FINAL REPORT

State of Washington
LTC Public Transportation Study

Stage 1

Comprehensive, Statewide Policy Review of Public Transit Systems

January 1992

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PUBLIC TRANSPORTATION STUDY

Task 4A

SYSTEM COSTS AND SERVICE

Prepared for:

STATE of WASHINGTON

The Legislative Transportation Committee

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Berk and Associates

September 5, 1991

SYSTEM COSTS AND SERVICE
PUBLIC TRANSPORTATION STUDY

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Abstract - System Costs and Service

Task 4A of the Washington State Transportation Study analyzed the system costs for the 21 operating transit districts in the State of Washington. Its goal was to prepare system cost summaries both within and among the systems of the State. The cost data has been gathered from a survey of all transit properties and was presented in summary form by a series of graphs prepared for each authority. Three graphs for each of the 21 authorities are included as an Appendix A to the chapter.

In examining operating costs it becomes apparent that operating labor, (i.e. salaries and fringe benefits) is the largest portion of district operating costs. Fuel costs though thought by some to be significant, have been and continue to remain to be, a minor part of total overall costs (less than 5 percent in 1990 on a statewide basis). Purchased transportation service (that is service that is provided by private providers, mostly in the form of demand responsive small bus or van service to serve the disabled) is also a minor but growing part of all transit district budgets. The data infers how this purchased service has affected operating costs, especially labor costs in the systems across the state. Lastly, an analysis of the data indicates that operating costs increases are due to increases in services rather than uncontrolled growth of basic cost factors.

The data shows a great deal of variation in capital expenditures across the State and appears to be largely due to the cyclicle peaks and valleys of capital procurement necessary in the industry.

Finally, with the recent legislative initiatives (most notably ADA, the Clean Air Act, Growth Management and TDM) transit districts are assessing the financial impacts of implementation of these programs. Notwithstanding existing commitments to lift equip buses and paratransit programs, the financial implications of these new initiatives imply that a realignment of base levels of service (including service reductions) may be required in the near future to accommodate the new programs.

I. System Cost Summaries

A. Introduction

Task 4A of the Washington State Public Transportation Study involves the summary of the costs of delivering transit services by the State's twenty-one operating districts. The data, collected through a survey of all transit properties, has been tabulated and presented in summary form for each system in an attachment to this chapter. For each system three graphs are presented:

- Figure 1: Operating Expenditures Graph, 1980-1990;
- Figure 2: Percent Total Operating Expense Graph; and
- Figure 3: Operating and Capital Expenses Graph, 1980-1990.

Figure 1, Operating Expenditures, depicts the composition of the annual costs of operating local transit service in the community. This graph segregates costs by major category, including: operating salaries, other salaries, fringe benefits, fuel, purchased transportation services, and other. These costs are portrayed in the aggregate over the period 1980 - 1990. In many cases the initial year is post-1980 and corresponds to the current administrative structure or when data was first reported. This graph is provided to help in analyzing the relations between total cost components, their growth, and importance in the overall budget of each district. Figure 2, Percent Total Operating Expense, provides an annual picture for the period 1980 to 1990 of the impact of each expense category on the total budget for transit operations and depicts the relationship between each category of expenditure as a percent of total. Figure 3, Operating and Capital Expenses, shows the relationship over time between operating expenditures and a system's capital purchases. It also depicts the rate of growth of each and is provided primarily to identify years of large capital growth.

In the following sections, the basic findings regarding the costs of providing transit services are summarized. These findings are intended to provide insight into the policy issues of service provision and do not constitute a review of management or management practices or an analysis of their budgets.

B. Operating Costs

Throughout the state, the operating budgets of local transit authorities have been increasing over the past decade. This is not unusual and is also found nationally for all systems. Many transit authorities in this state were formed in this decade and thus, even though starting from nothing, have seen major increases. Even the expenses of more stable systems have doubled over the past decade. The components of these cost pictures are examined below and some factor trends that impacted the changes are noted.

Labor costs are the single largest contributor of total cost. Over 70 percent of the annual costs of most systems is represented by labor costs. Operators wages and fringe benefits comprise the most significant element of this category. Operators wages range from 20 percent (Kitsap) to 50 percent (Grays Harbor) with fringe benefits totalling 15 percent (several properties) to 25 percent (Bellingham). In a number of cases there has been a decline in the operators wage component of costs commensurate with the increase in purchased transportation services from private providers. For example, Metro's declining percent of operators wages is an example of such a situation. Similarly, Kitsap, with 25 percent of costs in purchased service has a relatively small direct labor budget. It can be hypothesized that the wage rate of newly formed or non-union private providers are less than their public counterparts. As can be discerned from the graphs, transit services are very labor intensive and highly influenced by inflationary trends. The economic stability of the Northwest during the 1980's is reflected in the relatively stable percent of total labor costs to total operating costs.

International oil price stability during the 1980's is also reflected in the graphs. Fuel prices declined in the early 1980's and have remained low. Transit profiles show only a 5 - 10 percent cost component associated with fuel costs and that has remained relatively stable over the decade. The impact of an energy crisis, however, would cause fuel to be a significant cost factor, and indeed would have had an impact on 1991 data (due to the Persian Gulf conflict) if current financial data been available.

Purchased transportation services (generally demand responsive, paratransit services provided by a private entity) have increased over the past 5 years. There seems to be a direct correlation between reductions in operators wages and purchased transportation services in some properties. State and Federal statutes do provide labor protection provisions to employees of public transit authorities, but Federal policy over the last decade has encouraged the use of "private" providers assuming their provision of a service would be more economical. In general, because of the initial use of part-time operators, non-union personnel, and the initial lower capitalization costs of a demand

responsive service, lower costs to the contractor (the public entity) appear to have occurred. Whether this will continue to be the case as private workers organize and become more established remains to be seen. No in depth analysis of this issue was conducted for this study, only uncollaborated and possibly uncorrelated trends have been noted. Pierce Transit now spends 10 percent of the annual operating budget on contracted services and Intercity Transit has doubled since 1986 the level of expenditure made for purchased services. In the early years of some agencies, purchased service was a major cost component. As the systems matured and developed operating capabilities, the purchased service component has declined. With increased legal liability of ADA this trend might continue as public authorities feel direct control is safer and more productive.

Another cost component that reflects the impact of regulatory policies is the "Other Salaries" area. This includes most of the administrative, legal, planning, and marketing personnel of an authority. The increasing level of regulation and reporting has prompted additional staff expenses to respond to those requirements. In the future, with GMA, TDM, ADA, and Clean Air Act requirements these elements are expected to increase.

Cost escalation, beyond normal annual increments, (measured by the Consumers Price Index for example) can be attributed largely to the expansion of the transit services offered to State residents. As examples from historical records developed in the survey of transit agencies, Ben Franklin and Intercity Transit have increased the number of revenue miles per capita by more than 200 percent over the decade and Yakima Transit and Spokane Transit have experienced a 50+ percent increase. With only a 23 percent increase, Community Transit appears to have only a modest increase in service, yet that level nationally is double the equivalent of its peers. In the case of Metro, where revenue miles per capita has experienced no change during the past 10 years, an 18 percent increase in the revenue hours per capita can be explained by the impact of congestion in the metropolitan area.

C. Capital Costs

The capital programs in Washington State exhibited similar characteristics to those elsewhere. The capital intensive nature of vehicle acquisition and plant improvements is reflected in the peaking shown on the graphs. At these times as much as 45 to 50 percent of an authorities's annual expenditures can be capital related (e.g. Ben Franklin Transit in 1986 and 1988 or Community Transit in 1985). These "peaks" are not necessarily due to new systems "gearing-up" but rather reflect the cyclical nature of capital needs.

There have been large front-end, acquisition costs for new authorities. For example, in 1982 capital costs amounted to 60+ percent of the C-TRAN budget. Similarly, major projects, such as the Downtown Seattle Transit Tunnel have had a significant impact on Metro's budget picture. During tunnel construction (1987) as much as 50 percent of annual transit expenditures were related to capital projects at Metro. The size of this one project has also tended to skew the picture of Federal contributions to transit in Washington (A more complete discussion of this issue is included in the Federal Revenue discussion contained in the Task 2B3 report).

Generally, there is nothing irregular in the capital expenditure patterns of the State's systems. They match peer systems in other states. In fact, the capital programs are managed rather conservatively compared to those of their peers. For systems in Washington State the estimated life of both equipment and facilities is greater than that of their peers, and generally greater than Federally provided guidelines.

D. Future Impacts

Little quantifiable information is available concerning the overall impact of programs such as ADA, Clean Air and Growth Management. Attempts are being made to calculate the financial and service implications of these policy directives in the districts' six year plans. Without question, the new initiatives will contribute to cost increases both in the operating and capital areas. Additional service required by ADA and new vehicles and facilities necessitated by Clean Air will affect costs.

Managements' initial response to accommodate these measures will be varied. Some have moved aggressively with alternative fuels (Pierce Transit) and others have planned parallel services to augment the fixed route network (Community Transit). In the short term, the most obvious impact will be a delay in providing ongoing service expansions that have been designed to meet local community needs. Many authorities have indicated that at some point in the future they will re-order service priorities and could possibly shift or eliminate existing service in order to realign the base upon which ADA requirements are determined. Budget implications of these new requirements will become a serious issue in 2 - 3 years given the current revenue options.

II. Conclusions

When reviewing system cost summaries and comparing among systems in this State and their peers across the country, several conclusions can be made. They are:

- The rise in costs for providing transit service in Washington State is no greater than peer cost increases around the country;
- Operating salaries, wages, and fringe benefits constitute the largest part of transit operating budgets;
- Purchased service by contract from private providers appears to have reduced direct labor costs;
- Fuel prices are not a significant portion of total expenses;
- Much of the increase in operating costs are due to increases in service provided by the local systems;
- The provision of capital monies are variable and cyclical over time and can constitute major portions of total annual budgets; and
- Requirements mandated by the State and Federal Governments will necessitate increasing labor costs in planning, administration, marketing, as well as the actual operating cost of new services and new capital expenditures.

Figure 1

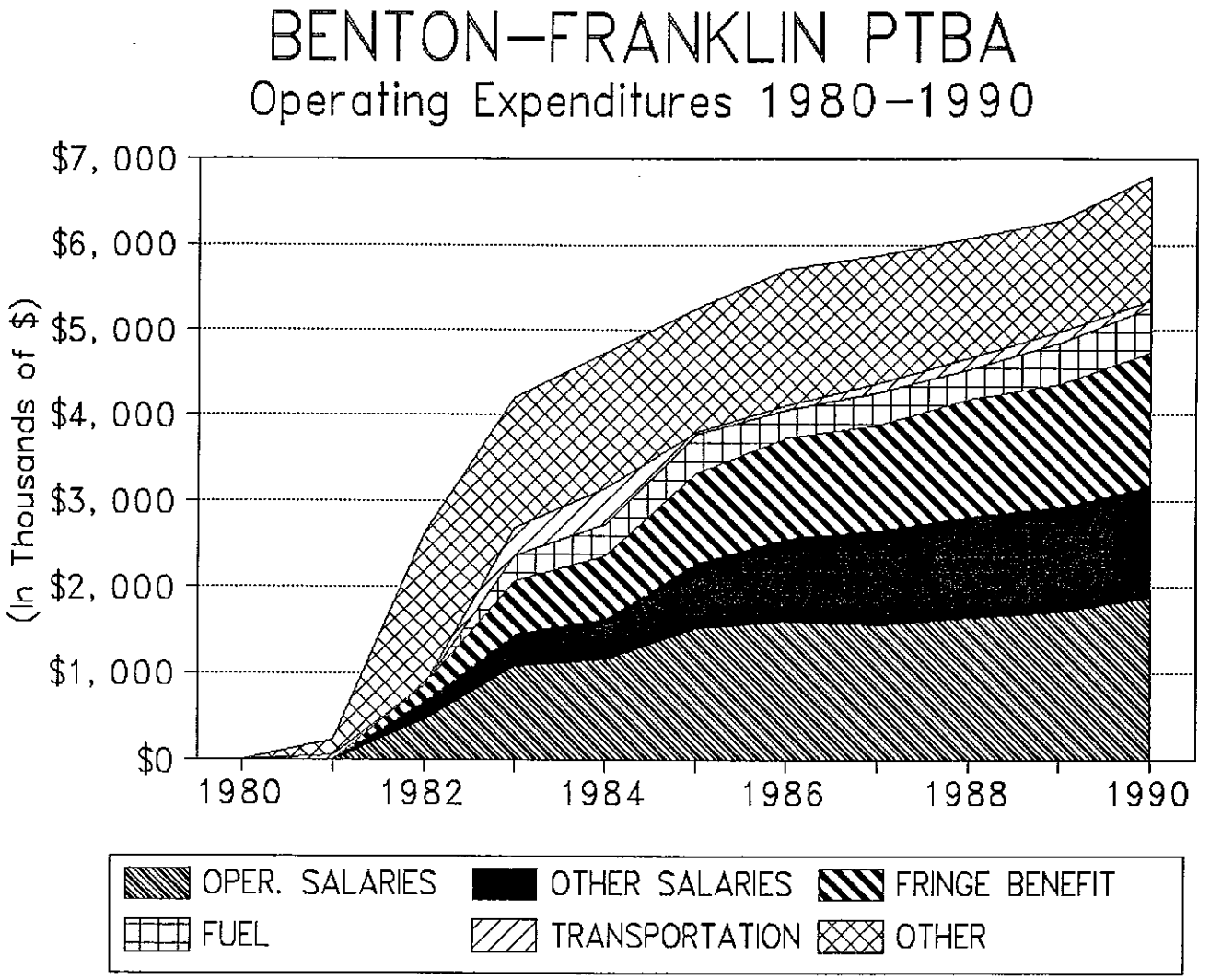

BENTON–FRANKLIN PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$7, 000
$6, 000
$5, 000
$4, 000
$3, 000
$2, 000
$1, 000
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

