

REPORT OF THE HONOLULU RATE COMMISSION  
with  
RECOMMENDATIONS FOR A NEW FARE SCHEDULE

May 2020

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# HONOLULU RATE COMMISSION

## Recommendations for Fiscal Year 2020-2021

### INTRODUCTION

The Honolulu Rate Commission was created in the Honolulu City Charter. Its primary duty is an annual review of fares and making recommendations for change. The review this year has been comprehensive. By the end of 2020 or early 2021, the first interim phase of rail will begin service. There are issues particular to the introduction of new service and a new mode that the Commission wanted to address. The Rate Commission focused this review on the bus and rail system. Key principles, goals and policies are explained in this paper. The Rate Commission's review was conducted with two rounds of intense public outreach. This paper discusses the public input received during those times, and how it impacted the recommendations.

Specific recommendations are noted with a bullet before them and shown in italics. Those wishing to go directly to the fare rate recommendations can go to Page 4 which contains the schedule of fares being proposed compared to what they are at current.

Fare rates were last raised 2 1/2 years ago in January 2018. In the last two years, the Rate Commission made recommendations for modest fare increases. However, these and alternate proposals from the administration, were not passed by the City Council, which is the ultimate decision-making body for fares.

A review of Handi-Van fares will occur later in 2020. The issues associated with Handi-Van fares are complex and differ somewhat from the regular transit system. Therefore, they will be taken up following further public outreach and input.

### TIMING FOR IMPLEMENTATION OF FARE INCREASES

The Rate Commission is cognizant of the current economic conditions of residents of the City & County of Honolulu due to the Stay at Home directives dealing with the CoVid-19 global pandemic. Rate Commissioners are sensitive to the economic plight of many of our citizens.

Rate Commission respects that city policy makers must take into consideration multiple pressing public policies and needs when adjusting budgets. New financial support for transit has emerged from the federal government in the past few weeks. The City has not yet set a property tax rate for the coming year. The Rate Commission is not privy to all the financial information needed in this rapidly evolving setting. Therefore, fare recommendations are offered with the best information available to us, but the timing for implementation should be left to others. In short,

- *The Rate Commission defers to the Council and the Administration to determine the best timing for implementation of these fare recommendations, as they balance fiscal needs and public policy.*

## RECOMMENDATIONS

### A. Key Principles of the Multi-Modal Transit System

The Rate Commission makes two recommendations for the period once rail operations begin. These are new recommendations that the city should establish as policy:

- *Fares should be the same for a bus ride and for a rail ride, and*
- *When multi-modal trips require a transfer between bus and rail, that transfer shall be free if taken in a forward direction within a 2.5 hour window for riders using the Holo card.*

### B. Goals and Policies for Transit Fares

The following goals and policies were approved at Rate Commission December 10 and 16, 2019 meetings. They set the foundation for the rate change proposals below.

Goals:

- A) Grow ridership on transit;
- B) Incentivize frequent use by riders, and encourage people of all income classes to use transit and alternate modes rather than the private automobile; and
- C) Optimize revenues from all sources to support the cost of operations and maintenance. Be mindful of the policy of 25-30% fare box recovery.

Policies:

- 1) Simplify the rate structure.
- 2) Use flat rates; do not charge rates based on distance.
- 3) Use the same fare for a bus ride and a rail ride.
- 4) Multi-or single modal rides in a single direction (transfers and trip chaining) will be for a single base fare using Holo card.
- 5) Time limit for rides in the same direction without additional fare will be based on the debarking time of the first mode to the entry time of the next mode; in any case, the time between rides eligible for single fare shall be no more than two and one half hours.
- 6) Use a Cap for daily and monthly charges versus having passes.
- 7) Cost to a transit rider for trips using their Holo card will have both daily and monthly caps which encourage frequent riding.
- 8) Eliminate paper passes; except for ADA paratransit eligible persons when riding the bus.
- 9) There shall be five rate categories: 1) Base Adult fare; 2) Youth 6-17 years of age or still in high school; 3) Seniors over age 65 including Disabled and Medicaid card holders; Disabled; and Medicare); and 4) Extremely Low Income (30% of Area Median Income by HUD definitions; Eligibility must be verified): 5) Handivan riders when riding TheBus.
- 10) Any Special Discounted Rate Programs established by the Council should be funded by a named source that creates replacement revenue.

