

**DEPARTMENT OF TRANSPORTATION SERVICES
CITY AND COUNTY OF HONOLULU
OVERVIEW OF CURRENT RATE ISSUES
A Presentation to the Rate Commission
By Wes Frysztacki, Director
November 7, 2017**

The following list of current rate issues is provided to the Rate Commission in response to the Charter’s directive: “When requested by the director of transportation services ... review the fares, fees, rates, tolls and other charges for the use of any and all modes of the multimodal municipal transportation system.”

There are two significant rate issues: 1) public transportation fares; and, 2) parking fees. There are many aspects to these rate issues the Rate Commission must take into consideration as stated in the charter wherein “... adjustments thereto ... shall be sufficient, or as nearly sufficient as possible, to support the operation and maintenance of the multimodal municipal transportation system. In making recommendations on such fares, fees, rates, tolls and other charges, the rate commission may also consider factors such as transportation equity, accessibility, sustainability, availability, and effect on ridership.”

The director of transportation services supports using pricing to manage demand. This applies to both public transportation fares and parking fees. This department policy takes into consideration all of the factors the Charter identifies as those that are to be considered by the Rate Commission. It further includes those proposals and considerations that enhance revenue for the transportation system in an equitable manner that best uses City assets to serve the mobility needs of all residents and visitors.

A. PUBLIC TRANSPORTATION FARES

The intent of the public transportation fare structure is to achieve the Mayor’s and City Council’s vision of a comprehensive transportation system built upon a high-capacity, high-performance, high-quality and financially-sustainable rail operation fully integrated with other modes of transportation that enhances the

degree of mobility and safety for all of Oahu's residents and visitors. All major financial projections of public transportation fare revenue are based upon the City Council's policy that fares should support between 27 to 33 percent of the cost of operating the bus system. DTS is seeking a comparable rate policy directive for paratransit. Legislation was proposed in 2017 and will be proposed in 2018 to achieve these types of policy directives.

The FY 2018 City operating budget provides \$176M in subsidy. Fare box revenue was projected at \$57M. These two sources support an operating budget of \$256M with a farebox recovery ratio below what City Council policy requires. To respond to this imbalance legislation was presented to City Council in early 2017 (see Bill 28).

Bill 28 would have raised the base one-way adult bus fare from \$2.50 to \$3.50 by July 1, 2020 in four steps. Instead, the Council passed a bill that only increased the adult bus fare to \$2.75 on January 1, 2018. The primary reason councilmembers offered for the limited increase was that they wanted the new Rate Commission to have an opportunity to review the DTS proposal and make their own recommendation.

Bill 28 CD1 passed by the Council included no paratransit fare increase. The original DTS proposal recommended increasing the current \$2.00 fare to \$4.00 in four steps. The problem is that paratransit costs about \$45.00 per trip versus \$2.73 per trip on the bus. Honolulu's paratransit demand is the highest per capita in the country. Annual costs have risen from \$38M in FY 2015 to \$45M in FY 2016. Total costs are estimated to exceed \$54M in FY 2018. Federal law allows paratransit fares to be double the adult fare for the bus, or \$5.50 after January 1, 2018 in the case of the Handi-Van. Many systems use that ratio to set the paratransit fare. This manages demand to make it more affordable for the agencies obligated to provide the service and more available for those who most need the service.

B. PARKING FEES

Bill 12 was passed by the City Council in 2017. This bill doubled hourly parking rates for on street parking meters and extended hours those rates applied in

certain areas. Multiple problems have inhibited the City's ability to realize the revenue from these rate increases. Although HPD issued 40,000 tickets last year, this citation revenue goes to the state and fines are not high enough to discourage parkers from not paying meters.

The City operates off street parking garages and surface parking lots which are subsidized rather than contributing revenue to the City. Other cities benefit from significant revenue from their parking programs. This is achieved through carefully crafted policies, continuous parking occupancy monitoring and embracing recent technology advancements. Adeptly managing parking demand and revenue capture has become more sophisticated requiring new ways of pricing and managing parking assets.

Best parking rate setting practices no longer reflect what was just enacted by Bill 12. They include real time occupancy monitoring to set dynamic parking pricing and progressive parking pricing schemes.

Bills 63 and 64 passed by the Council and signed into law by the Mayor offer an opportunity to assure the City captures reasonable revenue from parking assets. The Rate Commission needs to become familiar with the history of Honolulu's parking program, parking policy best practices, parking payment technology advancements and administration proposals for improving our parking rate setting practices.

C. REVENUE ENHANCEMENTS

A third area the director requests the Rate Commission consider is the area of using a variety of transportation rates to pay for the core transportation infrastructure and operations that allow these commercial and innovative enterprises to function while in the public right-of-way. More detail will be provided after the Rate Commission makes progress upon higher priorities. Revenue enhancements include permit rates for commercial vehicle operations, permit fees when closing streets, rates set for use of on street parking for reserved car sharing locations, rates set for electric vehicles and user fees for transportation network companies.

D. REQUEST

The director's request is to have the Rate Commission prioritize work as follows:

1. Public transportation fares and the re-submittal of Bill 28.
2. Parking fees and the implementation of Bills 12, 63 and 64.
3. Other revenue enhancements in support of the administration's future year operating and capital budgets.

E. ATTACHMENTS

1. Bill 12 as adopted
[http://www4.honolulu.gov/docushare/dsweb/Get/Document-195421/DOC009%20\(14\).PDF](http://www4.honolulu.gov/docushare/dsweb/Get/Document-195421/DOC009%20(14).PDF)
2. Bill 28 as proposed
<http://www4.honolulu.gov/docushare/dsweb/Get/Document-191013/B28.PDF>
3. Bill 28 as adopted
[http://www4.honolulu.gov/docushare/dsweb/Get/Document-195419/DOC007%20\(51\).PDF](http://www4.honolulu.gov/docushare/dsweb/Get/Document-195419/DOC007%20(51).PDF)
4. Bill 63 as adopted
[http://www4.honolulu.gov/docushare/dsweb/Get/Document-199491/DOC007%20\(9\).PDF](http://www4.honolulu.gov/docushare/dsweb/Get/Document-199491/DOC007%20(9).PDF)
5. Bill 64 as adopted
[http://www4.honolulu.gov/docushare/dsweb/Get/Document-199492/DOC007%20\(10\).PDF](http://www4.honolulu.gov/docushare/dsweb/Get/Document-199492/DOC007%20(10).PDF)