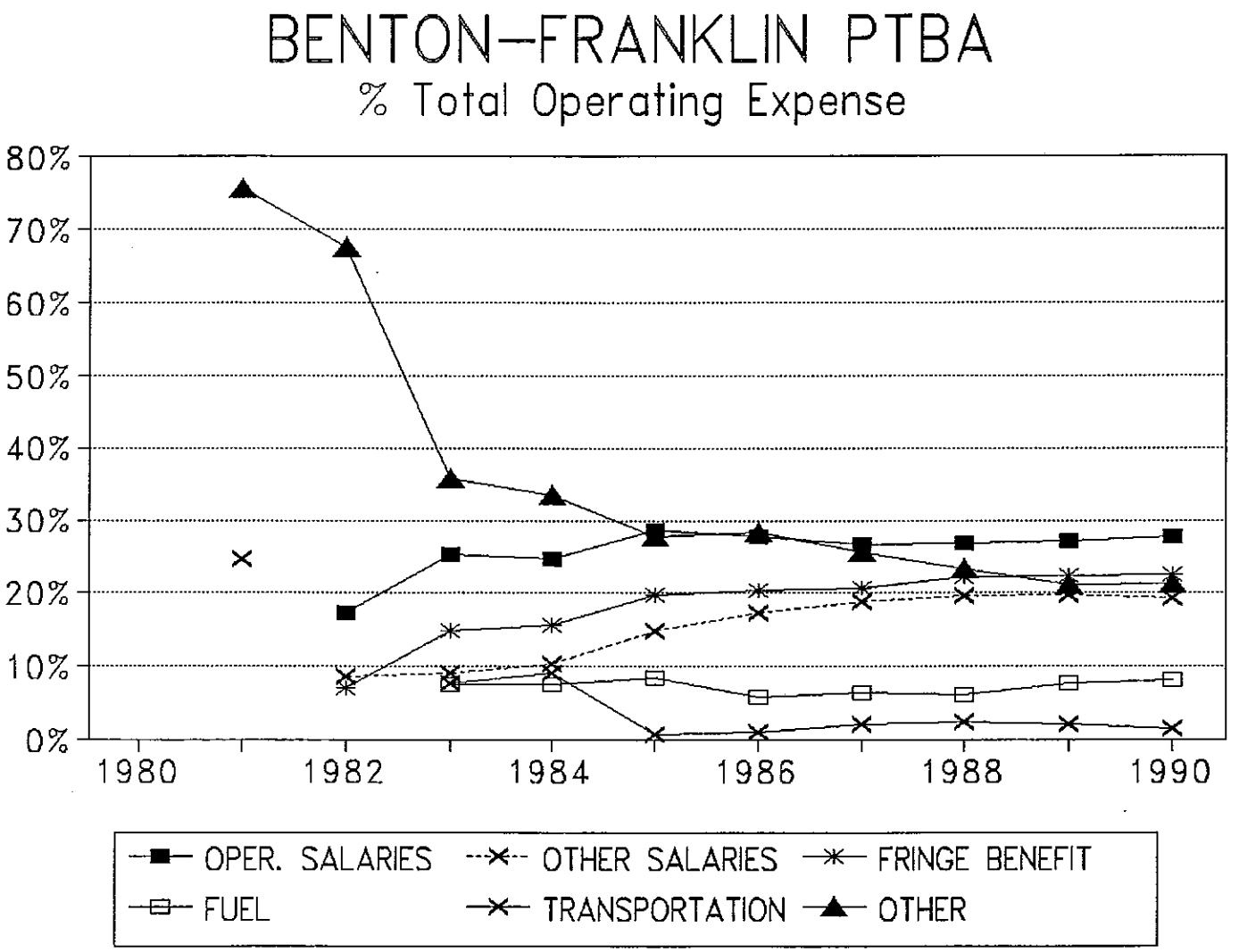

BENTON–FRANKLIN PTBA
% Total Operating Expense
80%
70%
60%
50%
40%
30%
20%
10%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

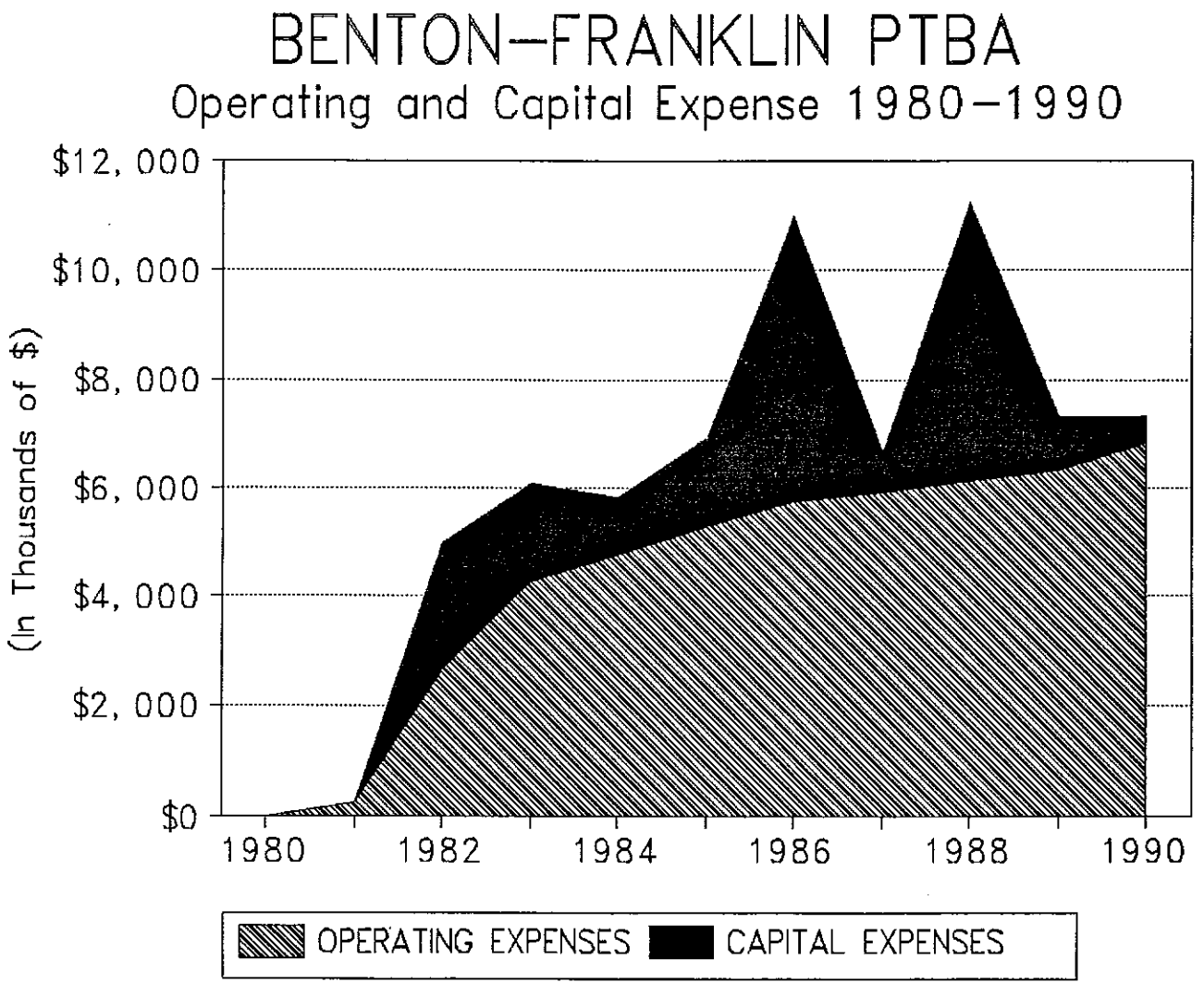

BENTON–FRANKLIN PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$12, 000
$10, 000
$8, 000
$6, 000
$4, 000
$2, 000
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

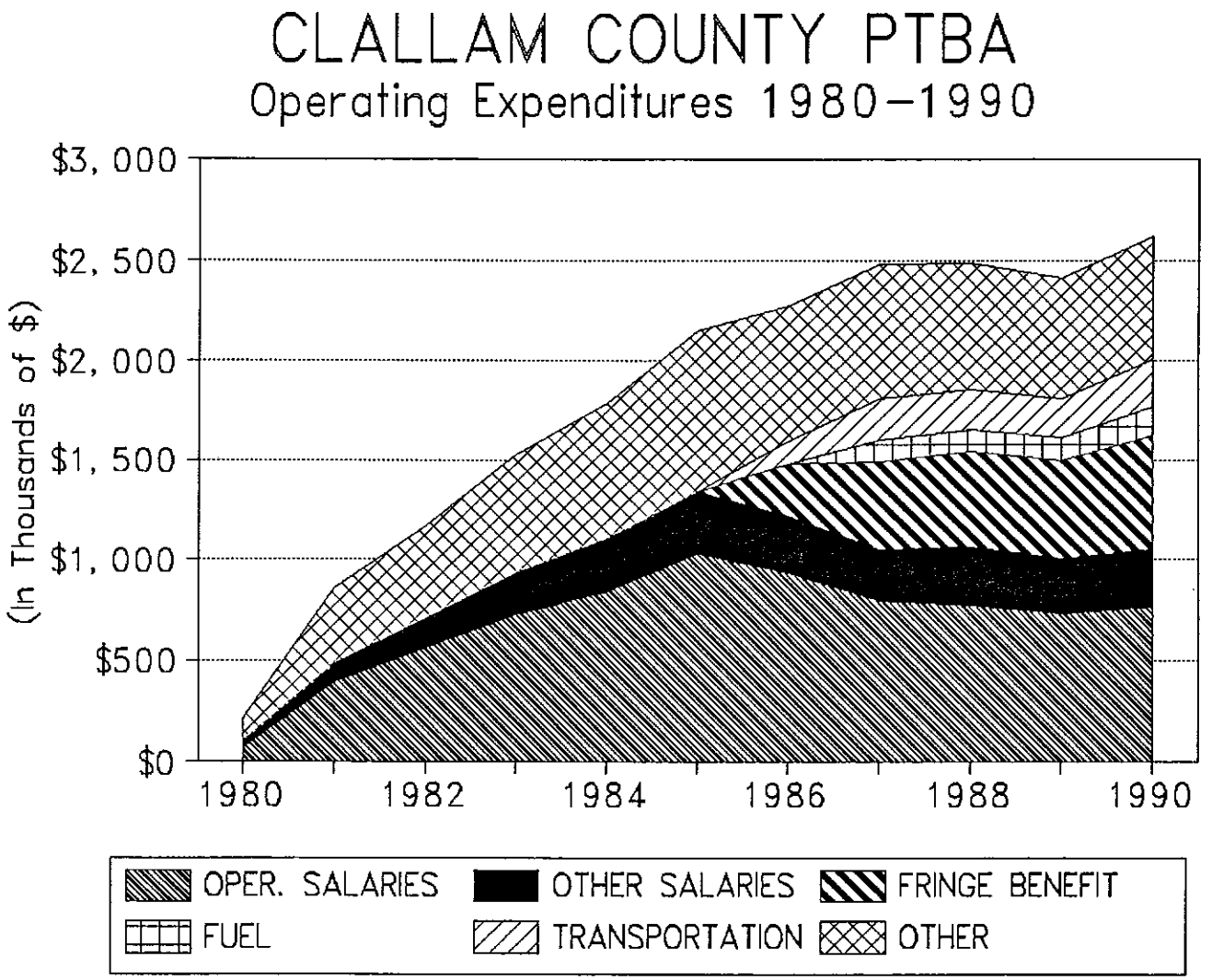

CLALLAM COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

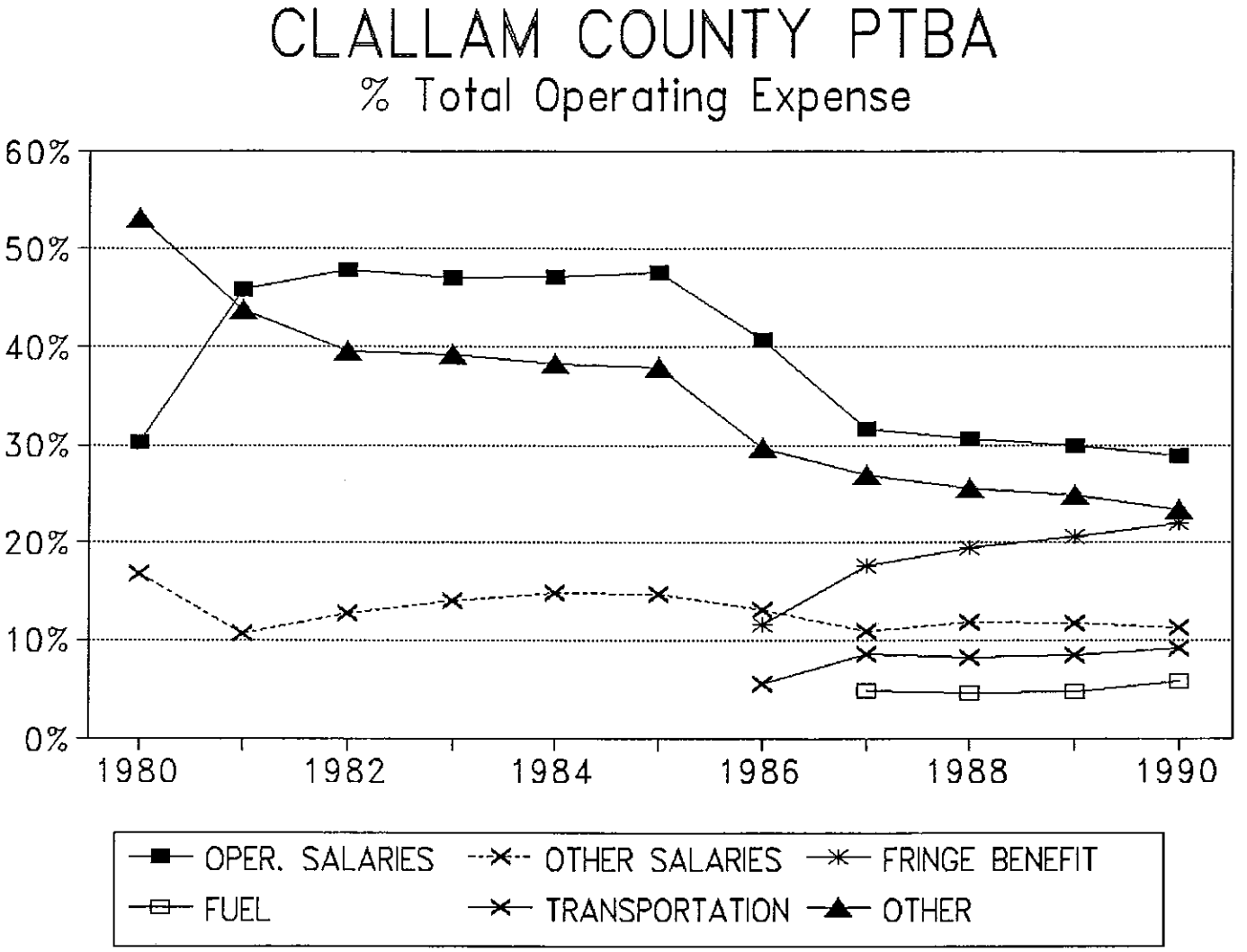

CLALLAM COUNTY PTBA
% Total Operating Expense
60%
50%
40%
30%
20%
10%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