### C. Rate Commission Proposal for Special Discount Fares During the Initial Period of Interim Rail Opening (Applies to both bus and rail)

The Rate Commission recommends that the City Council adopt short term introductory reduced fares when the interim opening of rail occurs. The purpose is to encourage new riders and introduce the community to the rail system. The public has helped pay for the rail system and has endured disruptions during construction. The half price and dollar fares would be small compensation to thank them for their support and endurance. The introductory fares recommended are:

- *Half price for one month from the start of first interim service.*
- *\$1 on Sundays for all riders for three months from start of first interim service.*

### D. Rate Commission Proposals for New Fares

#### 1) Application of Goals and Policies

The Rate Commission applied the goals and policies described above to make the its recommendations with the following results:

- All single rides are proposed to be raised by twenty-five cents (\$0.25).
- Riders taking multiple rides will benefit the most by using the Holo card. Money is loaded onto the card and used to purchase rides. Those not using the Holo card do not get the discounts.
- A Holo card shall never charge more than a set number of rides in a day, month or year. This discount shall be called a "Cap." It replaces daily, monthly, and annual passes for Adults, Youth and seniors.
- The Senior Annual Pass would be available as a cap at the increased rate of \$45.00.
- A new category is established for qualified riders whose income is under 30% Area Median Income (AMI). Interested persons must may apply for this category and be deemed eligible.

#### 2) Recommended Fare Schedule

The fare schedule has been greatly simplified into five categories. These are similar to previous categories, and one new category is added. A fifth address how paratransit passengers would pay when using TheBus

The proposed fare schedule is presented in a table on the next page (page 4). The current fare schedule (middle column) would be replaced by the new schedule (right column). This fare schedule is greatly simplified over the current schedule.

- *Recommended Fare Schedule*

CATEGORY	CURRENT FARE	PROPOSED FARE
ADULTS (ages 18-62)	Single Ride \$2.75 Daily Pass \$5.50 Monthly Pass \$70.00 Annual Pass \$770.00	Single Ride \$ 3.00 Daily Cap of \$ 7.50 Monthly Cap of \$ 80.00 Annual Pass of \$880.00
YOUTH (ages 5-17)	Single Ride \$1.25 Daily Pass \$2.75 Monthly Pass \$35.00 Annual Pass \$385.00	Single Ride \$ 1.50 Daily Cap of \$ 3.75 Monthly Cap of \$ 40.00 Annual Pass of \$440.00
SENIOR (age 65 or older), DISABLED, and RIDERS HOLDING A MEDICARE CARD	Single Ride \$ 1.00  Monthly Pass \$6.00 Annual Pass \$35.00	Single Ride \$1.25 Daily Cap \$ 3.00 Monthly Cap \$ 20.00 Annual Cap \$ 45.00
LOW INCOME (30% Area Median Income, or AMI)	This Category does not currently exist	Single Ride \$1.25 Daily Cap \$3.00 Monthly Cap \$20.00 Annual Cap \$ 45.00
HANDI-VAN USERS RIDING THE BUS	\$35 Annual Pass plus \$1 per ride	No Change \$35 Annual Pass plus \$1 per ride

### 3) Impact Assessment by Category of Rider

**Adult Fare:** A single ride would increase by 25 cents to \$3. This is less than ten percent. For adult riders using the Holo card, the daily cap would be \$7.50 which is higher than the current \$5.50 daily pass. The monthly cap would be \$80 which is higher than the current \$70 monthly pass. Annual pass would be \$880.00. Single ride payers without a Holo card have no discounted fares.

