



MAYOR & COUNCIL MEMORANDUM

April 9, 2024

Subject: Discussion and Direction Relating to Fare-Free Transit for Sun Tran, Sun Link, and Sun Van (City Wide)

Page: 1 of 6

Issue – At the Study Session on March 5, 2024, staff presented Mayor and Council with data regarding transit operations. Discussions ensued and the Mayor and Council requested additional data to help guide the decision-making process for transit funding. This item is to allow for the Mayor and Council to receive an update from staff and continue discussions related to fare-free transit operations.

City Manager's Office Recommendation – Time has been set aside for the Mayor and Council to continue the discussion on fare-free transit and provide direction as appropriate.

Background – On March 17, 2020, Mayor and Council directed the City Manager, in coordination with the Department of Transportation and Mobility (DTM), and Sun Tran, to suspend the collection of transit fares as part of the City's efforts to mitigate the spread of COVID-19 and lessen the negative financial impact of the pandemic on Tucson residents. Since the initial suspension of fare collection, the Mayor and Council have extended the moratorium on fare collection five additional times, most recently on May 9, 2023. The approved motion at the May 9 Study Session included a provision that transit services will continue to be fare-free unless there is an affirmative vote by the Mayor and Council to reinstitute fares.

During the Study Session on March 5, 2024, staff presented Mayor and Council with [additional information](#) to help inform the discussions on fare-free transit. Staff provided a brief presentation with data including ridership trends by mode, Sun Tran service adjustments for public schools, ridership estimates for the University of Arizona (UA), Tucson Unified School District (TUSD), and Pima Community College (PCC), fare collection scenarios, and key activities and a timeline needed for fare implementation. A discussion ensued and ultimately Mayor and Council directed staff to return to a future Study Session with additional data to assist with the decision-making process.

Present Consideration(s) – During the Study Session on March 5, 2024, Mayor and Council requested additional data regarding transit operations to include the following:

Public Comments and Responses

The City of Tucson Mayor and Council Offices, Department of Transportation and Mobility, and Sun Tran have received a multitude of public comments and input since the initial suspension of transit fare collections. At the recent Mayor and Council Study Session on March 5, 2024, there was an influx of public responses to include local media editorials, letter writing campaigns, and organized events in support of continuing fare-free transit across all modes of the transit system. Some key themes of the public responses in support of continuing fare-free transit are outlined below:

- Increased and critical access to education and employment
- Trust of and support for city government toward racial and economic justice
- Preventing further harm to most vulnerable community members
- Transit is an economic driver
- Meets the unprecedented needs of those experiencing cycles of poverty
- Encourages more ridership
- Supporting our climate future

Pre-Pandemic Fare Structure

The table below represents the pre-pandemic fare structure in-place across all transit services offered by the City of Tucson:

| Transit Fares In-Place Prior to the Suspension of Fares | | | | | |
|---|--|-------------|---|--|-------------|
| Sun Tran/Sun Link/Sun Shuttle Single Trip | | Fare | Sun Tran/Sun Link/Sun Shuttle Period Passes | | Fare |
| Full Fare Cash | | \$ 1.75 | Full Fare 1-Day Pass | | \$ 4.00 |
| Full Fare Stored Value (on a SunGO Card) | | \$ 1.60 | Full Fare 1-Day Ticket at Sun Link stops (Cost includes ticket fees) | | \$ 4.50 |
| Economy Fare Cash (w/ SunGO ID and Card - Senior/Disabled/Low Income) | | \$ 0.75 | Full Fare 1-Day Ticket at all other locations (Cost includes ticket fees) | | \$ 4.40 |
| Economy Fare Stored Value (on a SunGO ID and Card - Senior/Disabled/Low Income) | | \$ 0.75 | Discounted 1-Day Ticket (Non-profit agencies only. Cost includes ticket fees) | | \$ 2.45 |
| Express Fare | | \$ 2.35 | Full Fare 3-Day Pass | | \$ 10.00 |
| | | | Full Fare 30-Day Pass | | \$ 48.00 |
| | | | Economy 30-Day Pass (Senior/Disabled/Low Income) | | \$ 22.50 |
| | | | Express 30-Day Pass | | \$ 64.00 |
| | | | Annual Pass | | \$ 480.00 |
| | | | SummerGO Youth Pass (During summer vacations and for ages 6-18 only) | | \$ 45.00 |
| | | | College Semester (UA/PCC) | | \$ 192.00 |
| | | | College Annual (UA/PCC) | | \$ 480.00 |
| | | | College Semester Express (UA/PCC) | | \$ 256.00 |
| | | | College Annual Express (UA/PCC) | | \$ 608.00 |
| Up-Charges for Express Service | | Fare | | | |
| Full Fare to Express Fare | | \$ 0.60 | | | |
| Economy Fare to Express Fare | | \$ 1.60 | | | |
| Full Fare to Sun Shuttle Deviated and Dial-a-Ride Services* | | \$ 1.45 | | | |
| Economy Fare to Sun Shuttle Deviated and Dial-a-Ride Services* | | \$ 0.85 | | | |
| *Green Valley/Sahuarita Dial-a-Ride only. | | | | | |
| Sun Van | | Fare | | | |
| Regular Fares — One-Way | | \$ 3.20 | | | |
| Low Income Fares — One-Way | | \$ 1.60 | | | |
| Optional Service | | | | | |
| Full Fare One-Way | | \$ 6.00 | | | |
| Low-Income One-Way | | \$ 4.00 | | | |

