI-VAN	One Way Fare	\$2.25
LOW INCOME	One Way Fare	\$1.00
	Low Income Monthly	\$6.00
	Low Income Annual	\$60.00

The Department of Transportation Services and the City Administration submitted recommendations that became Bill 66 which had a different higher rate structure; they raised concerns about the SSI provision as requiring a dedicated staff position which they did not have; and they stated the implementation date should be July 1 versus January 1 to give them time to prepare. The City Council failed to pass Bill 66 reflecting the Administration proposal. Instead, they offered their own measure, closer to the Rate Commission recommendations, with the exception of implementation date. First reading of Bill 77 (2018) was November 14, 2018 and referred to the Budget Committee. A Committee hearing has not been scheduled as of this date.

The DTS projection for Fiscal 2020 if Bill 77 goes into effect is \$58.5 M or 27.4% fare box recovery. If Bill 77 does not go into effect, DTS projects a 25% fare box recovery. The fiscal effect of senior low income rates is a loss of \$220,000 per annum.

Rate Commission Recommendations

Because there has been no action on fares during 2018, the Rate Commission is not making an additional recommendation. The Rate Commission supports the delay of implementation of Bill 77 until July 1, 2019. The Rate Commission will track and comment on Bill 77 as it moves forward. Other than participating in that dialogue, the Rate Commission does not expect to make other recommendation until they are able to take into consideration the issues surrounding interim opening of Rail, which has been stated to be December 2020. We expect to devote considerable time and effort into developing a package of policy guidance and rate particulars, including inter-modal transfers. We also expected to explore the reasons for reduced ridership and its impacts on revenues; further review of paratransit growth management options; and the taxi subsidy study.

A. Members

The Rate Commission appointments are made by the Mayor and by the Council. The following members constitute the Rate Commission. The Commission is full.

	Term Expires	Status
Chair, Cheryl D. Soon	6/30/22 (5 years)	Active
Bonny T. Amemiya	6/30/20 (3 years)	Active
Barbra J. Armentrout	6/30/20 (4 years)	Active
Ann. M. Bouslog	6/30/21 (3 years)	Active
Keslie Hui	6/30/19 (2 years)	Active
Dexter Kubota	6/30/19 (2 years)	Active
James Burke	6/30/21 (4 years)	Active

B. Adoption of Rules

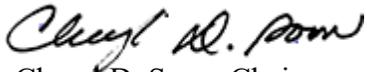
In compliance with Section 6-1705-1(a), the Rate Commission has adopted Polices for Internal Management. These were noticed and adopted at the meeting of December 7, 2017 and affirmed at the meeting on February 6, 2018.

C. Meetings – Highlights of Discussions and Topics Covered

The Rate Commission met twelve times in 2018. All meeting notices and Agendas were properly posted according to the Hawai'i Sunshine Law. Public input was invited at every meeting. Meetings were held in the Mission Memorial Hearings Room at 550 South King

Street. Meeting minutes are available at Department of Transportation Services, Third Floor, Fasi Municipal Building and on the City web site for Commissions, <http://www.honolulu.gov/boards-and-commissions> and select Rate Commission. A summary of topics covered is attached to this Annual Report.

Respectfully Submitted,



Cheryl D. Soon, Chair
Honolulu Rate Commission

Date: February 13, 2019

SUMMARY OF TOPICS COVERED BY MEETING IN 2018

January 8, 2018

- Keslie Hui was approved to be Vice Chair
- The 2017 Draft Annual Report of the Rate Commission was approved for transmittal
- Internal Management Policies were confirmed
- The Audit of the City's Paratransit Service Growth Management Study, Paratransit Growth Management Study, and Committee Reports for Bill 28 (17) were distributed as background information
- Public testimony was received from twelve individuals, all on the topic of rate increases for Handi-Van.
- DTS gave a presentation on Handi-Van issues and recommended adjustments to fares. Operating costs are \$46.14 per trip compared to \$2.97 for TheBus. Honolulu has the highest per capita demand rate in the country. The auditor report and the Paratransit Growth Management Study recommend increasing Handi-Van fares in \$0.50 increments starting in 2017 for four years. This is to ensure the sustainability of Handi-Van. The presentation was continued at a meeting two weeks later.