**Youth Fare:** A single ride would increase by 25 cents to \$1.50. For Youth riders using the Holo card, the daily fare cap would be \$3.75 (a dollar increase) and the monthly fare cap would be \$40.00 (an increase of \$10.00). The Annual pass would be \$440.00.

**Senior, Disabled and Medicaid Fare:** A single ride would be \$1.25. For those riders using the Holo card, the daily cap would be \$3.00. The monthly fare cap would be \$20.00 which is higher than the current \$6.00. The annual cap of would be \$45.00 which is a ten-dollar increase.

**Low Income and Disabled:** This is a new category. Rates are the same as for seniors. A single Ride would be \$1.25. For those using Holo card the daily fare cap would be \$3.00 and monthly cap would be \$20.00. Annual cap is \$45.00.

**Handi-van Riders Using the Bus:** Eligible persons would pay a \$35 annual fee and one dollar per ride. There is no change from the current.

## DISCUSSION AND ANALYSIS

The Rate Commission recommended rate schedule shown above tries to accomplish the policy of simplifying the rate structure. The preferred method was to shift monthly and annual discounts away from paper passes. They would be replaced by the cap system on Holo cards.

The Rate Commission would like to see Seniors at the same rate level as Youth, which is common around the country. Seniors have enjoyed a steep discount for a long time. But the Rate Commission felt the gap could not be filled all at once. The retention of the annual pass raised to \$45 was a compromise reached by the members.

The Rate Commission received considerable input about extremely low-income riders and the hardships they face. Information was provided about a low-income program in the Portland Metro System. The Rate Commission felt that the increases it is proposing are mitigated in part by creation of a similar low-income program. While the Department of Community Services testified it is willing to help validate eligibility to 30% AMI, there are practical limits to how many they could qualify in a day/week/year and that additional staffing will be needed to assist all those who would be qualified. Therefore, it is recommended that a Community Partners program be established to assist with the important task of verification of eligibility.

### FARE BOX RECOVERY

#### 1) Effect of the Proposed Rates on Fare Box Recovery

At the Rate Commission request, DTS ran several fare scenarios to project the resulting farebox recovery ratio. Scenarios meeting the 25-30% policy for fare box recovery were identified, but most involved steep hikes, especially for seniors. The Low Income category was proposed to help those at the bottom third of the income spectrum. Even with this, some proposals were felt to be too high. The option being recommend for Council adoption would result in a fare box recovery likely to be below the desired range but higher than the current rate schedule. This is justified due to it being a transitional rate schedule.

The Rate Commission appreciates the assistance from DTS in running the fare and revenue model so that options could be consistently compared. The fare model, like all forecast models, depends on assumptions, some that are difficult to verify, as explained in the paragraphs below. The most critical assumptions, which could prove the fare box recovery estimate wrong, are listed below:

- Costs of operations and maintenance
- Ridership and assumptions on loss of ridership
- Number of riders that would be attracted to use the low-income category

For this reason, the Rate Commission plans to track these variables throughout the next year in order to recommended adjustments, if necessary. The Holo card should be an invaluable source of the data needed to track performance. The Rate Commission relies on DTS to share that data in a timely manner.

#### 2) Brief Background on the Policy for Fare Box Recovery

Since around year 2000, the policy approved by Council resolution was to achieve a fare box recovery of 27-33% for TheBus. In March of 2019 when Council passed Resolution 19-10, that policy changed to a fare box recovery of 25-30%.

According to a presentation by DTS to the Rate Commission as well as reporting to the Department of Budget and Fiscal Services (February 27, 2019) the data to calculate recovery ratio is shown below.