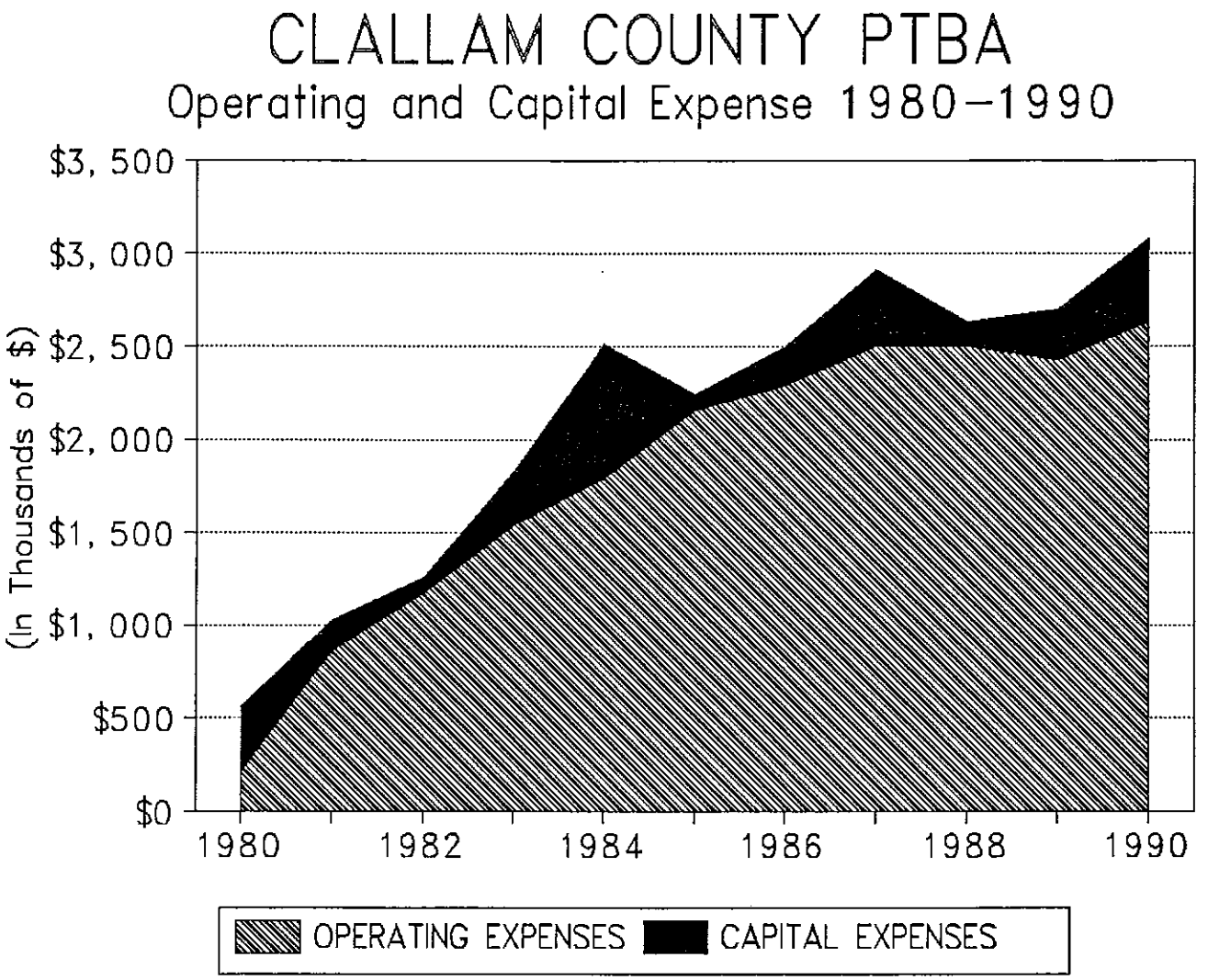

CLALLAM COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$3, 500
$3, 000
$2, 500
$2, 000
$1, 500
$1, 000
$500
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

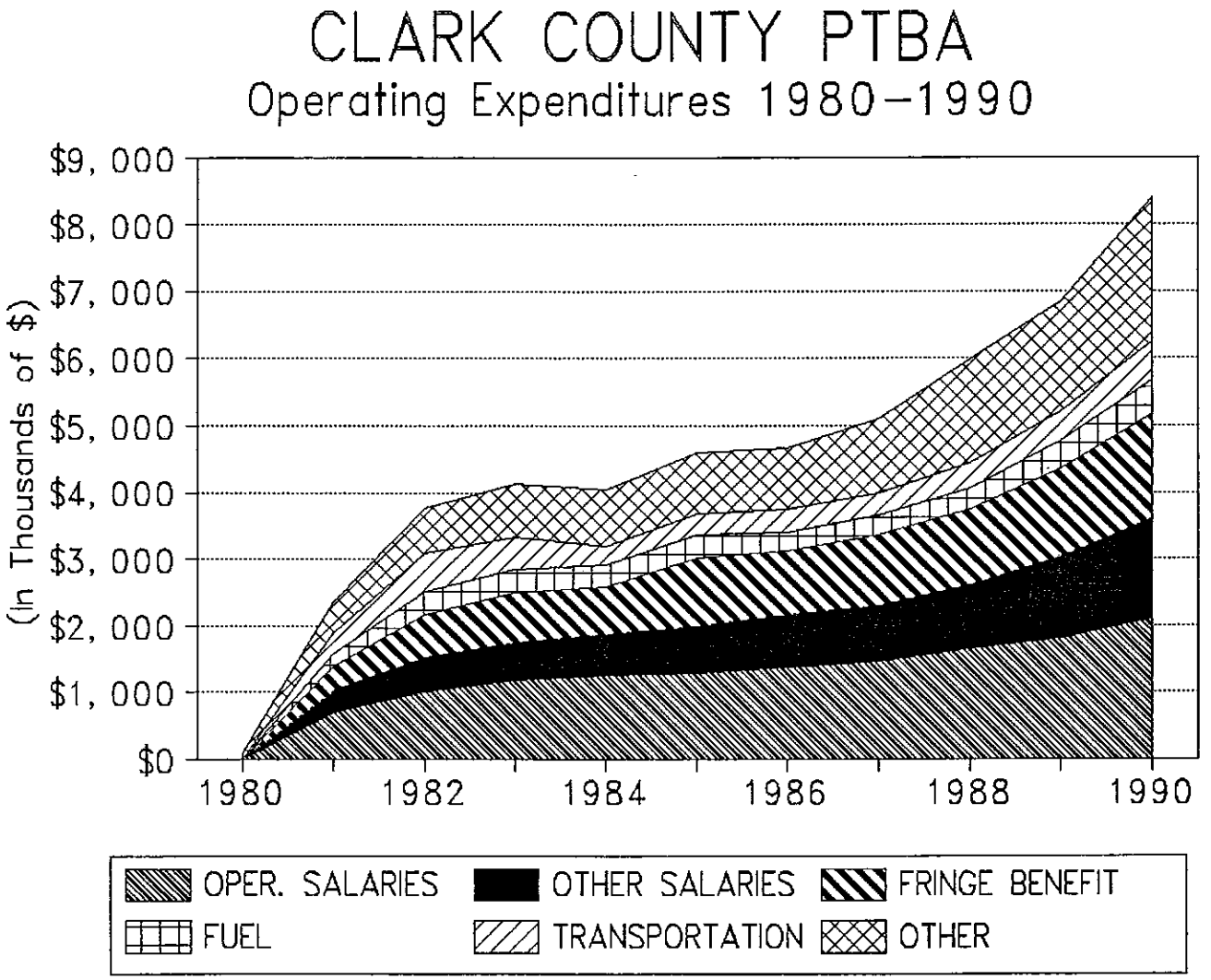

CLARK COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

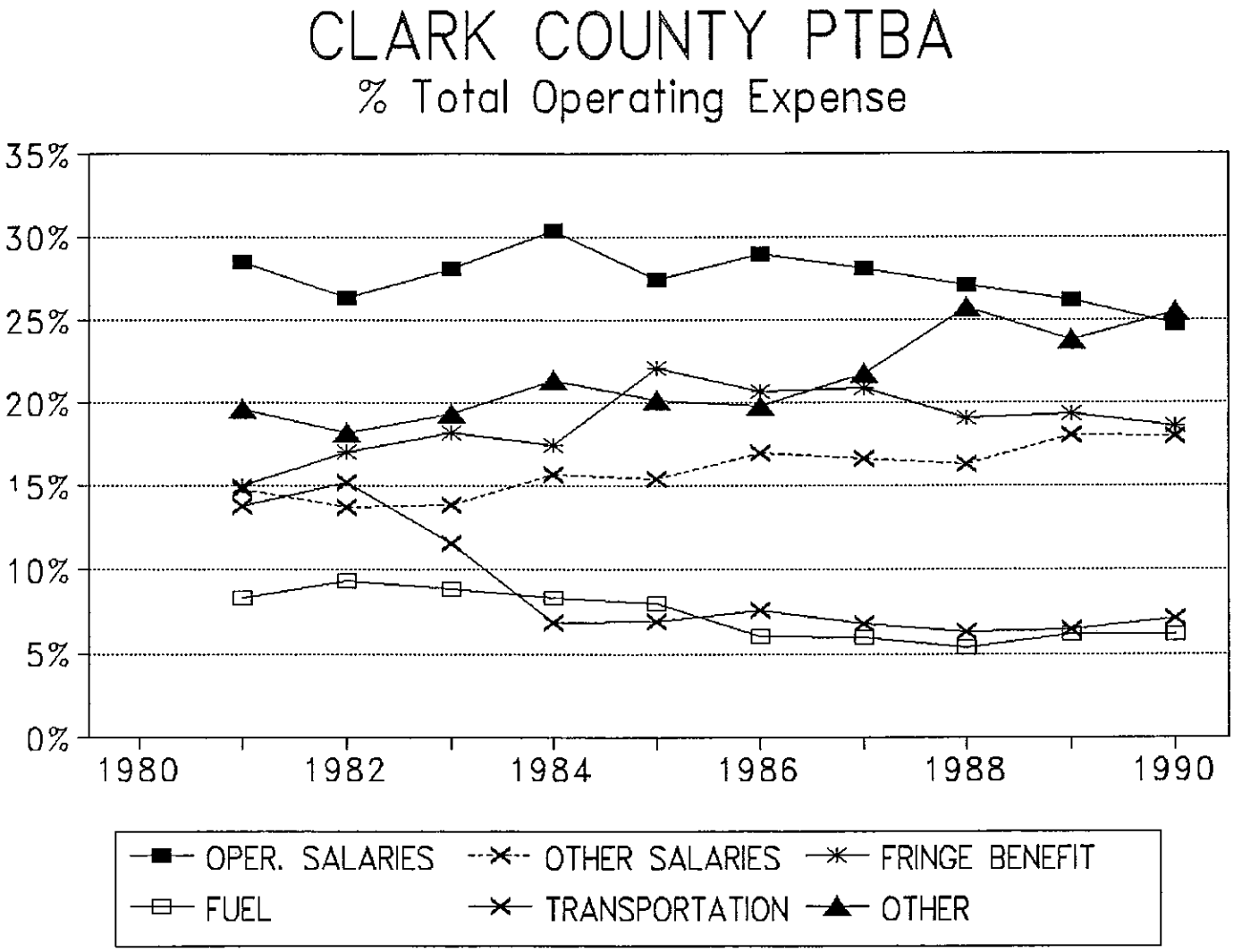

CLARK COUNTY PTBA
% Total Operating Expense
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

