



MAYOR & COUNCIL MEMORANDUM

March 5, 2024

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

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Issue – At the Study Session on December 12, 2023, staff presented Mayor and Council with recommendations from the Transit Stakeholder Working Group for long-term solutions to funding and service improvements. Discussions ensued and the Mayor and Council requested additional data to help guide in 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. The City Manager's Office recommendation is for Mayor and Council to direct staff to begin the process for a return to fare collection for Sun Link and Sun Express services.

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 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. The meeting presentations, summaries, and reference materials are available for review on the Transit Stakeholder Group [webpage](#). Staff presented the final recommendations from this group to Mayor and Council during the December 12 Study Session; however, the stakeholder group was unable to develop a short-term recommendation to solidly address the FY2024 funding gap as outlined in the Financial Considerations.

Present Consideration(s) – During the Stakeholder Group discussions there was no consensus on a short-term recommendation to solidly address the immediate budget shortfall for the current fiscal year. Options discussed included returning to fare collection, service reductions to match available revenue, or finding capacity within the General Fund to cover the gap. To assist with the decision-making process, Mayor and Council requested additional data regarding transit operations to include the following:

SS/MAR05-24-53

Ridership Trends by Mode

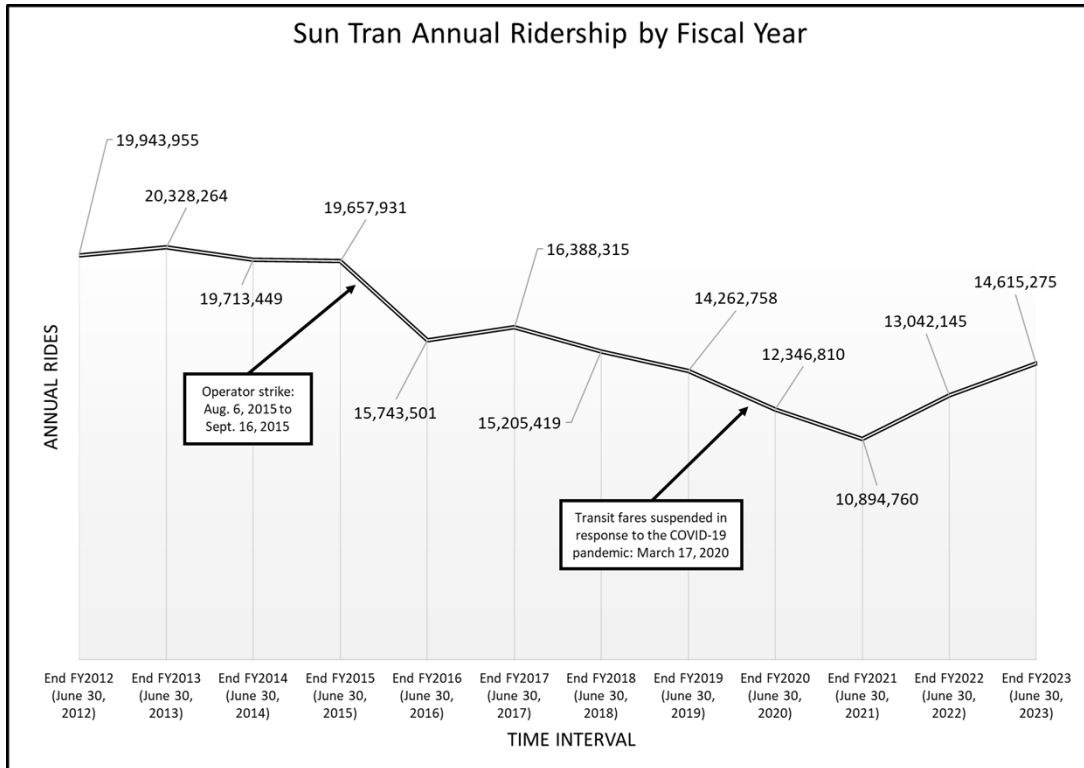


Figure 1: Graph of Sun Tran ridership trends over time (including callouts for critical events)