Fiscal Year	Revenues	Expenditures	Fare Box Recovery Ratio
2018 (Actual)	\$ 54,215,090	\$ 201,640,751	26.89%
2019 (Projected) )	\$ 51,912,000	\$ 207,407,336	25.03%
2020 (Budgeted)	\$ 54,100,000	\$ 225,083,305	24.04%

The Rate Commission, working with DTS, examined how the current fare categories perform. Tables for 2017, 2018 and 2019 compare the number and percent of trips, as well as the revenue received, recovery rate, and subsidy for each category. The trend for the past three years is for an increase in costs of 9% over two years and an increase in fare box revenues of 6%.

The Adult Monthly and Annual Passes account for 37.2% of the trips and 44.8% of revenues. The adult fare box accounts for 17.7% of trips and 36.9% of revenues. Taken together, the two types of Adult fares comprise 54.9% of trips and 81.7% of revenues, demonstrating a heavy subsidy from this category to other categories of passengers. Seniors comprise 31.1% of Trips and only 3% of revenues. By comparison, Youth fare box and pass comprise 9.7% of trips and 9.3% of revenues. The disparity between categories at trips taken versus revenues generated is stark. Note that free transfers were eliminated after FY 2017 and are reflected in revenue figure.

#### B. Estimating Future Costs of Operations and Maintenance

Because FY 2021 would be a partial year for rail operations, the current O&M cost estimate for that year is \$37 million. The DTS revenue model assumes a combined bus/rail O&M cost for FY 2021 of \$237.6 Million. This is 5% over the previous year FY 2020 budget number.

According to press accounts (for example, *Honolulu Star Advertiser* December 2, 2019), the HART “moderate range projection for the annual cost of operations and maintenance for rail will start at \$137 Million in 2026 and rise to \$169 Million in 2036.” A thirty- year O&M contract expected to be awarded to a Public Private Partnership (P3) contractor in mid-2020. These cost estimates suggest a fare box recovery would need to rise to at least \$34.25 Million in 2026 if a fare box recovery ratio of 25% is maintained. Adhering to the current fare box recovery policy will be unsustainable without regular fare increases, which will run contrary to the policy objective of increasing ridership.

#### C. Trend of Declining Ridership and Revenues

The table below provided to the Rate Commission by DTS shows the consistent decline in ridership on the bus system.

Year	Number of Passengers
FY 2014	71.5 Million
FY 2015	69.2 Million
FY 2016	66.9 Million
FY 2017	64.5 Million
FY 2018	63.5 Million
FY 2019	61.1 Million

Explanations for this drop vary. First, it reflects a nationwide trend. Second, some conjecture that competition for ride hailing services like Lyft and Uber offer an alternative for those willing and able to pay higher fares in return for convenience. This may explain the drop in tourist and visitor rides from 12% to 7% of riders over the past ten years. Third, TheBus on-time performance declined while rail construction was under way, but has improved now that the first ten miles are essentially complete and not affecting traffic along that corridor any longer.

According to DTS Director Frysztacki, the so-called rule of thumb is that for every 10% increase in fares there is a 3% loss of ridership. This loss is not automatic, and experience has shown that ridership rebounds, even after the dramatic plunge following the bus driver strike of 2003. There are differences in impacts across market segments and users. That is, the willingness to pay for public transit differs, and elasticity differs between regular riders and so-called choice riders.

However, regardless of the causes or reasons, drop in ridership and revenues makes it increasingly difficult to meet the fare box recovery ratio set by the City Council. The Rate Commission is of the conclusion that already it is impossible for rate hikes to make up for the opposing trends of decreased ridership and increasing costs. Another policy is needed while the City makes efforts to increase ridership and while the addition of rail brings in new and returning passengers.

The DTS model used to examine results of the Rate Commission scenarios assumes a continued loss of ridership and revenues. The first five months of FY 2020 saw a revenue decline of 5.15%. Should the model assume continued decline or assume a recovery? This makes a difference to the model results. The model takes further deductions of riders due to change from pass to caps (1%), which may be debatable. Could caps actually encourage ridership? The answers to these questions may only be known in time.