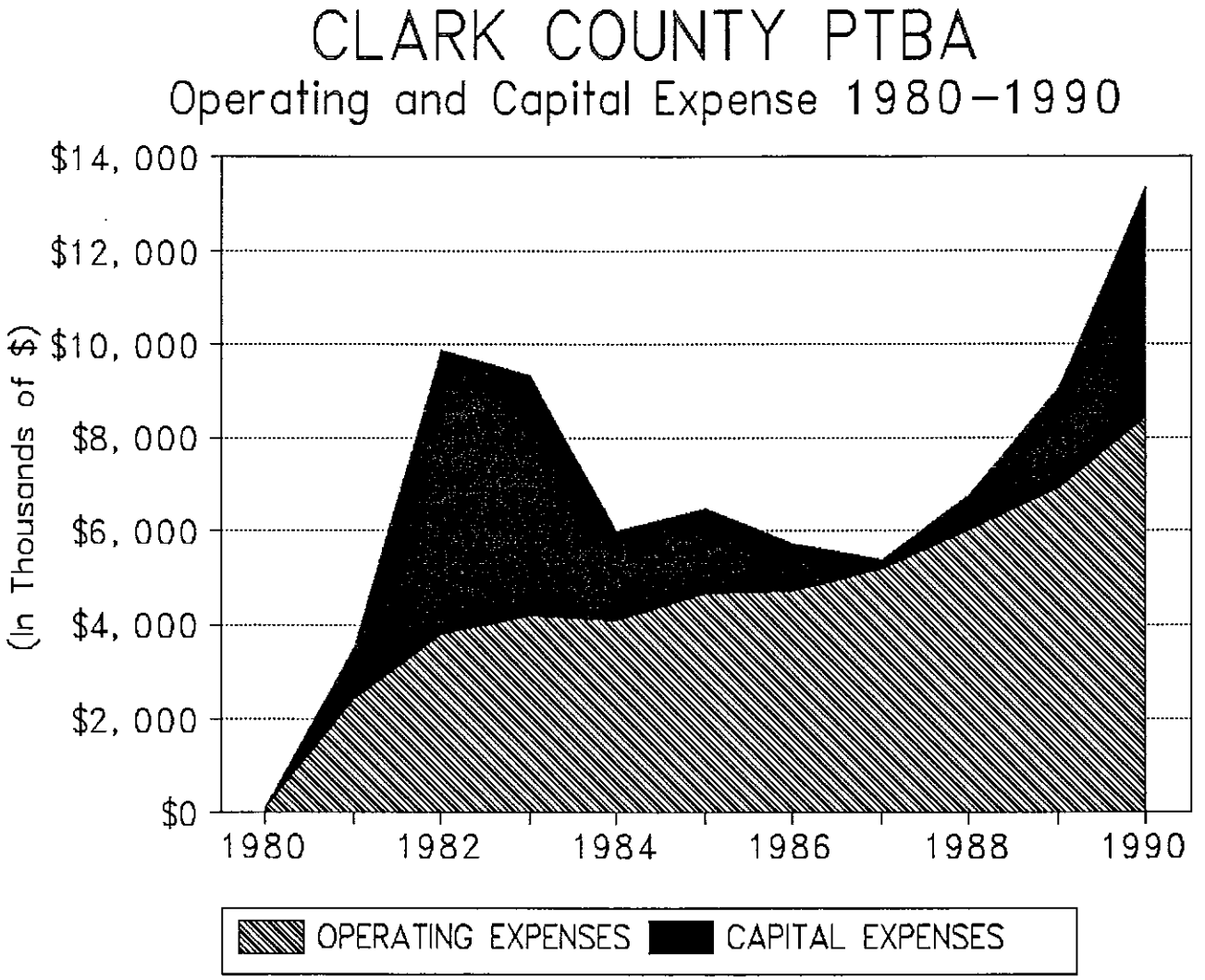

CLARK COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

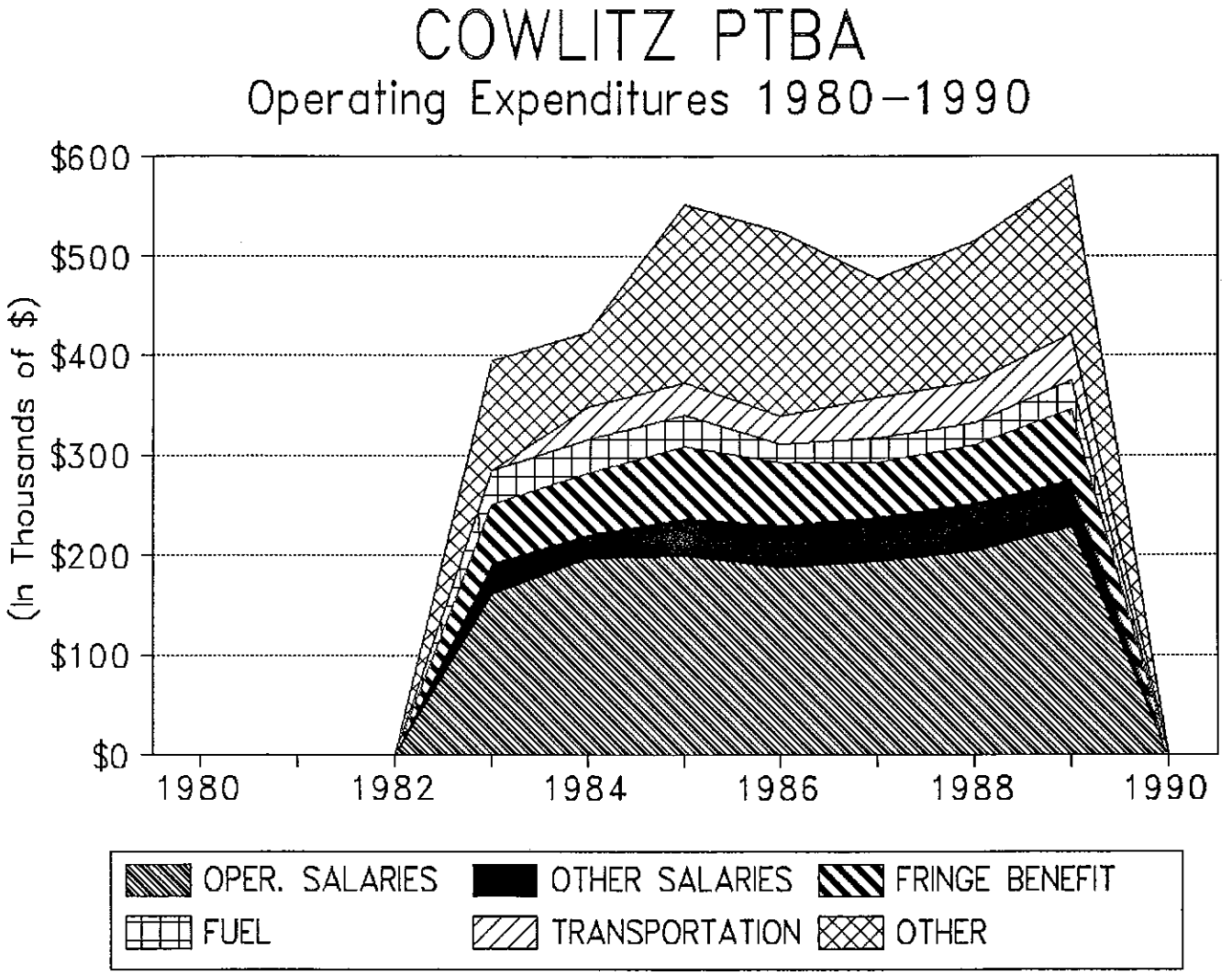

COWLITZ PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

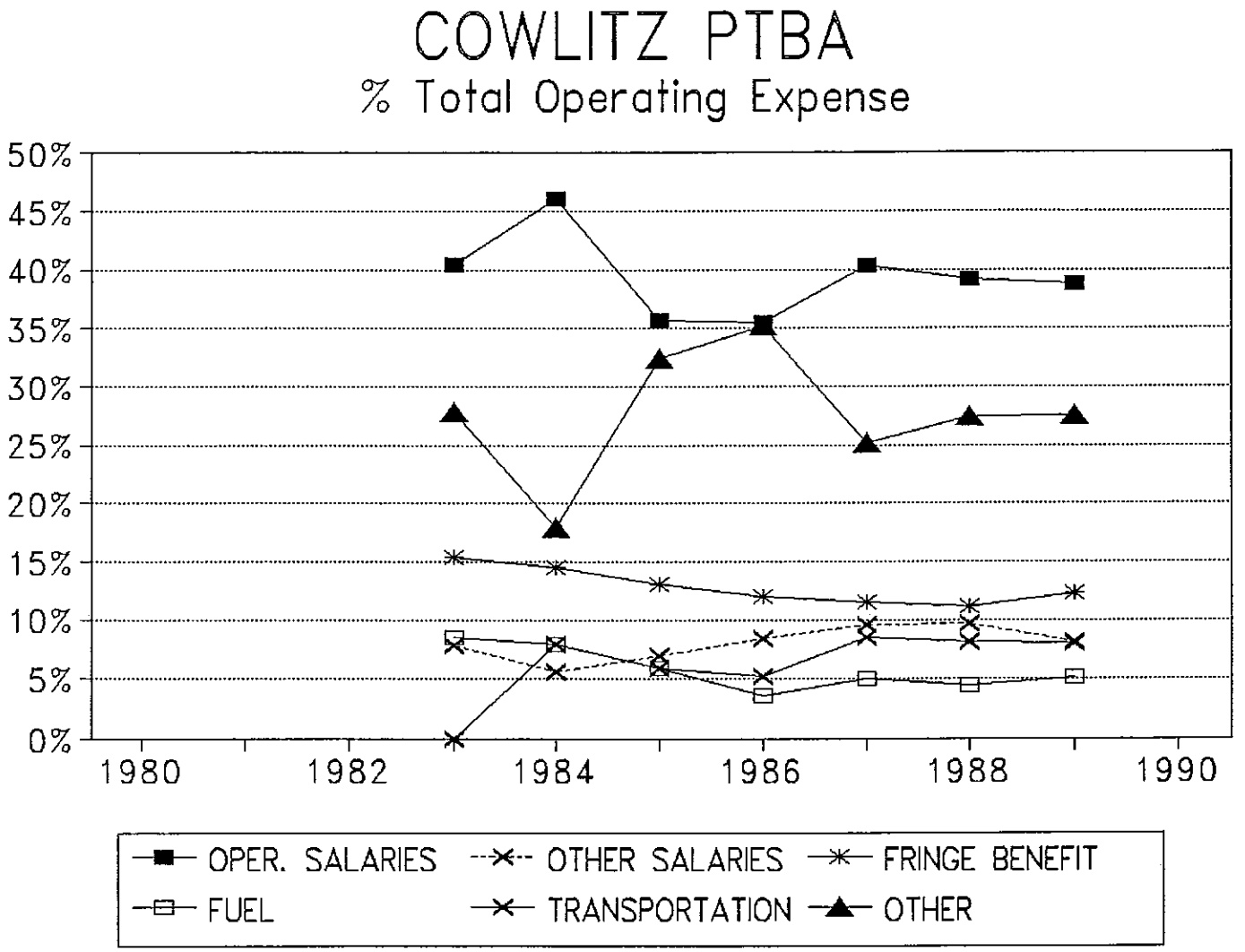

COWLITZ PTBA
% Total Operating Expense
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