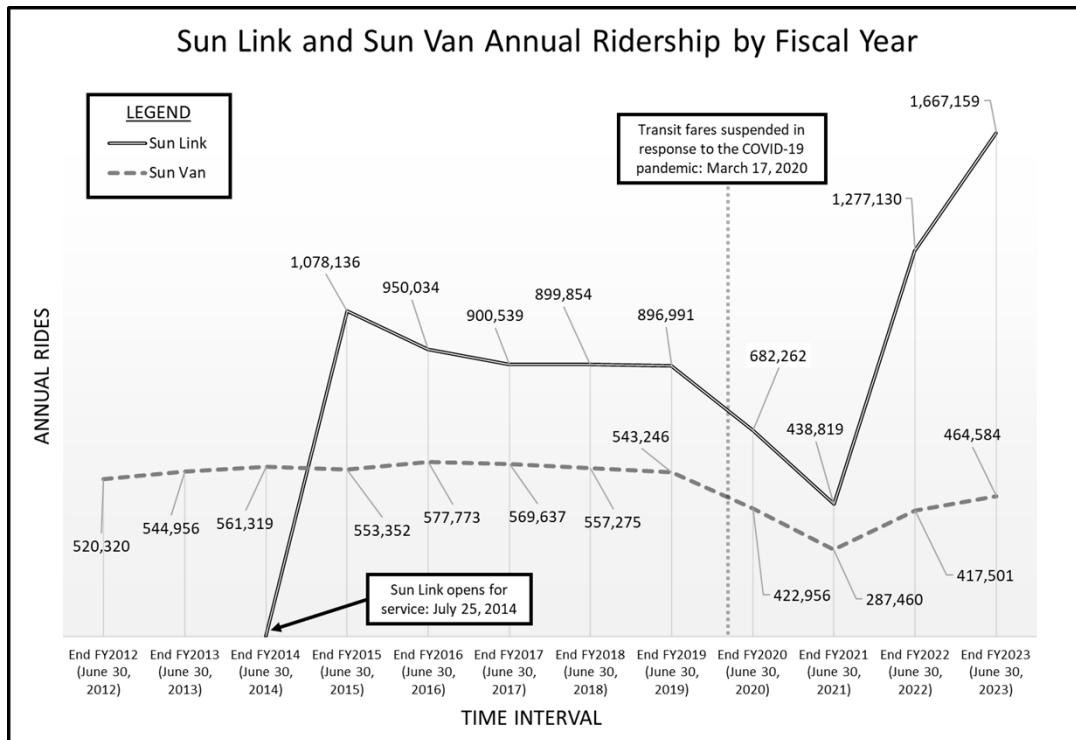


Figure 2: Graph of Sun Link/Sun Van ridership trends over time (including callouts for critical events)

Sun Tran Service Adjustments for Public Schools

Public transit plays a critical role for community members to be able to access resources throughout the region, including educational institutions. In recent history, Sun Tran has been extremely responsive to the growing and changing ridership demands of the public school system. Examples of this responsiveness include adding extra buses (plugs) on key routes during morning and evening peak travel periods to provide congestion relief and piloting trial bus routes to serve the specific needs of schools. Sun Tran staff has summarized the cost to provide these services in the tables below, based on operating costs for FY2024 (congestion relief) and FY2022 (Charger Express):

Estimated Costs for Transit Congestion Relief (Plugs) for Public Schools						
Route	Description	Weekdays	Daily Hours	Total Hours	Cost per Service Hour	Total Estimated Annual Cost
Various	Overcrowding Relief	176	10.20	1,795	\$ 107	\$ 192,697
Various	Deadhead Hours	176	10.32	1,816	\$ 107	\$ 194,964
Grand Total						\$ 387,661

Table 1: Estimated annual costs for transit congestion relief (plugs) for public schools

Cost for Express Trial Service to Cholla HS from Transit Centers						
Route	Description	Weekdays	Daily Hours	Total Hours	Costs per Revenue Hour	Total Estimated Annual Cost
Charger Express	Ronstadt Transit Center to Cholla HS	176	0.50	88.0	\$ 102	\$ 8,972
Charger Express	Laos Transit Center to Cholla HS	176	0.85	149.6	\$ 102	\$ 15,252
Total			1.35	237.6		\$ 24,223

Table 2: Cost for trial service to Cholla HS from Ronstadt Transit Center (RTC)

The pilot service to Cholla HS occurred during the 2021-2022 school year and involved an express route specifically connecting Ronstadt Transit Center (RTC) and Laos Transit Center (LTC) to the Cholla HS campus at the SE corner of Starr Pass Bl and La Cholla Bl. Since the Charger Express was interlined with existing services (Routes 23 and 101X), the associated costs only include the travel time to-and-from the transit centers to Cholla HS.