The condition of declining ridership hit an all time low with the Stay at Home orders restricting people from being out and about. Ridership declined by over 70%. In other words, we are in a new ball game where the old rules for prediction no longer apply.

#### D. Proposed Changes to Senior, Disabled and Medicaid Rates

Currently, seniors have two options for realizing reduced fares and unlimited travel. The first option is the Annual Pass (\$35) and the Two-Year Pass (\$70). 2018 records from OTS using zip code data shows that 23,258 persons use the annual option. The majority (97.3%) are from Oahu. Neighbor Island riders on the senior pass are 0.6% and another 2.1% are from out of state.

The second option is to purchase a \$10 card (valid for four years) and \$6.00 monthly stickers. This method is used by 13,874 seniors or forty percent less than the annual pass option. The distribution shows interesting differences. Oahu residents comprise 40.6% of those using the card/sticker option; Neighbor Islanders comprise 0.3% and out of state users comprise 59.1%.

The proposed new fare structure is a significant change for the Senior category. The Annual Pass price would be forty-five dollars. The Card option would be eliminated. In its place would be a \$1.25 single ride (which is a sixty percent price reduction from the adult single ride fare). There would be a daily cap of

\$3.00 and a monthly cap of \$20.00 for those using the Holo Card. Those most affected by the monthly cap increase are visitors.

Up to now, Senior rates yield an equivalent of \$0.09 per ride. The Rate Commission considers this huge subsidy something that needs to be rectified. The Commission's preference is to have Senior and Youth rates be the same at 50% discount from the base fare. The current recommendation is a step in that direction.

E. Proposed New Category and Rate for those under 30% AMI

This is a new category being proposed by the Rate Commission. It is available to residents only. There are few other transit systems that use this category. The Rate Commission proposal is modeled after similar programs in Portland Oregon (Tri-Met) and King County Washington which are designed to help get low income people to work. Adding this category is projected in the model to result in some loss of revenue. The DTS revenue model assumes that 15% of Adults and Youth would be eligible. Seniors are netted out because rates are the same as the ELI category and there is no need to double count them. This leaves about 14-15,000 eligible persons for the new category.

Concerns from those who do not favor creating this category are that too many people would fall into it. The category that exists in other properties is half the adult fare, not 75% less. The Rate Commission noted that the Portland system, which is comparable to Honolulu and often used as a model, does have the ELI category. It was implemented a few years ago, and indeed 28-30% of riders are taking advantage of it.

The issue of verification of ELI status was raised. The Department of Community Services, who would be responsible for making eligibility determinations, provided the Rate Commission with the definition of Extremely Low Income as households earning 30% or less of an area's median family income or AMI (described in Federal law (24 CFR Part 91.5). The US Department of Housing and Urban Development defines the Annual and Monthly 30% AMI by number of persons in the household as shown in the table below.

**US Department of Housing & Urban Development, 2019 Honolulu Income Levels**

30% AMI	1 person	2 person	3 person	4 person	5 person	6 person	7 person
Annual	\$25,350	\$28,950	\$32,550	\$36,150	\$39,050	\$41,950	\$44,850
Monthly	\$2,113	\$2,413	\$2,713	\$3,013	\$3,254	\$3,496	\$3,738

According to 2017 Census data, there were 41,178 ELI households in Honolulu, a number that includes seniors. Of these 17,569 households earned less than \$25,000 but more than \$15,000; 8,553 earned less than \$15,000 but more than \$10,000; and 15,056 earned less than \$10,000.

While there is uncertainty about the effects and potential use of the new category of low income rates the need is indisputable. The Rate Commission plans to closely monitor the usage and impacts to make sure it is reaching the right people without unintended effects.

## PUBLIC INPUT RECEIVED AS PART OF RATE COMMISSION DELIBERATIONS

This section of the report describes public input received and how it was used.