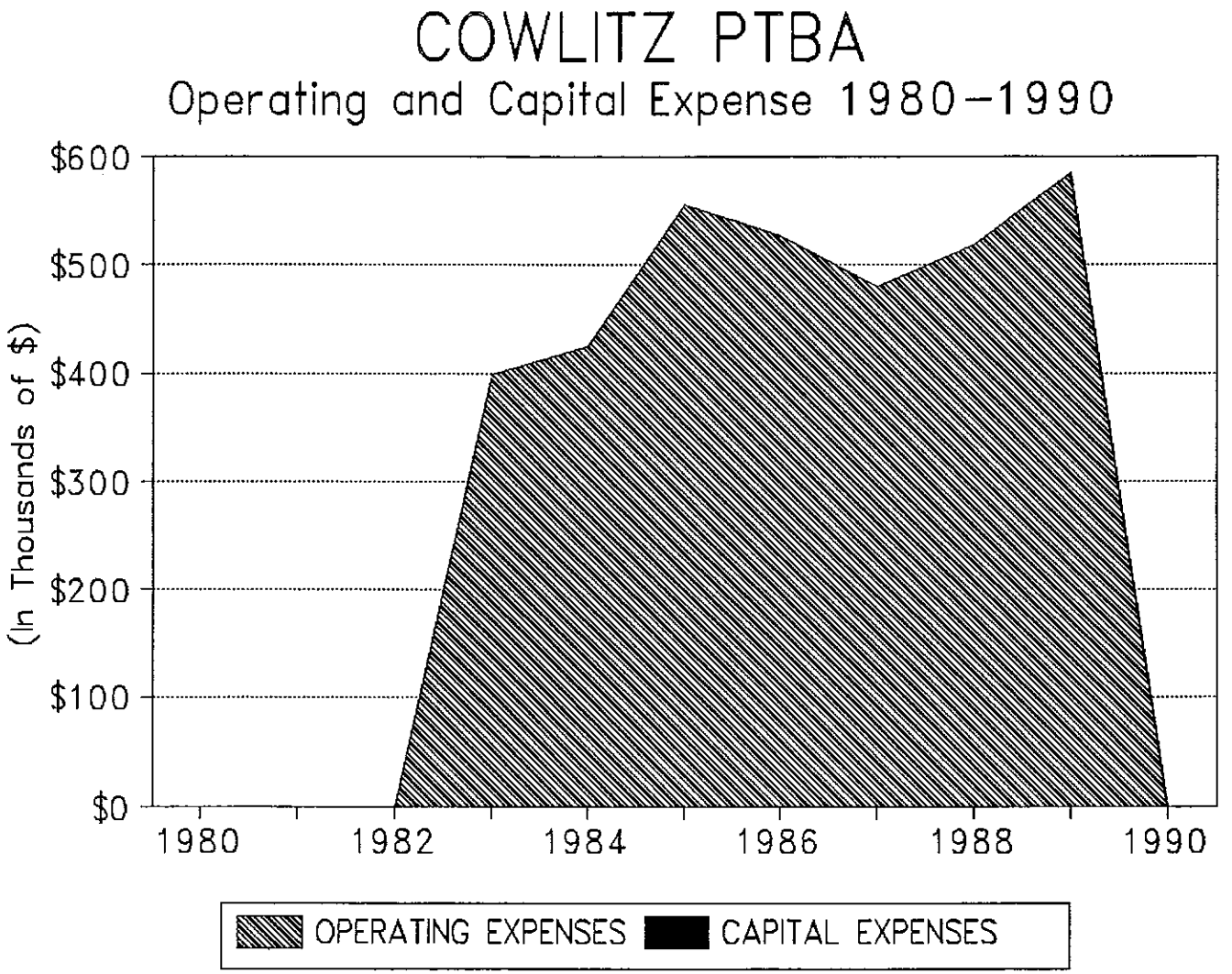

COWLITZ PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

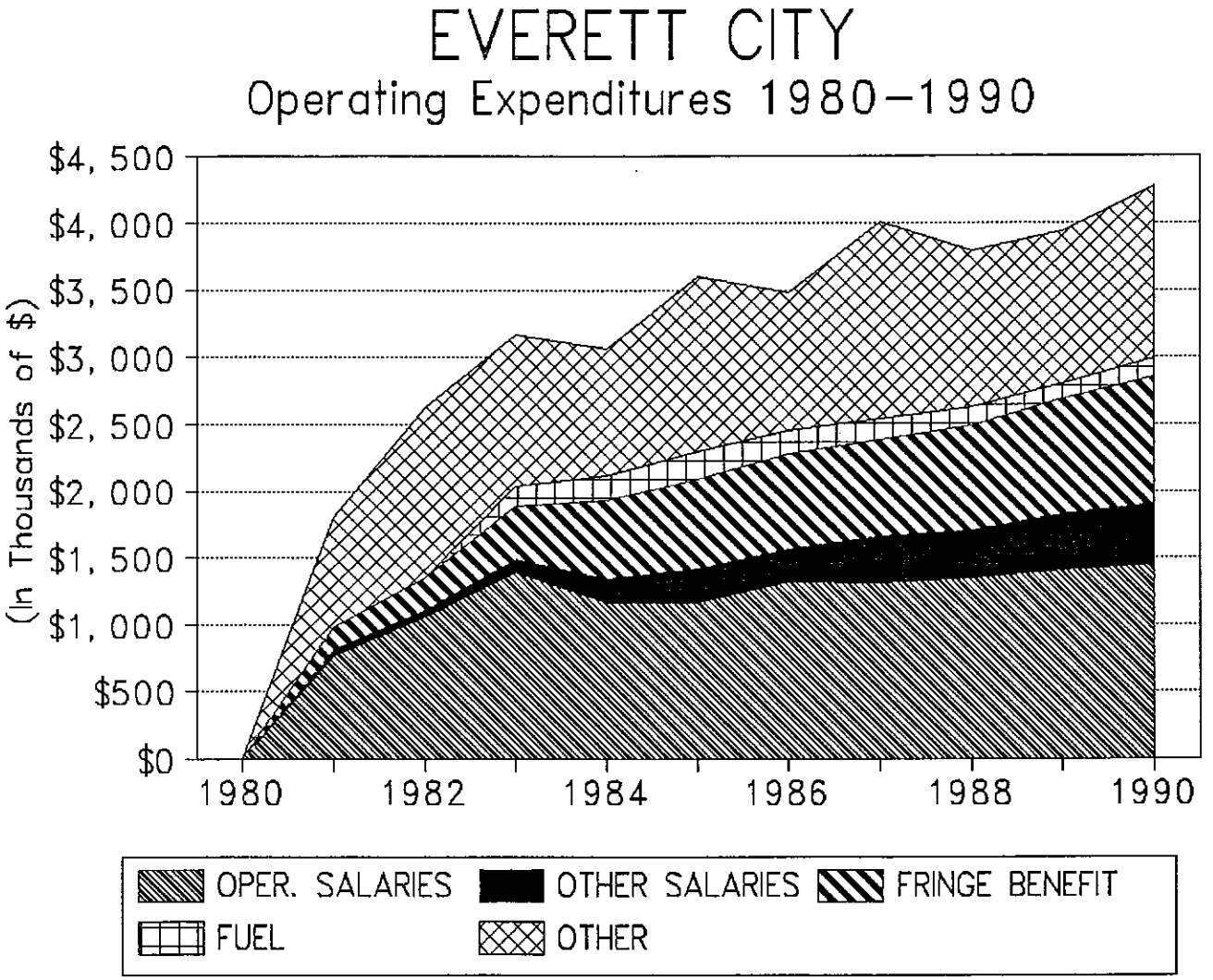

EVERETT CITY
Operating Expenditures 1980–1990
(In Thousands of $)
$4, 500
$4, 000
$3, 500
$3, 000
$2, 500
$2, 000
$1, 500
$1, 000
$500
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
OTHER

Figure 2

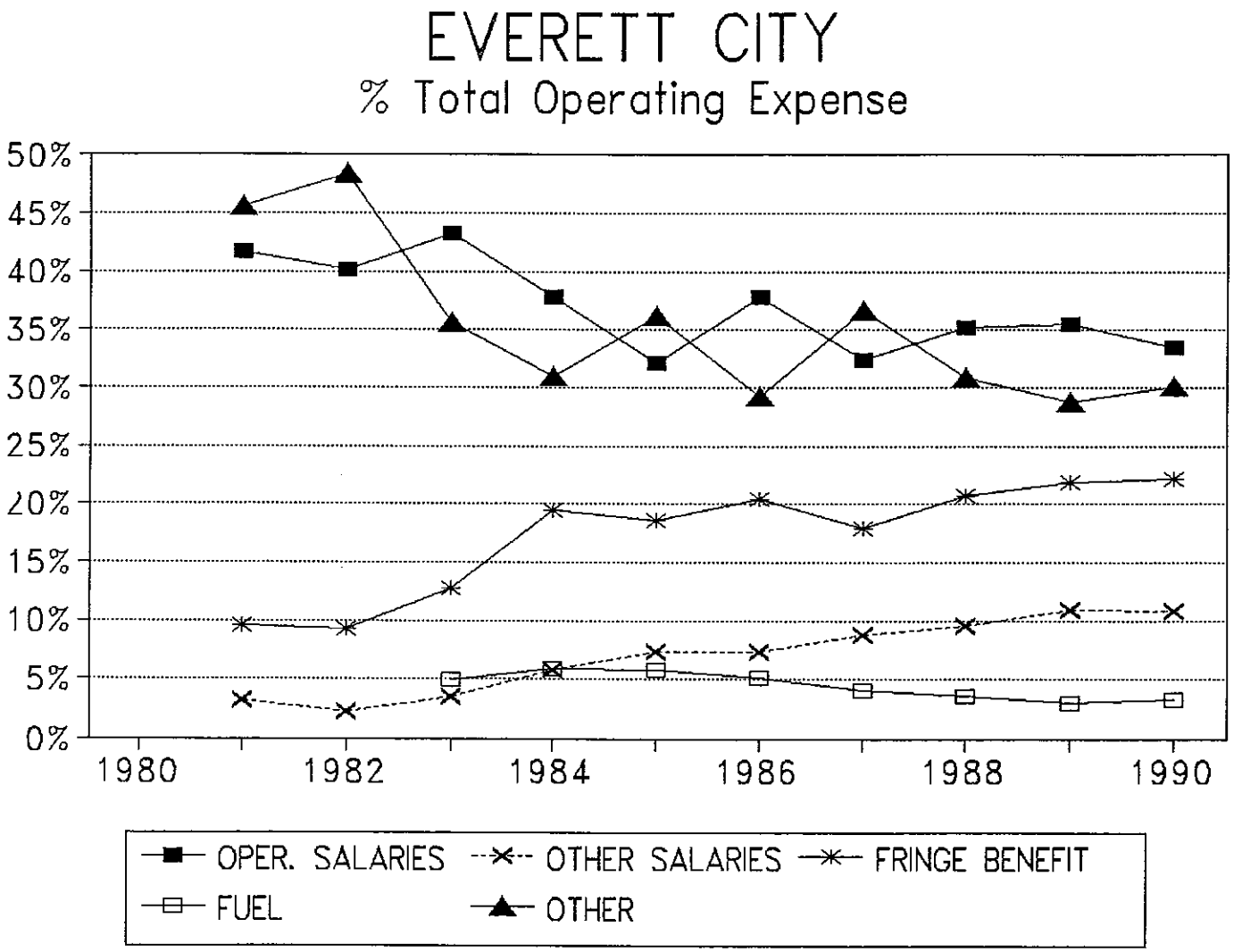

EVERETT CITY
% Total Operating Expense
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
OTHER

Figure 3

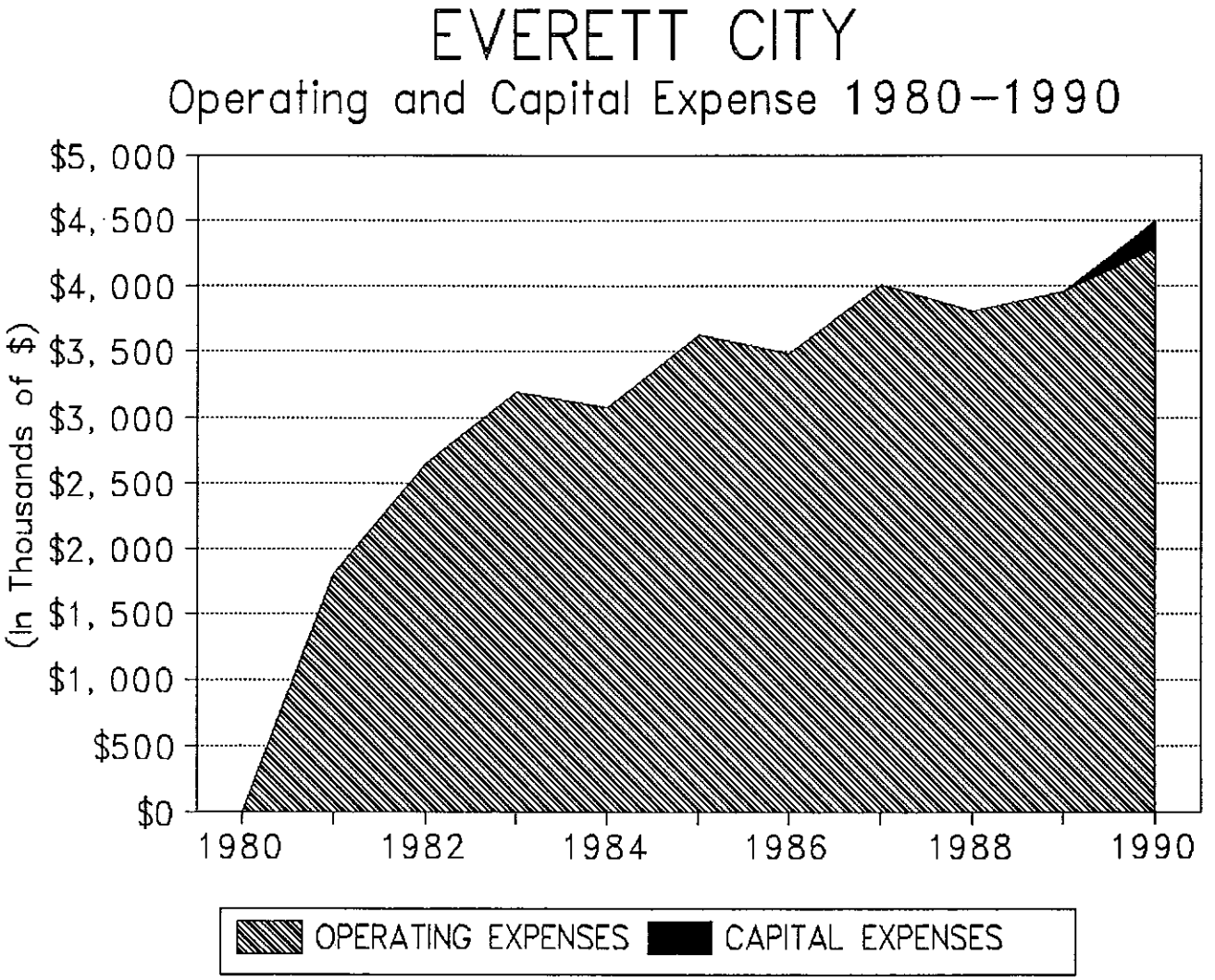

EVERETT CITY
Operating and Capital Expense 1980–1990
(In Thousands of $)
$5, 000
$4, 500
$4, 000
$3, 500
$3, 000
$2, 500
$2, 000
$1, 500
$1, 000
$500
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