January 22, 2018

- DTS Paratransit unit continued its presentation started at the January 8 meeting. DTS has recommended fare increases only after taking steps to improve service, reduce cost for capacity of the system and is now looking to manage demand within the confines of ADA. Options include increase the number of agency contracts to manage their own clients; continue in person eligibility assessments; continue travel training to use the bus more; explore a taxi subsidy program; explore the use of network companies such as Uber and Lyft. DTS wants to avoid compromising service quality.
- DTS recommends a one dollar increase from \$2 to \$3. Low income fare would be \$1 with a 20 trip per quarter limit and SSI eligibility Proposed increases for future years were explained.
- DTS recommends increases each year in 2019 and 2020 (In addition to the 2018 increase).
- DTS next presented on Fixed Route fare issues and recommended "adjustments." Data from 28 peer agencies on the mainland was presented. Data on historic raises in Honolulu were presented back to 2001.
- Public testimony was received from nine individuals and three agencies (Easter Seals Hawai'i; Citizens for a Fair ADA Ride; and the State Disability and Communication Access Board). All opposed the Handi-Van increase recommendations by DTS.
- Commissioners discussed the policies that they would like to apply to their consideration of fares.

February 6, 2018

- The Rate Commission adopted Policies on Internal Management subject to points discussed and changed from the circulated draft.
- Public testimony was received from fifteen individuals and agencies.
- DTS fielded questions from Commissioners regarding what would be involved in determining low income eligibility; account based fare collection (seniors are now in the same category as regular riders); price of annual pass for seniors.
- Vice Chair Hui distributed a handout he developed from DTS data regarding ridership composition and revenues and the derived differences in fare box recovery by category. University Student pass has the best fare box recovery. Fare box recovery has different elasticity between categories.
- DTS gave a presentation on Bill 68 CD2 (Ordinance 17-520) on Special Transit Service (Handi-Van). This ordinance allows DTS to study a Taxicab Subsidy Program.
- Commissioners discussed their thoughts on the Handi-Van fare increase proposal. They considered and decided against forming a Permitted Interaction Group (PIG) to review this in detail.

March 9, 2018

- Vice Chair Hui summarized past discussions about fare challenges including an inability to accurately track utilization by fare category; and increasing cost of operations necessitates additional fare revenue to comply with City Fare Box Recovery Ratio Policy
- Vice Chair Hui offered several goals for consideration and recommendation: 1) Comply with the Recovery Ratio Policy; 2) Maintain or increase utilization of TheBus by keeping fares attractive relative to operational costs and transportation alternatives; 3) Understand the city's current financial support of TheBus is distributed among system users and recommend fare structures adjustments as appropriate; 4) consider looking at other revenues before making significant changes; and 5) Consider the impact of two year, annual and monthly passes, which are dramatically discounted and not balanced; 6) Understand the impact of no free transfers.
- Discussions ensued concerning: the disparities between classifications of riders; ability of low income to bear the increases; discomfort in raising any one class more than 25% at a single time; options for special treatment of the extremely low income (ROH 13-2.10) which by HUD definition is \$24,500 for a family of one and \$35,000 for a family of four.
- Questions were raised about the new administrative cost of the transit smart card
- Vice Chair Hui re-stated the emerging consensus from the discussion regarding TheBus fares:
 - > Increase of the Adult Cash Fare from \$2.75 to \$3.00.
 - > Adult day pass from \$5.50 to \$6.00 or double the single ride cash fare
 - > Adult monthly pass from \$70.00 to \$80.00. Annual pass of \$880.00.

- > Discontinue the two year pass.
- > No change in Senior cash fare or one day pass, \$12.00 for monthly pass and \$120.00 for annual pass.
- > Discounts for extremely low income qualified persons at \$6.00 per month or \$60 per year. Adult \$10 per month and \$110 per year.
- > Youth stays at \$6.50 per month and \$71.50 per year
- Public testimony on the above was taken followed by a vote with five votes in favor.

April 10, 2018

- Public testimony was received regarding proposed the increases. Most testimony was regarding the Handi-Van and many oppose a Handi-Van increase
- DTS proposed a cap on the \$1 fare for the extremely low income of 20 trips per quarter after which it would be the single fare of \$3.00. They estimate 10% of HV riders would be eligible
- Commission members discussed possible increases for Handi-Van. Preference for no more than one increase per year. Favors transportation equity with discounts for extremely low income. Consideration of possible cap on the number of rides per quarter.
- Proposal consensus was for:
 - Move in direction of The Bus fare (\$3.00) but in increments manageable by HV riders, not all at once
 - Raise single fare from \$2.00 to \$2.25 starting Jan 1, 2019
 - Use SSI as the criteria for discount equity
 - Floor of \$1.00 for low income riders. The intent is NOT to restrict mobility of persons, but to continue to look for alternate ways of achieving mobility.
- The proposal passed with six votes in favor
- DTS Deputy Nouchi and the HART Fare System Project Manager Whitney Birch gave an introductory presentation on the transit smart card called HOLO. This is a tap system. The system is currently in test phase using 55 readers on TheBus. Beta testing with the public will occur in the summer with the intention of implementation January 1, 2019.