### Final Recommendations

The Rate Commission distributed a draft proposal for rate increases in January-February 2020. It was posted on the website, circulated to Neighborhood Boards and discussed in the media. Three evening meetings were held to take public testimony. These were March 5 in Kapolei, March 7 in Kailua and March 10 at Honolulu Hale Mission Memorial Hearing Room. Nearly fifty people signed into these meetings and 23 provided oral testimony. In addition, 72 sent in written testimony. We make particular note that AARP endorsed the draft proposal. This is significant because they represent the senior population.

The testimony helped alter the final recommendations in the following ways:

- The 30% AMI program was instituted in full rather than proposed as a pilot program.
- The Senior Annual rate was lowered to \$45 (from \$60)
- Rates for the Low-Income category were made the same as for seniors
- The \$35 annual plus \$1 per ride rate for Handi-Van riders riding the Bus was explicitly made part of the recommendations
- The Adult and Youth annual caps were restored and set at \$880 and \$440 respectively

With these amendments, the Rate Commission PASSED a motion to approve the recommendation as amended with a vote of 4 Yes, 1 Yes with reservation, and 2 No.

### Recommendations that helped shape the Draft Proposal

Prior to making its draft proposal and throughout the summer of 2019, the Rate Commission advertised that it was seeking input on multiple fare issues that it would be considering. The Mayor's Office assisted with press releases. The Office of Neighborhood Commission helped distribute flyers to all Neighborhood Boards with the policy questions being asked. HART distributed similar flyers at its public outreach programs.

Responses were received by email to the Commission Assistant at DTS, in written testimony, and by in-person testimony. This input was invaluable and helped to shape the Rate Commission deliberations. Below is a summary of what was asked, input received, and what recommendations the Rate Commission is making.

#### 1) Should Rate Categories be Simplified?

Only a quarter of respondents answered this question. Those who did, favored fewer categories, specifically mentioning Adult, Youth and Senior. One person asked for Kamaaina rates.

- *The Rate Commission advises the Council to simplify the rate structure by having four categories: Adult (Base), Youth, Senior, and Disabled/Extremely Low Income. See Policies #1 and Policy #9. A fifth category was added at the May 12, 2020 meeting for Handi-Van riders when using TheBus.*

## 2) Should Monthly and Annual Discounts Continue?

Most respondents favored monthly discounts as critical to the system. They also favor it in the form of caps. Several realized that having a Holo card makes monthly discounts or caps easy to use and administer.

- *The Rate Commission advises the Council to shift from a pass program to “caps” using the Holo card. Once riders have adjusted to this new terminology and approach, they will find it easy to use (Holo card does the calculation) and easier to administer. Daily cap would be the price equivalent of two and a half rides. Monthly cap would be the equivalent of 27 rides. For regular commuters, this is equivalent to getting the fourth week of the month for free. Annual passes would be equal to the cost of eleven months. See Policies # 4, 7 and 8.*

## 3) Should bus and rail fares be the same?

The majority of respondents felt fares should be the same. Many explained this is how it is done elsewhere. It makes it simpler and is an incentive to use transit.

Those who felt otherwise said the costs of bus and rail are different and fares should reflect that. Some felt there should be options to purchase fares for bus, bus + rail, or rail only. One respondent said that the public has paid so much already, it is not fair to ask for more.

- *The Rate Commission strongly advises the Council to have a single fare that applies to both bus and rail. See Policy #2.*
- *Furthermore, the Rate Commission advises that riders pay a single fare when transferring in a forward direction involves a transfer from bus to bus, bus to rail, or rail to bus. Due to the system design, this would mean most riders would have to transfer, and the Rate Commission does not want them to have to pay twice for essentially a one-way ride. Upon consultation with DTS, it appears that two and a half hours is sufficient time to accomplish this, but alternate time periods were discussed and could be considered. See Policy # 5.*

## 4) Should there be a flat rate or should there be a distance-based component?

Most respondents favored a flat rate, such as now. A distance rate could be construed as unfair to those living farther away. About ten percent felt a distance-based rate was fair.