For reference, the transit fare structure is outlined in the Tucson Code (TC), primarily in Chapter 2 Article I, Section 2-18 through Section 2-22. The following Sections specifically related to fares were most recently amended by Ordinance 11401, adopted by Mayor and Council on September 20, 2016:

- Sec. 2-18. City fixed route, regularly scheduled bus system called Sun Tran and modern streetcar system called Sun Link; fares; eligibility and prohibited activity.
- Sec. 2-19. City curb-to-curb barrier-free transportation service called Sun Van, the complementary paratransit service; fares; eligibility and prohibited activity.
- Sec. 2-22. City Sun Tran, Sun Link, and paratransit service systems fare subsidy program for low-income individuals; fare subsidies; eligibility and prohibited activity.

Pre-Pandemic Pass Sales

The following table provides an overview of FY19 pass sales, with related notes below:

| Organization/Agency | FY19 Sun Tran Pass Sales |
|------------------------------------|---------------------------------|
| Gen Pass Sales Outlet (Fry's Food) | \$ 1,057,591 |
| TUSD | \$ 879,298 |
| University of Arizona | \$ 837,438 |
| Other Community Organization | \$ 350,329 |
| Pima County | \$ 289,708 |
| Behavioral Health Organization | \$ 235,462 |
| Non-Public School | \$ 162,528 |
| City of Tucson Department | \$ 118,022 |
| Other Business | \$ 116,225 |
| Healthcare Organization | \$ 107,095 |
| State Organization | \$ 84,963 |
| Raytheon | \$ 42,696 |
| Pima Community College | \$ 31,398 |
| Gen Pass Sales Outlet | \$ 24,983 |
| Tucson Electric Power | \$ 21,993 |
| Federal Agency | \$ 9,204 |
| Local SD (Except TUSD) | \$ 4,697 |
| Regional Jurisdiction | \$ 2,833 |
| Total | \$ 4,376,463 |

Notes:

- Sun Tran partnered with Fry's Food, as a passthrough, to sell bus passes to the public, the amount listed for Fry's Food represents those sales.
- The University of Arizona subsidized half of the amount of bus pass sales for students, faculty, and staff. For FY19, the actual contribution by the UA was approximately \$419K.

Funding Options

Summary of Options Discuss in Transit Stakeholder Group

During the May 9 Study Session, Mayor and Council also directed staff to create a Transit Stakeholder Group comprised of transit users, transit drivers and operators, and community members, to come up with long term solutions to funding and service improvements. DTM staff, under guidance from the City Manager’s Office, worked to establish the stakeholder group which included representation from bus riders/advocates, teamsters, the University of Arizona (UA), Pima Community College (PCC), Tucson Unified School District (TUSD), Pima County, the Regional Transportation Authority (RTA), and the business community. The stakeholder group met on 5 occasions from September through December 2023, to discuss transit funding options and draft recommendations to address short, mid, and long-term financial strategies. A summary of the funding options discussed at the Transit Stakeholder Group are shown in the following table:

| Funding Options | | | |
|----------------------------------|--|---|---|
| Type | Description | Feasibility Consideration | Currently Viable for Transit Services? |
| Transportation Utility Fee (TUF) | A financing mechanism to treat municipal transportation needs as a utility for which users of the system pay a fee based on their use of the system. | 1. Based on a review of the ARS, there are currently no allowances for the authorization of an assessment of a transportation user tax/fee on real property of a municipality in Arizona. | No |
| Public Utility Tax (PUT) | A tax which is levied uniformly to all utility ratepayers based on utility charges. | 1. Mayor and Council has the capacity to increase the Public Utility Tax (PUT). 2. The current PUT is at six percent (6%); any increase to this rate would position the City at amongst the highest PUT imposition in the state. 3. Regressive tax, with greatest impact to fixed and low-income households. 4. Tucson Code Section 19-1000(c) requires any franchise payments from the utility to be credited toward the PUT. | Maybe |
| Impact Fees | A fee assessed on new developments to help fund a proportionate share of the cost of infrastructure needed to serve that development. | 1. Current ARS prohibits the ability of municipalities to use impact fee revenues to fund any public service provided by the municipality, including transit services. | No |
| Special Taxing District | Certain subsections of the City may vote to create special improvement to help fund municipal improvements. | 1. Transit is not included as an authorized use of these special taxing district. | No |
| Access Agreements | Agreements between municipalities and private businesses to assist in funding transit operations. | 1. These public-private partnerships can play a key role in ensuring the sustainability of fare-free transit operations as they allow for the recouperation of farebox revenue and help lessen the burden on the General Fund. | Yes |

Note: ARS = Arizona Revised Statutes

The meeting presentations, summaries, and reference materials are available for review on the Transit Stakeholder Group [webpage](#).