May 8, 2018

- Public testimony was taken on the fare increases proposed by the Commission
- The Commission approved transmittal of its recommendations to the Mayor and Council Chair. Commissioners acknowledged that the senior fare increase is likely to generate reaction.
- The Commission identified future topics it would like to become more knowledgeable about: What happens when The Handi-Van vouchers expire in September 2018? Status of Holo card and distribution of the presentation.

July 17, 2018

- Public testimony received regarding the Commission's recommendations for HV fares. One testifier felt it was inefficient to pay \$2.25 versus \$2.00 because of the need for change. DCAB voted to support the recommendations made by the Commission.
- Chair Soon reported that she appeared before the Council Transportation Committee on June 28, 2018 to explain the Commission recommendations and how they were derived.
- DTS was asked for an update on the fare recommendation. The Director stated it has not yet been sent to Council as Administration is deliberating its position.
- The Commission discussed the approach it would take regarding recommendations for Calendar Year 2019 and for the interim opening of rail in December 2020.
- Topics of future interest were solicited and later forwarded to DTS.

August 14, 2018

- DTS reported that the Commission report and Administration recommendations and bill had still not been sent to City Council.
- Robert Yu, CFO for HART gave a presentation on the HART Recovery Plan, its objectives, and components. For the sake of the Commission he emphasized the Financial Plan and the Operating Plan (Chapter 7) which discusses the integration of bus and rail. The full revenue service cost for rail (2026) is estimated at \$127-8 Million, and a breakdown can be found in Appendix J, page 211.
- Act 1 passed by the State Legislature requires a City guarantee of \$44 Million to the project and this will be in the next Financial Plan (capital).
- A Risk Refresh Report is prepared every two years. This year's RRR addresses the Project Management Oversight Contractor (PMOC) estimates that the project needs an additional \$134 Million and an additional 9 months in the schedule to September 2026. While HART may not necessarily agree, this too must be part of the Financial Plan.
- Finally, the HART Recovery Plan will include the possibility of a 3P partnership.
- Mr. Yu responded to Commissioners questions about underlying assumptions for fare revenue estimates and ridership for the interim opening year.
- The current Ansaldo contract has one five year contract for O&M and an option for a second five year contract. Pricing has already been set. A city team is travelling to Pittsburg to being the process of negotiating how the Ansaldo O&M contract could be folded into the P3 contract.
- Director Fryszacki explained that the operations cost figures came from the original EIS and have been inflated by the GEC contractor. Now, DTS will be rebuilding the operations cost estimates from the bottom up. A DTS Rail Operations & Maintenance consultant team is being assembled now and should be fully functioning by the end of the year.
- Commissioner Bouslog asked whether ridership is declining as it is elsewhere in the nation. Director Fryszacki responded in the positive, and they believe this is due to other options such as Uber and Lyft.

- DTS handed out a one page sheet summarizing the fare recommendations it sent to the Council. The commission discussed and questioned the DTS fare proposal, pointing out areas where there was disagreement with the Commission recommendations.

September 4, 2018

- Public testimony was taken. Most was in opposition to the DTS fare proposal.
- Director Frysztacki defended the DTS proposal and participated in an exchange with commissioners on particulars. Their biggest concern is sustainability of operations, especially Handi-Van.
- Follow up responses promised by Robert Yu from the August meeting were provided. HART: 1) generator contract proposals are due August 3; 2) project is 44% complete: construction 38.3% and design 76.7%; 3) The HART Recovery Plan is the 2017 version until FTA accepts the 2018 version; 4) HART Financial Plan does not make any assumption on actual fares, but does assume fare revenues will be 27-33% of cost.; 5) The Ansaldo contract assumes 160 staff positions during rail operations; 6) the HART Board has not yet acted on the P3; and 7) HART and DTS are working together on a Rail Activation Plan (aka Road Map). People are being hired to do this.
- Whitney Burch, Fare Systems Project Manager for the HOLO card made a presentation. The pilot project with 3000 people will start in November. Test data should be ready by April. A Fares Model was used to calibrate their systems. Performance indicators will benefit from the data produced by HOLO. Use of Holo card on Handi-van would likely come in after interim opening of rail, but that could change and would be up to DTS.
- Public testimony taken included concerns about Handi-Van performance and service.