- *The Rate Commission advises that there be a flat rate. See Policy #2.*

5) Should rail be free at the start? Should there be an interim fare?

Of those responding, half did not agree with free fares. “You ride, you pay.” “No freebies.” Several said yes to free fares for the first two months. One person said rail should be free until it reaches town; one person said it should always be free.

Regarding fares for when interim service begins, there was little consistency. Some felt there should be no fare increase, several felt fares should be the same as bus. Others offered fare prices of \$5 one way, \$3 one way, and \$3.50 one way.

- *The Rate Commission advises Council to have half price fare for one month, starting when the first section of rail is in service.*
- *The Rate Commission further advises that there be fare free Sundays for three months after the first section of rail is in service. This is a way to introduce rail to individuals and families and to provide a fun outing. It is also a way to give back to them for the inconveniences they suffered during rail construction. It is way for residents to feel “ownership” of the rail system in a new and meaningful way.*

6) Should the priority policy be 25-30% fare box recovery?

Very few had an opinion or were unsure how they felt on this subject. One person thought it was unrealistic. While it is good for transit to be as self-sufficient as possible, it should not mean that fares go so high as to dampen ridership.

The Rate Commission received information from Ulupono Initiative (Kathleen Rooney) regarding best practices research from eight comparative studies encompassing over fifty cities in the United States. One of the notable findings of the EMBARK analysis was that the range of fare box recovery for bus is from 9.3% to 23.9% for an average of 17%. These are all below the range established in Resolution 19-10.

See **Page 5** above for the Rate Commission perspective on fare box recovery.

7) Should seniors ride free?

The Rate Commission was asked by the City Council Budget Chair to consider a program for seniors to ride free. According to DTS data, the loss of revenues would amount to \$1,754,680 (FY 2019 figure). There does not appear to be any transportation benefit of seniors being free. Any expectation that this would lead to increased use by seniors is unlikely, due to the already very low fare which leads to high ridership. While many Senior can afford to pay more than the current discount, an estimated one-third cannot.

This question (free seniors) was posed to the public. Most respondents were opposed to free rides for seniors. They recognize there is already a discount which is generous. Free rides should come only in the non-peak hours when there is capacity on the system. Senior discounts should be reserved for locals and require pictures. One person proposed trying free senior fares for one year.

One person suggested the senior age start at 70. One person suggested that the senior bus pass be for six months or no longer than three years, not lifetime. Others mentioned as deserving discounts are students, military, and kamaaina.

- *The Rate Commission opposes free rides for any category, including Senior.*
- *The Rate Commission advises that any “Special” program that pays for a category of riders not be approved unless there is an identified source of revenue making the end result revenue neutral, and that it be applied to user categories that are easy to verify. See Policy #10.*

Alternative Proposal: The Rate Commission understands that senior preference rates have been longstanding in Honolulu. The Rate Commission supports moving to a Senior fare rate similar to Youth at half the regular price.

In the event that Council wishes to take a more gradual approach, the following could be considered: Continue the annual pass for renewals only for three years. All new applications for senior rider category starting January 1, 2021 would use the new fare structure of \$1.25; \$3.00 daily cap; and \$45.00 monthly cap.

8) Other: Many commenters said rates should be “affordable.”

Several respondents said that fares are “borderline unaffordable.” They said there needs to be a low-income discount.

The Rate Commission spent a considerable amount of time considering the matter of affordability. The ELI category mitigates against the increases. For them, the ELI category is a safety net to allow them to continue to ride the bus and rail. In some cases, transit is their only way of transporting themselves to work, medical appointments and other necessary life tasks.

See **Page 8** above for the Rate Commission recommendations on low income category of riders.

9) Comparison to other systems with both Rail and Bus

The Rate Commission received information from both DTS (based on a web site search for properties in western US) and from Ulupono Initiative.