Rental Car Tax

The Arizona Constitution prohibits municipalities, including the City of Tucson, from imposing a citywide tax on rental cars. At a county level, the Arizona Revised Statutes (ARS) allow for the formation of a Tourism and Sports Authority (Maricopa County) and Sports Authority District (Pima County). Acting in the role of a Sports Authority District, Pima County currently imposes a rental car surcharge of \$3.50, the proceeds of which must be used for County sports facilities. As a result, this is not a viable option for funding transit.

Hotel/Motel Surcharge

The City of Tucson currently imposes a hotel tax, “Transient Rental Tax,” (6.0%) and an additional Hotel/Motel Surcharge (\$4.00/night). FY2024 City of Tucson budget includes \$2M allocated from the Hotel/Motel Surcharge to be used for transit, which represents about 25% of the total collected amount from this fee (based on FY2022 actuals). Mayor and Council have the ability to increase both the Transient Rental Tax as well as the Hotel/Motel Surcharge in the manner that is compliant with ARS 9-499.15. It is worth noting that every \$1.00/night collects approximately \$2M.

Any increase to the Transient Rental Tax (Tucson Code 19-66(a)), which is currently at 6.0%, must be used for the promotion of tourism, per state statute (ARS 9-500.06(c)).

Any increase to the Hotel/Motel Surcharge (Tucson Code 19-66(b)), which is currently at \$4.00/night, has the flexibility to be used for any general fund purpose.

Local Transportation Assistance Fund (LTAF)

Via the Arizona Lottery, prior to fiscal year 2012 two funding mechanisms were in place which specifically helped to fund public transportation within the State. Those funding mechanisms were Local Transportation Assistance Fund I (LTAF I) and Local Transportation Assistance Fund II (LTAF II). From fiscal year 2007 through fiscal year 2011 the City of Tucson received over \$10.7M from LTAF I and LTAF II. LTAF I was funded by the Arizona Lottery receipts other than Powerball, and LTAF II was funded by the Arizona Lottery Powerball receipts. The funds were distributed based on population. Larger cities (i.e., those over 300,000 in population) were mandated to use LTAF revenue for public transit. Smaller communities were allowed to use the funds for other transportation projects. LTAF II monies had to be used for transit by nearly all jurisdictions.

During the 2011 session of the Arizona Legislature, to fill the State’s budget shortfall, the Arizona Legislature repealed the LTAF program, leaving the City of Tucson and many other jurisdictions at a significant financial loss. Shortly after the repeal of the LTAF programs, a claim was filed against the Arizona Department of Environmental Quality (ADEQ) to reestablish the funding in Maricopa County since the repeal of the LTAF programs violated provisions of the Federal Environmental State Implementation Plan in areas of non-attainment. Due to this claim, in September 2011 the distribution of LTAF program funds were reinstated to Maricopa County via the Regional Public Transportation Authority (RPTA). The remaining areas of the state were not identified as part of the Federal Environmental State Implementation Plan. Therefore, the other fourteen counties, including Pima County, remain without LTAF program support.

During the November 14, 2012, Mayor and Council Study Session, the City Council voted unanimously in favor of seeking to reinstate LTAF funding; however, those efforts never materialized.

Plan Tucson Consideration(s) – The discussion of this item relates to the following Built Environment Goals and Policies:

Goal 22. Well-maintained public facilities and infrastructure that support coordinated cost-effective service delivery for current and future residents.

Public Infrastructure Policy 1. Invest in highest priority needs to manage and maintain public infrastructure and facilities that are fundamental to economic development and to sustaining and enhancing living conditions in the community.

Public Infrastructure Policy 2. Prioritize major public infrastructure investments in developed areas and for improvements of the existing infrastructure.

Land Use, Transportation & Urban Design Policy 13. Continue to explore and monitor opportunities to increase the use of transit, walking, and bicycles as choices for transportation on a regular basis.

Land Use, Transportation & Urban Design Policy 22. Participate in efforts to develop a coordinated regional, multi-modal transportation system that improves efficiency, safety and reliability of transporting people and goods within the region and to destinations outside of the region.

Financial Considerations – Information regarding the mass transit budget will be included in the material for the Presentation of the Recommended Fiscal Year 2024/2025 Budget included on the April 9 Mayor and Council Study Session agenda.

Legal Considerations – None at this time.

Respectfully submitted,



Michael J. Ortega, P.E.
City Manager

MJO/SC/JC/hw
Department of Transportation and Mobility