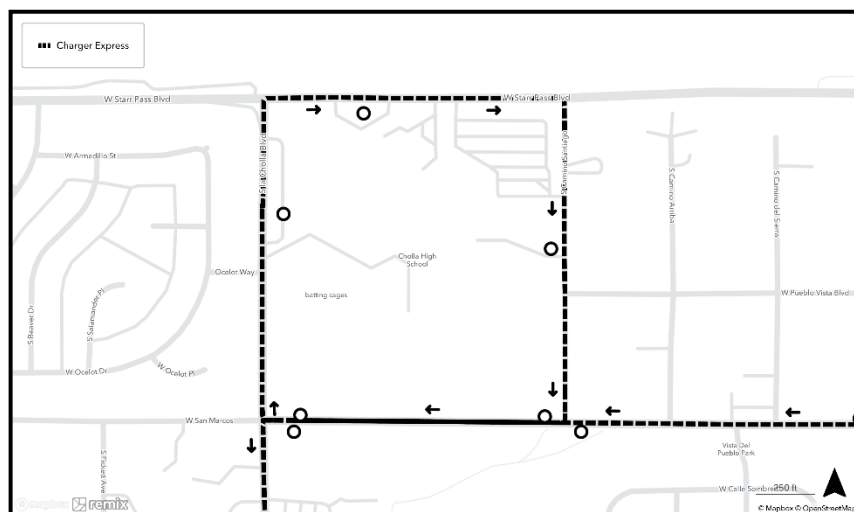


Figure 3: Pilot Route Charger Express circulation around Cholla HS with new bus stops

Ridership Estimates for UA, TUSD and PCC

Staff shared data with the Mayor and Council estimating student/staff ridership during the 2022-23 school year for the three largest educational institutions in the region: the UA, TUSD and PCC. The table below summarizes this data:

Estimated Ridership for 2022-23 School Year by Educational Institution	
Pima Community College (PCC)	
Students	145,022
Faculty/Staff	4,623
Total PCC	149,645
Tucson Unified School District (TUSD)	
Students	406,879
Faculty/Staff	11,019
Total TUSD	417,898
University of Arizona (UA)	
<i>Sun Tran</i>	
Students	350,037
Faculty/Staff	21,470
<i>Subtotal</i>	<i>371,507</i>
<i>Sun Link</i>	
Students	1,427,746
Faculty/Staff	5,253
<i>Subtotal</i>	<i>1,432,999</i>
Total UA (all modes)	1,804,506

Table 3: Estimated ridership for 2022-23 school year for the UA, PCC and TUSD

The full memorandum, which includes a detailed breakdown of the methodology, spatial analysis and additional data is available as a part of the April 4, 2023, Study Session materials, linked [here](#).

Fare Collection Scenarios and Timeline

Mayor and Council requested additional data to outline the potential impact of returning to fare collections to include:

- Estimate the potential revenue by returning to fare collections using the pre-COVID fare structure for premium transit services: Sun Link and Sun Express.
- Identify the time and cost to return to fare collection.

Revenue Projections

The following table estimates the potential revenue generation by returning to fare collection for premium transit services including Sun Link and Sun Express. The calculations are based on the following assumptions:

- Mayor and Council reinstates the fare structure in-place prior to the COVID-19 pandemic.
- The effect of reinstating transit fares on transit ridership is unknown. The industry standard for the price elasticity of transit fares is generally recognized as -0.5, which means that a 10% increase in fares will yield a 5% decrease in ridership. Using this elasticity as a foundation, the table below offers three revenue scenarios based on FY2023 ridership amounts: ridership remains at full utilization with no decrease (likely a maximum estimate), ridership decreases by 25%, and ridership decreases by 50%. Again, the effects of reintroducing transit fares on ridership and revenue generation are uncertain and the table below seeks to provide estimates of what might be expected.

Estimated Fare Revenues for Premium Transit Services Only (Based on FY2023 Ridership)					
	FY23 Ridership	Fare (In-Place Pre-Pandemic)	Est. Revenue with Full Utilization	Est. Revenue with 25% Decrease in Ridership	Est. Revenue with 50% Decrease in Ridership
Sun Express	74,749	\$ 2.35	\$ 175,660	\$ 131,745	\$ 87,830
Sun Link	1,667,159	\$ 1.60	\$ 2,667,454	\$ 2,000,591	\$ 1,333,727
Total	1,741,908		\$ 2,843,114	\$ 2,132,336	\$ 1,421,557

Table 4: Est. fare revenues for premium transit services (Sun Link/Sun Express), based on FY2023 ridership
Key Activities and Timeline for Fare Implementation

Should the Mayor and Council act to reinstate fares on premium services including Sun Link and Sun Express, staff estimates that **it will take up to 6 months to return to fare collection**. Key activities to be accomplished leading up to the collection of fares are shown below, grouped into five categories:

1. *Title VI Equity Analysis.* A federal requirement to determine the potential impact of the fare structure on various communities. The process includes demographic data collection, public outreach, determination of impact, and a Mayor and Council public hearing.
2. *Equipment and Supplies.* Existing collection equipment must be inspected, tested, and programmed. Requires the re-installation of sales equipment for all pass providers and at the in-person sales outlets (ex. Fry’s, City cashiers, etc.) as well as inspection and programming of the ticket vending machines. Costs associated with this category include software maintenance agreements to support fare media and cash services needed for fare collection.
3. *Staffing.* Hire transit support staff including farebox technicians and customer service representatives. Previous staff working in these roles have left or have been absorbed into the organization, requiring new staff to fulfill the required responsibilities.
4. *Training.* Nearly 50% of all current bus operators have not worked in a fare collection environment. Training will include proper operation of equipment and customer service techniques. Pass providers and sales outlets must be trained in the use of fare sale equipment. Additionally, training in tandem with marketing and public education will be needed for transit riders uncomfortable or unfamiliar with fare payment.
5. *Marketing and Public Education.* Activities will include development of printed and electronic materials, introduction of fare structure, promotional activities, safety initiatives and expectations.

The estimated cost to resume fare collections for Sun Link and Sun Express is approximately \$420K. The following table breaks down that cost in terms of the categories listed previously.

Estimated Cost for a Return to Transit Fare Collection on Sun Link and Sun Express		
Task	Direct Costs	
	Supplies	Wages
(1) Title VI Equity Analysis	\$ 5,000	\$ -
(2) Equipment and Supplies	\$ 85,000	\$ -
(3) Staffing - 5 positions to be reinstated	\$ -	\$ 265,200
(4) Training	\$ 7,000	\$ 27,000
(5) Marketing and Public Education	\$ 30,000	\$ -
<i>Subtotals</i>	\$ 127,000	\$ 292,200
Grand Total	\$	419,200

Table 5: Estimate cost for a return to transit fare collection on Sun Link and Sun Express

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 – The FY2024 Adopted Budget includes \$4.6M in revenues from alternate funding sources to cover a portion of the loss in farebox collections, through December 2023. As noted at the January 23, 2024, Study Session, the FY2024 \$8.5M funding gap was added to the General Fund Budget projection, for a total of \$13.1M in one-time funding for the Fare-free Transit Program. If fare collections had been in-place for this fiscal year, it remains uncertain whether transit would have required additional funding beyond the baseline budget allocation.

To project the estimated shortfall in mass transit funding for the development of the Base Budget for FY2025, staff provided estimated revenue potential across all modes of transit. Presented below is a revenue estimation for all modes of transit, using the same approach for Sun Link and Sun Express presented above, which is based on FY2023 ridership scenarios.

As mentioned, staff is working to develop the FY2025 Base Budget for Mass Transit, and assume that a funding deficit, without fares, will be between the \$9.9M and \$14.9M presented in the table below. It's worth noting, the estimated revenue with Full Utilization is an unlikely scenario as there is an expectation there would be some impact on ridership due to reinstating fares. More information will be presented at the budget presentation for the March 5, 2024, Study Session.

Estimated Fare Revenues for All Transit Services (Based on FY2023 Ridership)					
	FY23 Ridership	Fare (In-Place Pre-Pandemic)	Est. Revenue with Full Utilization	Est. Revenue with 25% Decrease in Ridership	Est. Revenue with 50% Decrease in Ridership
Sun Express	74,749	\$ 2.35	\$ 175,660	\$ 131,745	\$ 87,830
Sun Link	1,667,159	\$ 1.60	\$ 2,667,454	\$ 2,000,591	\$ 1,333,727
Sun Tran					
Base Fare	5,459,840	\$ 1.60	\$ 8,735,744	\$ 6,551,808	\$ 4,367,872
Economy Fare**	9,080,686	\$ 0.75	\$ 6,810,515	\$ 5,107,886	\$ 3,405,257
Sun Van					
Base Fare	369,141	\$ 3.20	\$ 1,181,251	\$ 885,938	\$ 590,626
Economy Fare**	174,105	\$ 1.60	\$ 278,568	\$ 208,926	\$ 139,284
Sun On Demand	12,221	Not Determined	\$ -	\$ -	\$ -
Total	16,837,901		\$ 19,849,192	\$ 14,886,894	\$ 9,924,596

Table 6: Estimated fare revenues for all transit services, based on FY2023 ridership.

Note: (**) indicates an FY2023 ridership assumption that the breakdown between full fare and economy fare collections will mirror FY2019 amounts.

Legal Considerations – None at this time.

Respectfully submitted,



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 City Manager

MJO/SC/RC/JC/HW
 Department of Transportation and Mobility