Of nine properties examined by DTS, bus rates fluctuate between \$2.50 and \$3.00; whereas rail rates fluctuate from \$2.25 to \$5.50. Four of the properties impose a surcharge for express service and four impose surcharges for zones. Some have an added differential for airport service. As one example, Portland single ride fare is \$2.50 for rides within a 2.5 hour window; monthly cost for adult ride is \$100.

Another way of looking at the data is to compare the cost to provide the ride, the average fare (factoring in all discounts due to passes and/or caps; and the resulting subsidy levels. The Ulupono studies showed costs per boarding from twelve mid-sized US cities with bus systems averaged \$4.99, subsidies of \$4.15 and average fare boarding cost of \$0.84

#### 10) Comments on the Holo Card system

The Holo card offers great promises to improve accountability and revenue collection. Holo card along with the simplified fare system should be especially beneficial to riders and to the third party vendors such as 7-11 stores, supermarkets and little city halls which sell and add value to the card. Note is made that this can also be done on-line, but many riders lack computers or capacity to interface in this way and will continue to use the retail outlets.

Public testimony to the Rate Commission suggests that there is a long way to go to educate riders, vendors, and others as to the features of the system and how it works. While not within our direct jurisdiction, Rate Commission asked for and received regular briefings on the Holo card pilot program (15,000 cards distributed; 6500 unique users). Public testimony to the Rate Commission suggests there is great concern and even fear about using the Holo card. It will be important to address that quickly.

#### 11) Other

**Other payment ideas.** Some people suggested an airport surcharge of \$0.50-1.00.

“Try pay at the pump to cover rail costs, insurance, and safety checks.”

**Several commenters asked to make sure the bus fares are lower than the cost of driving an automobile.** That is not difficult to achieve.

According to AAA pamphlet *“Your Driving Costs: How Much are you Really Paying to Drive?”* (2019 edition) looks at the cost of six major items: fuel, finance charges, insurance, maintenance/tires, licensing, registration and taxes. Costs vary according to the model of car, age of car, and number of miles driven (more miles driven is cheaper). The national composite average of five models in nine categories for Small Sedan to Minivan, Pick-Up Truck, Hybrid and Electric is 79 cents per mile if you drive 10,000 miles, 62 cents if you drive 15,000 miles and 53 cents if you drive 20,000. Taking a twelve-month year, the mid-range annual cost is \$951.28 for

those driving 10,000 miles, \$742.57 for those driving 15,000 miles; and \$639.72 for those driving 20,000 miles.

There has not been a recent calculation specifically for Hawaii for a few years. According to multiple sources (Expatica, PayScale) the cost of living in Honolulu is 88% above the national average, but when broken down by expense category, transportation is 35% above the national average, in part due to having the highest gasoline prices in the country.

Over and above the cost of running the car is the high cost of parking. A Commentary in on-line media *Civil Beat* (May 22, 2015) by Harrison Rue, Honolulu's TOD Administrator, citing the American Public Transit Association, estimated that a person commuting to work in Honolulu plus parking would spend \$12,710 per year.

According to Donald Shoup and Kathleen Rooney writing in *Civil Beat* (December 9, 2010) the estimated parking requirements in residential buildings is \$275 per month. Not all car owners live in buildings. But parking is generally needed at the work or non-residential end of the trip. On street parking meter rates were doubled in February 2019 to \$3 per hour in the urban core and Waikiki; and \$1.50 in areas outside the urban core. *Hawai'i Business Magazine* (March 1, 2019) parking guide table shows that Parking lot and garage rates in downtown Honolulu show considerable variability, but average \$4 per hour or \$12 flat rate per day. Monthly tenant rates are also variable.

By comparison, with the proposed new rate structure, an Adult purchasing fares under the fare cap equivalent of eleven months, would reach a cap after paying \$880.00. Youth would pay half that, or \$440.00. Seniors and Low Income would pay 75% less, or \$45.00 per annum. This is also discussed in section F 5) on page 8.

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