October 9, 2018

- DTS reported that Bill 66 (2018) which was the Administration's fare proposal failed first reading.
- Council Bill 77 (2018) was distributed
- HART CFO Robert Yu made a second updated presentation on the 2018 HART Recovery Plan which will go to FTA in November. He discussed how the \$44 million of city share was reflected; how the Public Private Partnership (3P) was treated; and changes to the HART Operating and Capital Improvement Budgets. Commissioners asked about the relation on P3 and the Ansaldo contract for O&M; component costs of rail O&M as well as bus; and where in the budget the electric generators are reflected.
- Commission continued its discussion of information it would like when it undertakes the 2018 rate review and when it examines operations of interim rail opening.

November 7, 2018

- Awaiting Council schedule for second reading of Bill 77 on fare increases
- Mark Garrity, DTS Rail Operations and Maintenance Interface Manager provided an update on the HART Revised Recovery Plan (2018) which is due November 15 and is meant to demonstrate to FTA that HART understands their challenges and develop a plan for moving forward. This update includes a revised cost budget and schedule for completion, as well as updates to certain other information that is out of date. It incorporates a P3 approach. There is no change from previous fare assumptions which assumes a single fare for both rail and bus, and which inflates from current fare rates.
- Mark Garrity next discussed how the P3 procurement will work. Part 1 qualifications are due December 21. Part 2 will be issued in January to the top three qualified applicants.
- Under the Charter revision, O&M has transferred from HART to DTS. Mark is helping to develop a new O&M cost estimate which will be newly built rather than inflated from the EIS estimate.
- TOD is not part of P3, but will be pursued separately by the City,
- Ansaldo has now delivered three of the twenty train sets.
- DTS distributed a handout showing how revenues have been since the rate increase of January 1, 2018. In FY 2018 farebox recovery was 26.8%, slightly below the low end of the desired policy ratio of 27-33%. This ratio is expressed in City Council Resolution 0029, CD1.
- If Bill 77 passes as now written, farebox recovery would be within the range.
- DTS is concerned about the extremely low fare. They would have to work with DCS to determine eligibility. They feel many seniors would take advantage of this category. Council will have to determine what is sustainable.
- DTS has a consultant study underway on feasibility of a taxi voucher program to assist with providing rides to supplement Handi Van service.
- DTS recommends that the Rate Commission revise its schedule for making recommendations to have them ready in July which is when the department starts its budgeting process for the following fiscal year. This would be challenging next year since there would be no data on the revenue yield from the presumed change due to Bill 77. Rate Commission will take this under advisement.
- Public testimony was taken which included other ways of advertising Rate Commission meetings so that the agendas reach a broader audience, especially when rate proposals are under consideration.
- Commissioners unanimously agreed to support Bill 77.

December 11, 2018

- Bob Good, Senior Project Office and Core Systems Integration with P3 made a presentation and circulated a handout. The P3 contract includes design and build of the center city guideway and stations plus Pearl Highlands Transit Center and Parking Garage (1600 spaces) as well as operations and maintenance until 2050. Ernst & Young has been hired to assist with the P3 procurement. The O&M period

includes a capital asset replacement element. HART believes there will be substantial cost savings and schedule improvement as a result of P3.

- Robert Yu, CFO of HART gave an update of the Revised Recovery Plan which had been submitted to FTA. Reflects FTA estimate based on the Risk Refresh Report that costs are up by \$134 million. The State Department of Taxation, Council on Revenues estimates that collections are \$188 Million higher in 2018 than 2017, which helps to cover that amount.
- While assumptions about rates are made, nothing in this report precludes the Rate Commission and Council from setting different rates based on policy objectives.
- The Holo card is how riders will pay and gain access to train stations. This is done with a swipe. Equipment is now on buses and will be installed in stations closer to start time.
- Eric Stoetzer of DTS gave a presentation (updating the November presentation) on anticipated revenues should Bill 77 pass as currently written. Estimated revenues for FY 2020 would be \$58.5 Million for a fare box recovery of 27.4%
- By comparison FY2019 using current fare structure would be \$55.1 Million for a fare box recovery of 26.6%.
- Ridership has been dropping. The exact causes need to be studied.
- The Commission members discussed their approach to this year's annual review of fares, a duty assigned to them by the City Charter. Since the Bill 77 changes are unlikely to go into effect July 1, 2019 the Commission is opting to make no further recommendations. Rather, they will focus their time on understanding rail implementation and integration with bus system and to review policy options ahead of that time (December 2020).
- A Draft of the Rate Commission 2018 Annual Report was distributed for review and adoption at a later meeting.