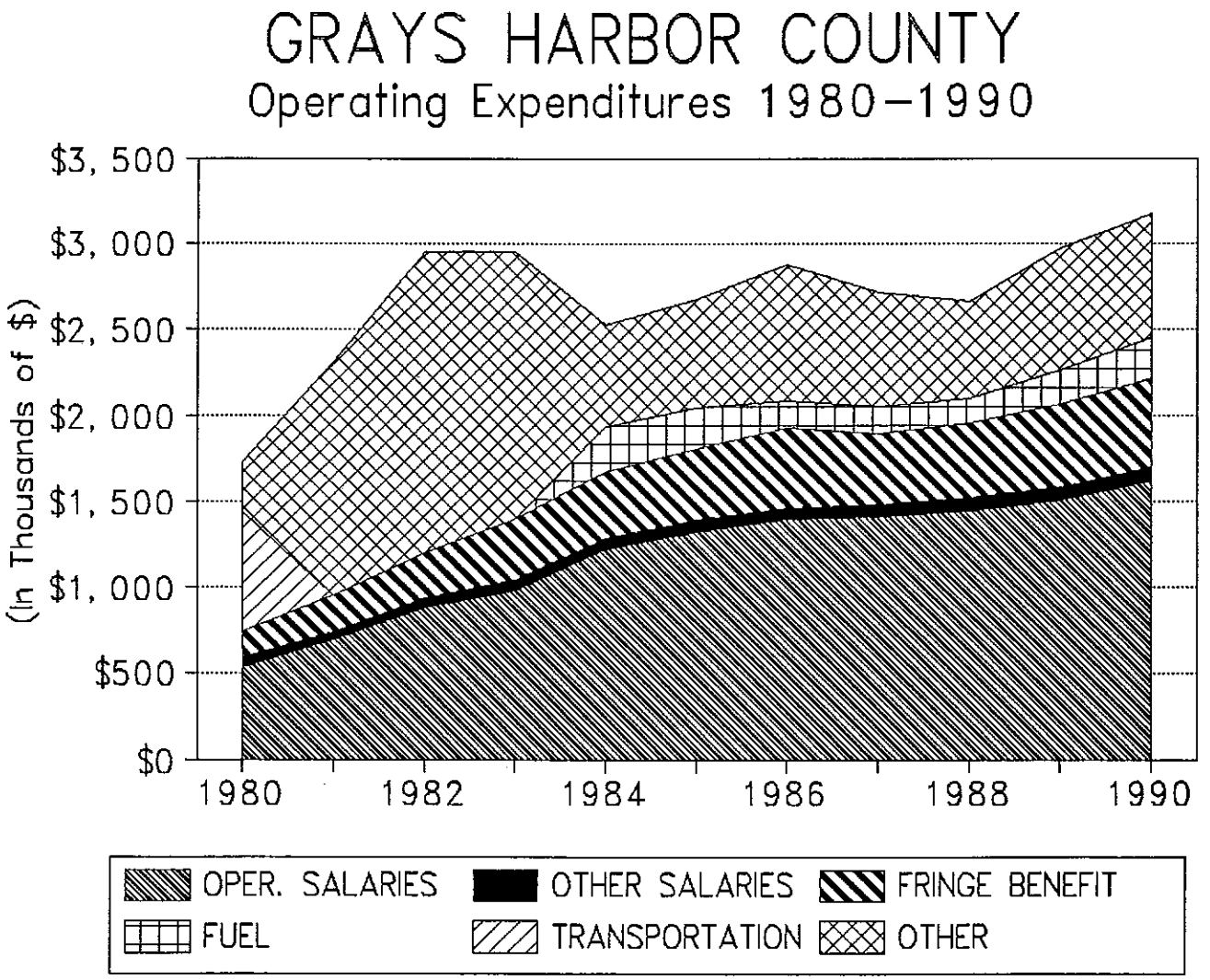

GRAYS HARBOR COUNTY
Operating Expenditures 1980–1990
(In Thousands of $)
$3, 500
$3, 000
$2, 500
$2, 000
$1, 500
$1, 000
$500
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

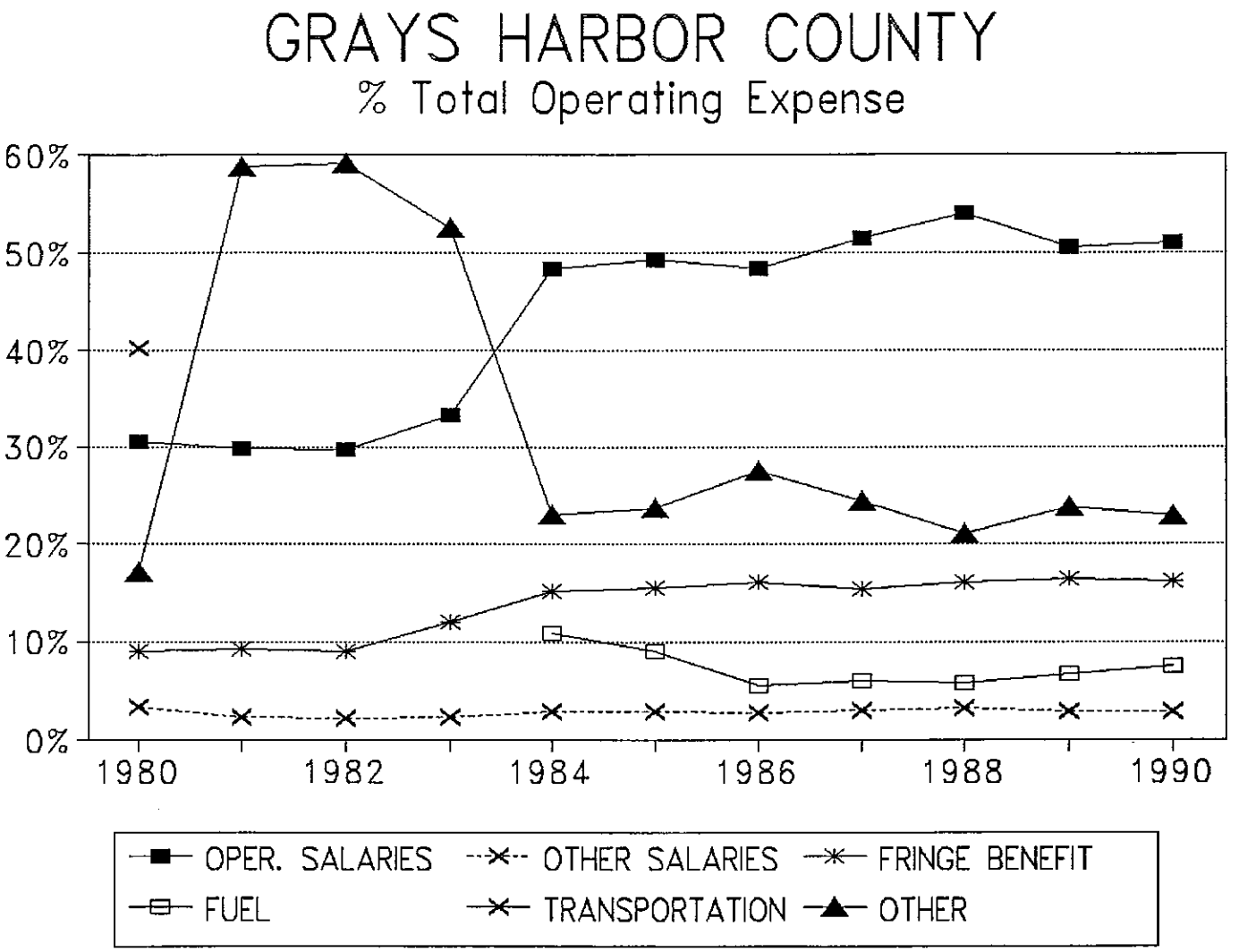

GRAYS HARBOR COUNTY
% Total Operating Expense
60%
50%
40%
30%
20%
10%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

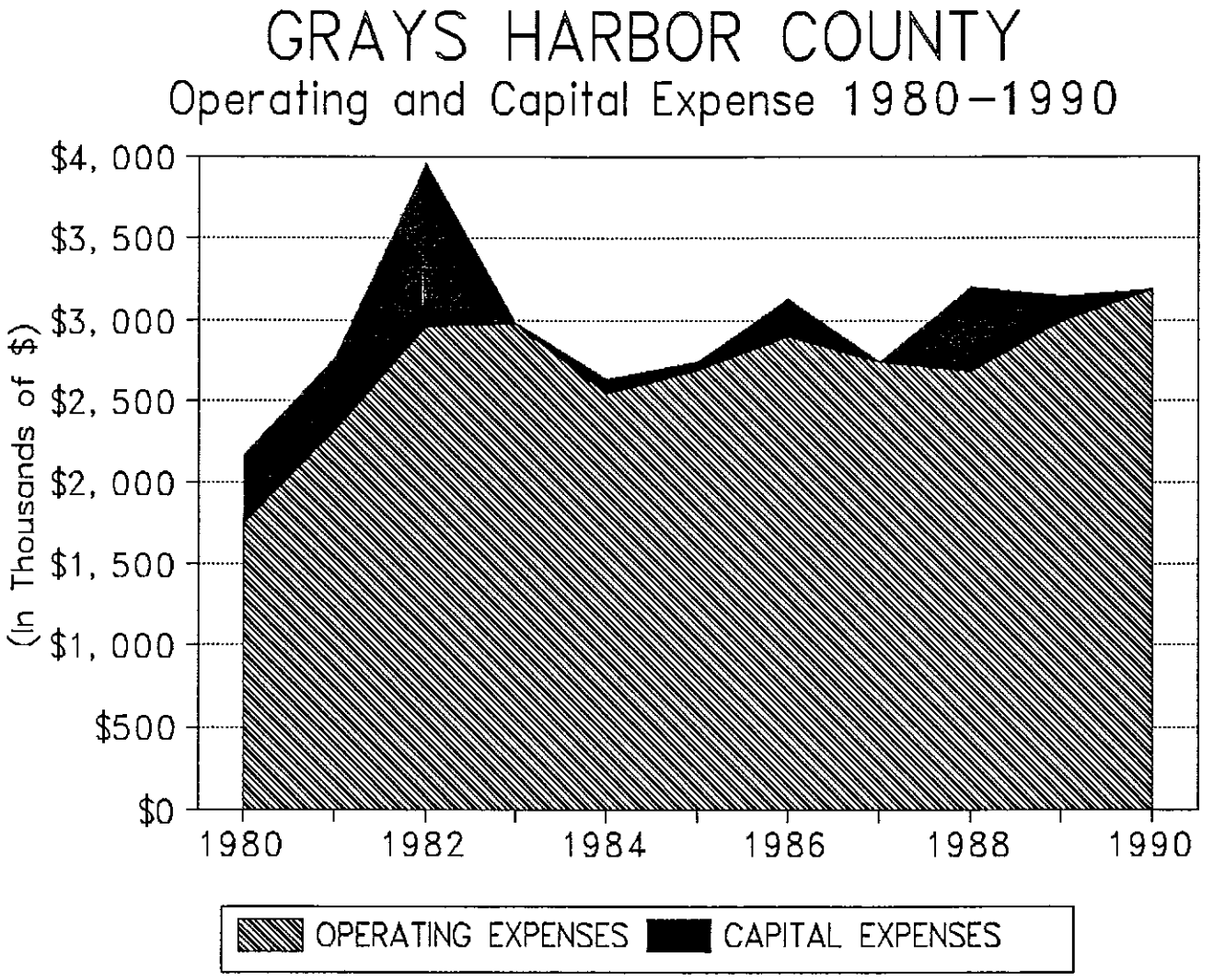

GRAYS HARBOR COUNTY
Operating and Capital Expense 1980–1990
(In Thousands of $)
$4, 000
$3, 500
$3, 000
$2, 500
$2, 000
$1, 500
$1, 000
$500
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

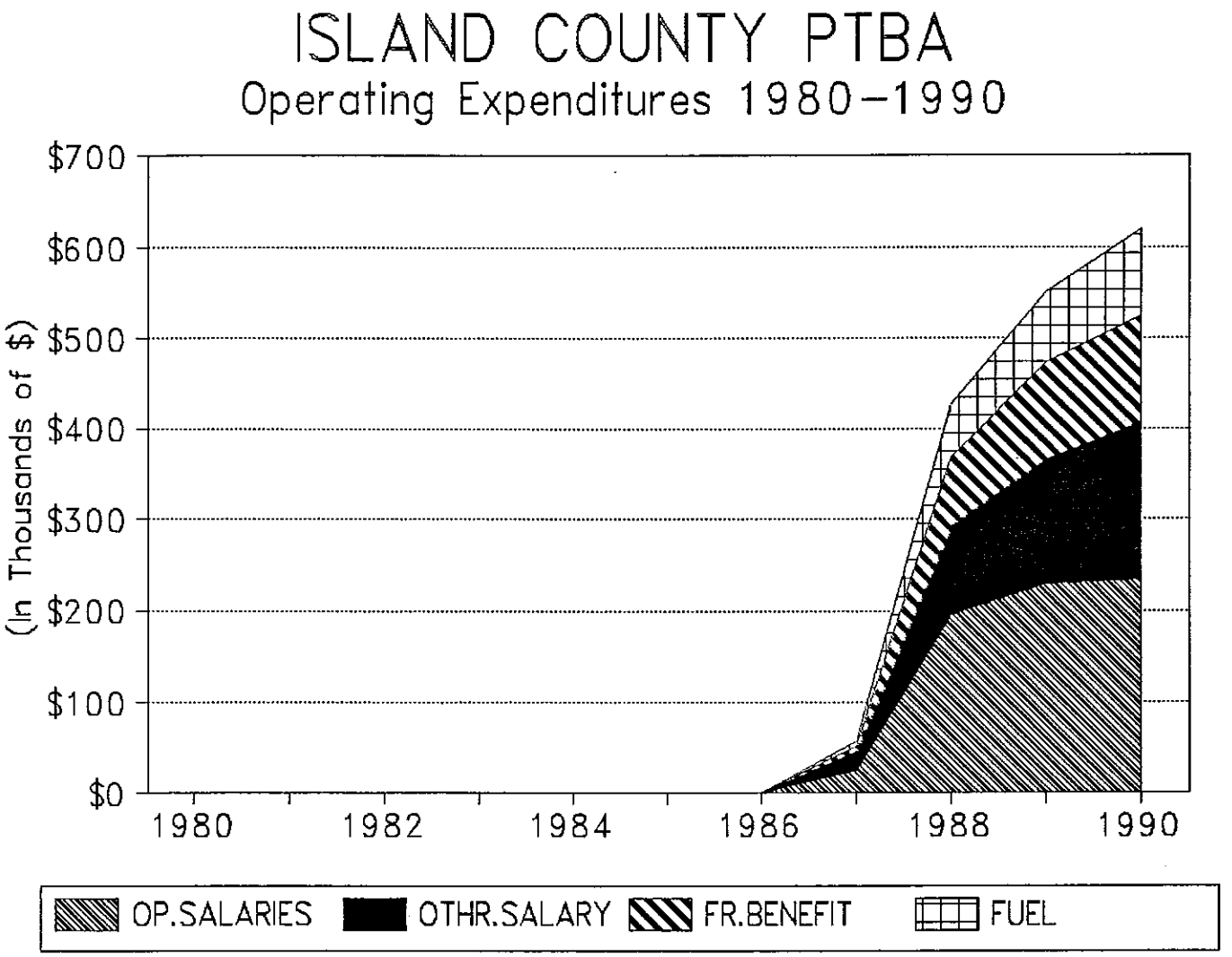

ISLAND COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$700
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OP.SALARIES
OTHR.SALARY
FR.BENEFIT
FUEL

Figure 2

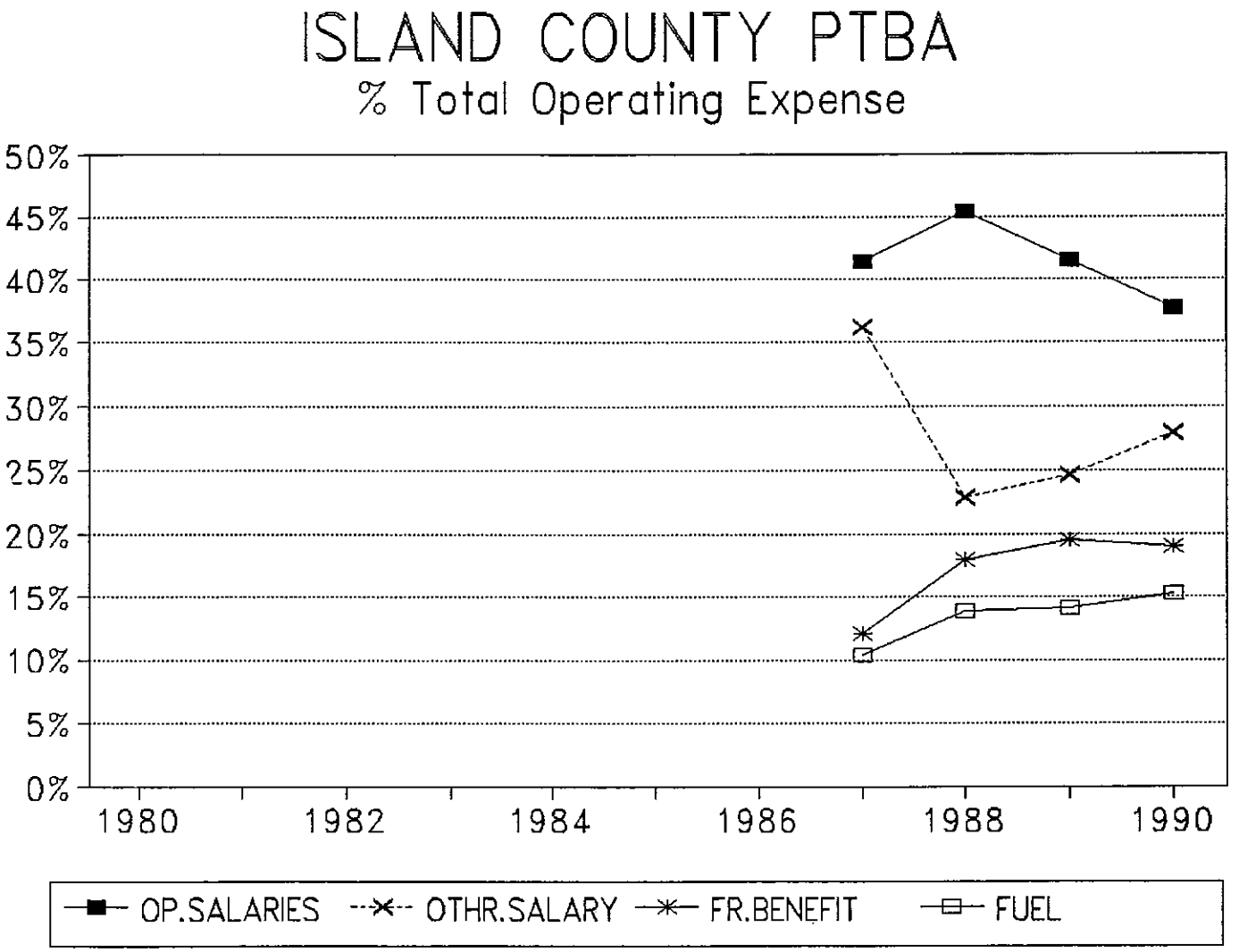

ISLAND COUNTY PTBA
% Total Operating Expense
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OP.SALARIES
OTHR.SALARY
FR.BENEFIT
FUEL

Figure 3

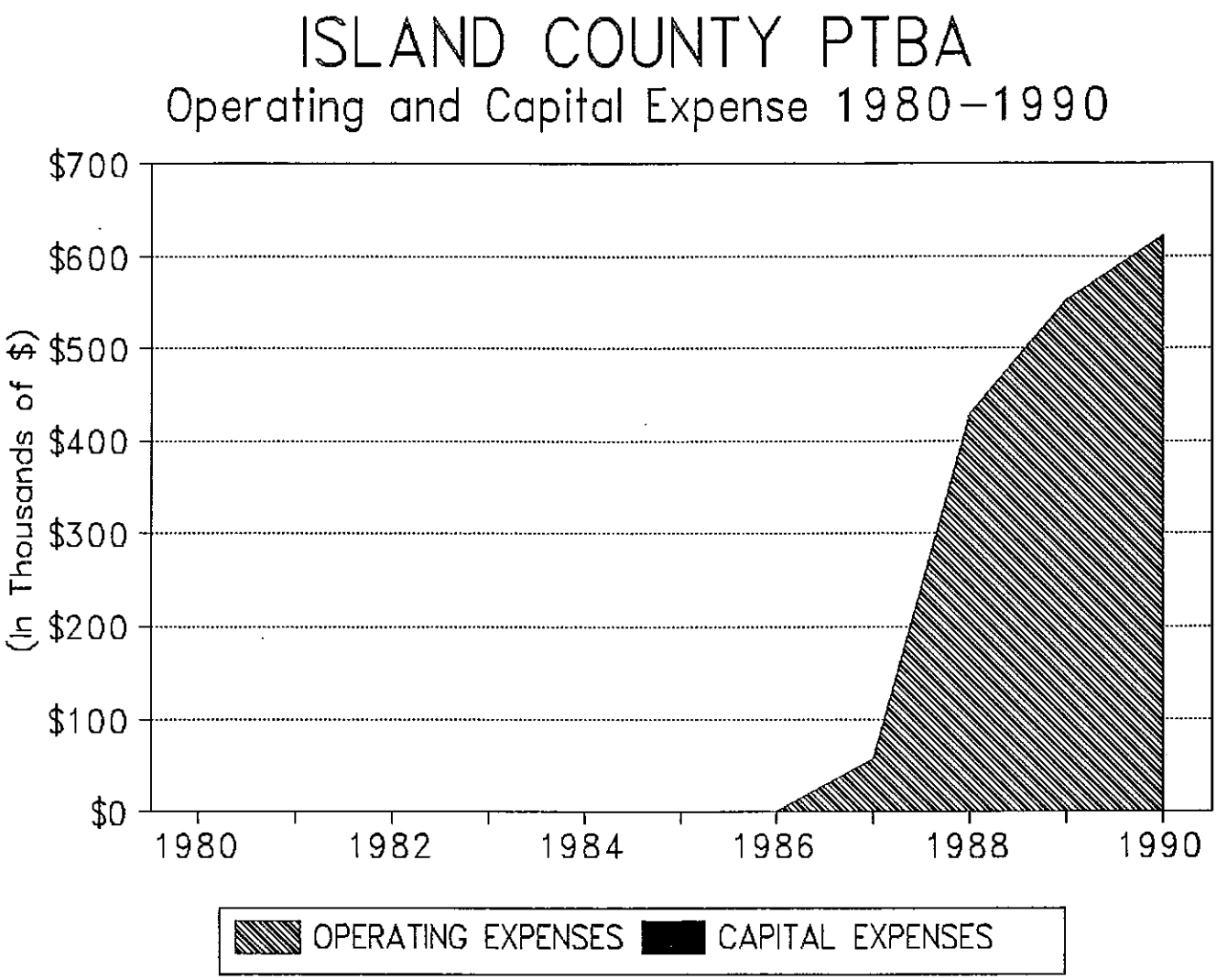

ISLAND COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$700
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

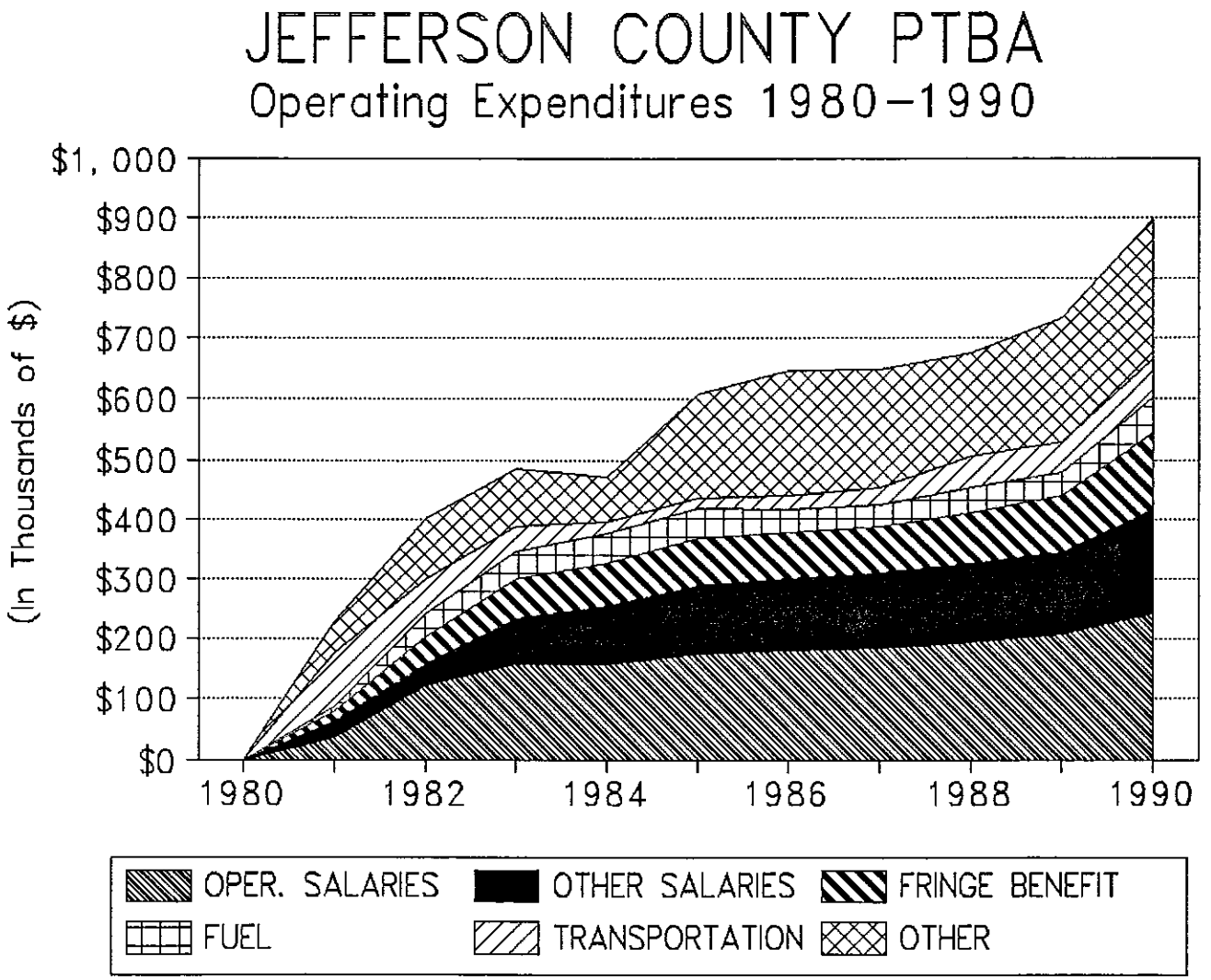

JEFFERSON COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$1,000
$900
$800
$700
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

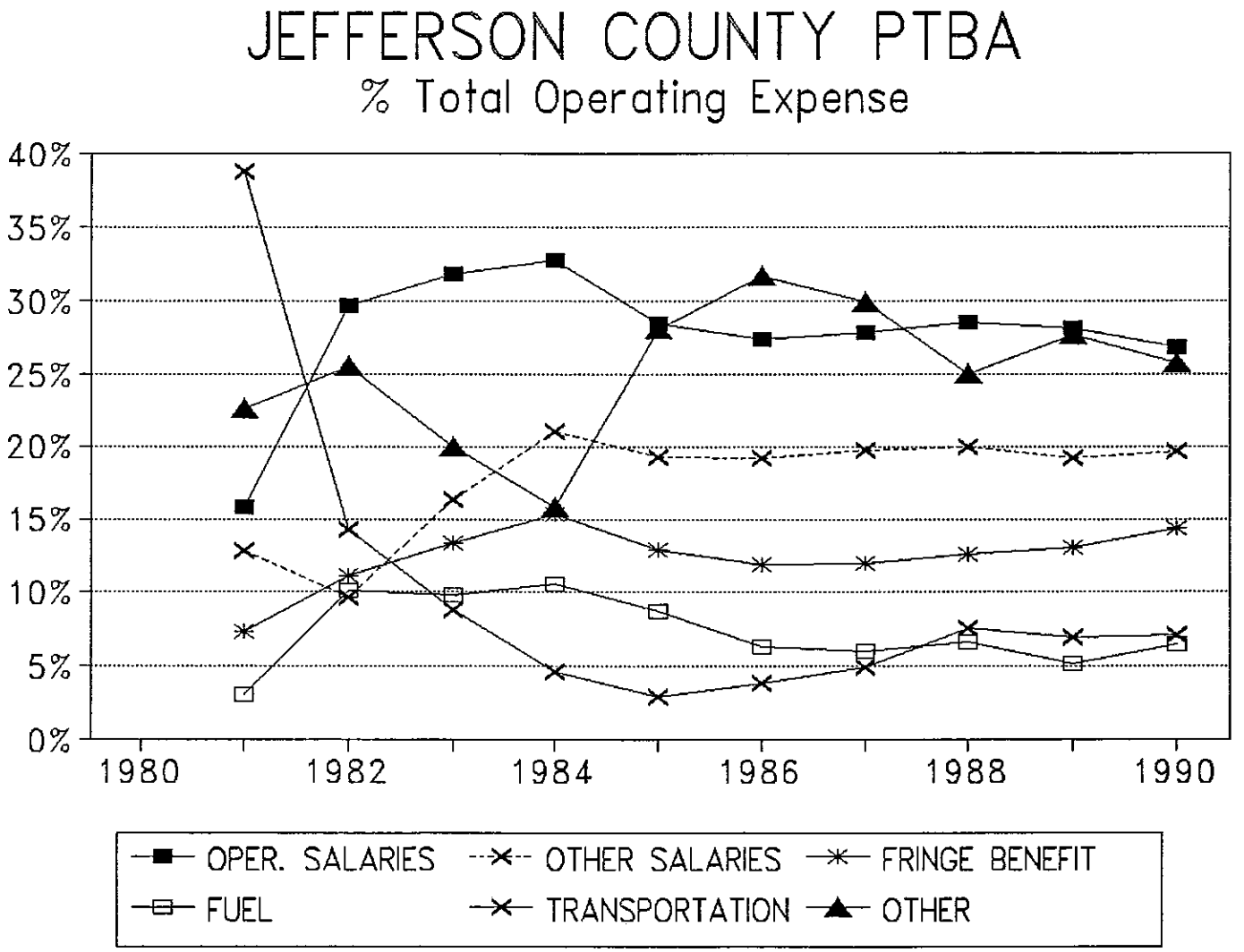

JEFFERSON COUNTY PTBA
% Total Operating Expense
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

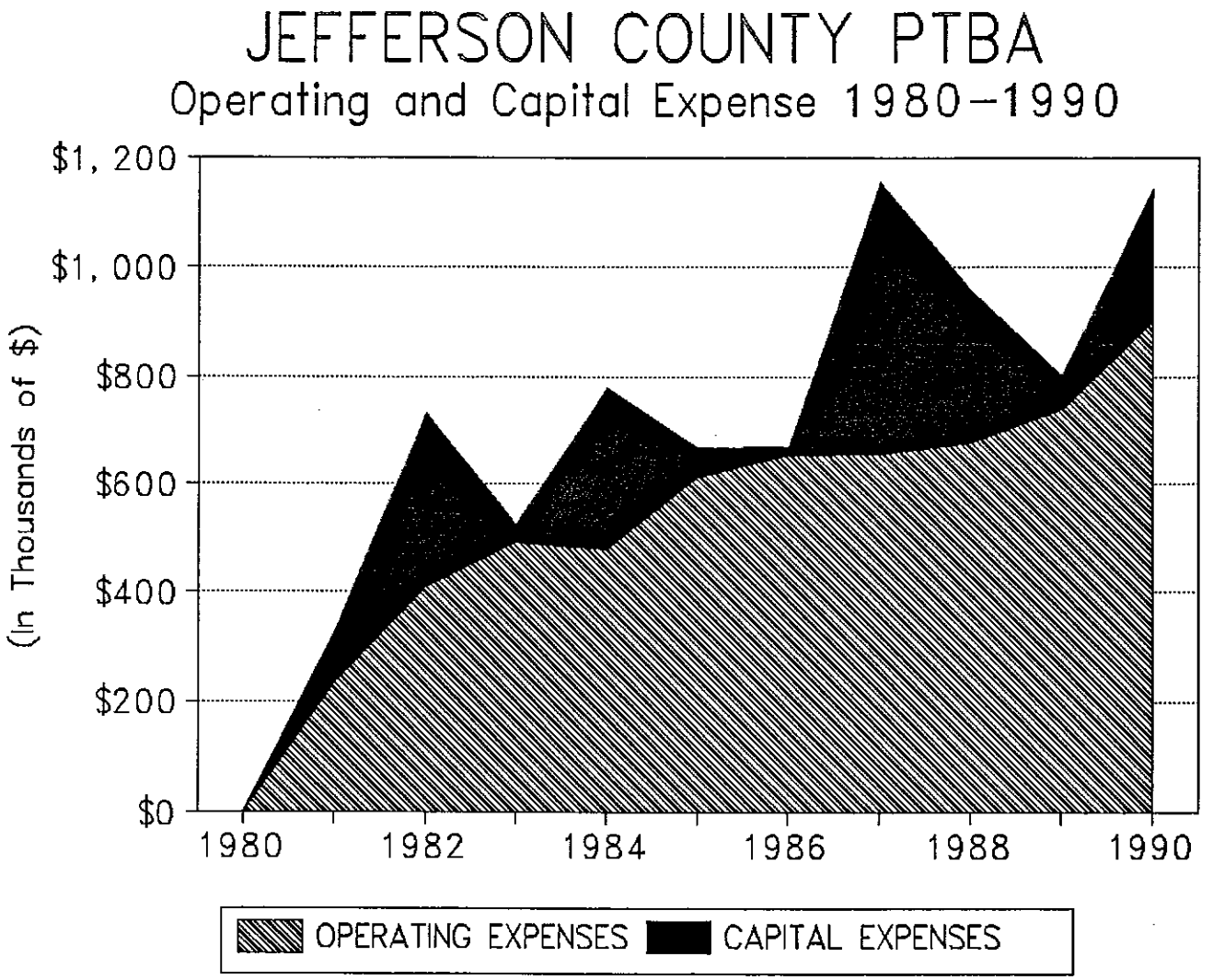

JEFFERSON COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$1,200
$1,000
$800
$600
$400
$200
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

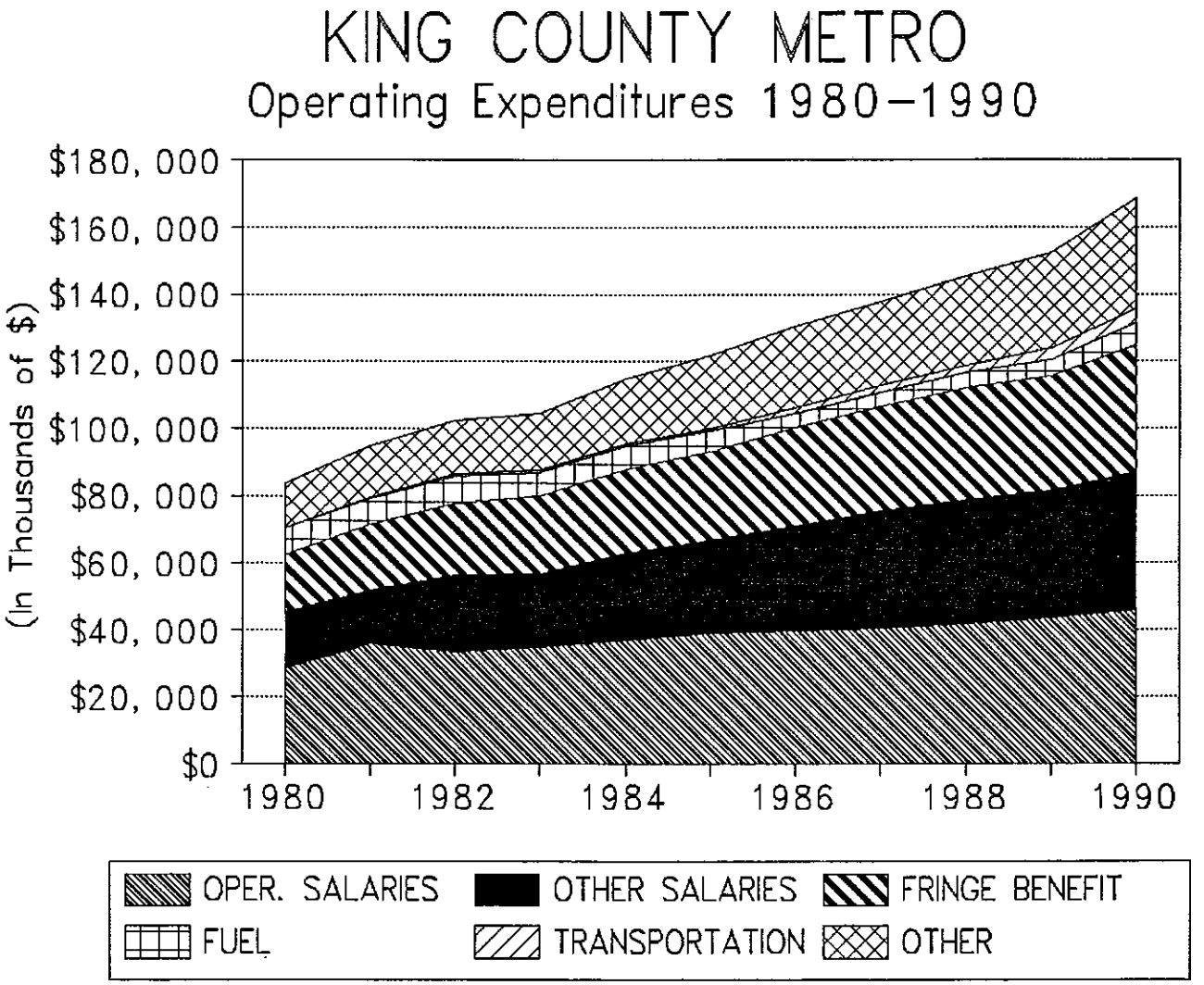

KING COUNTY METRO
Operating Expenditures 1980–1990
(In Thousands of $)
$180,000
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

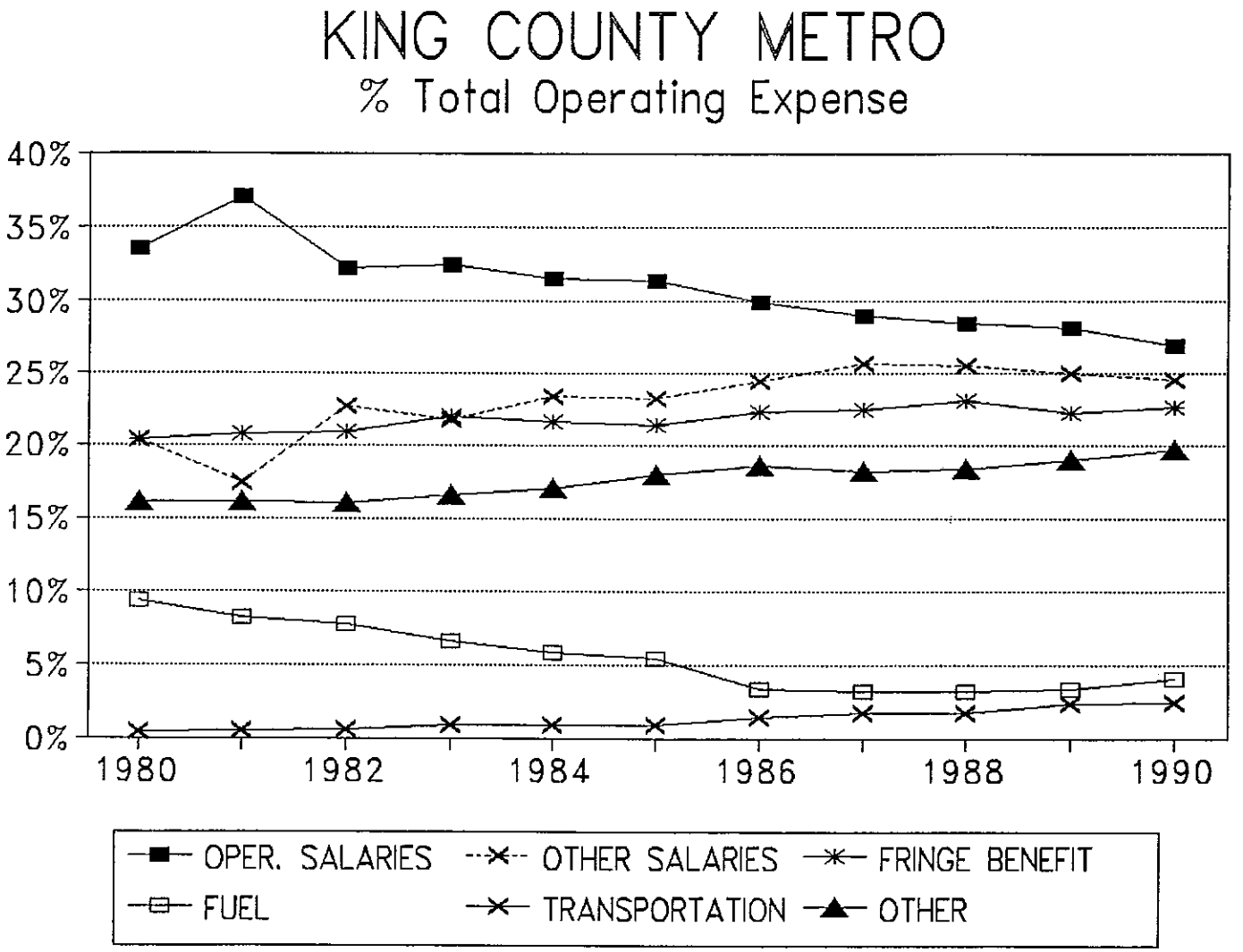

KING COUNTY METRO
% Total Operating Expense
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

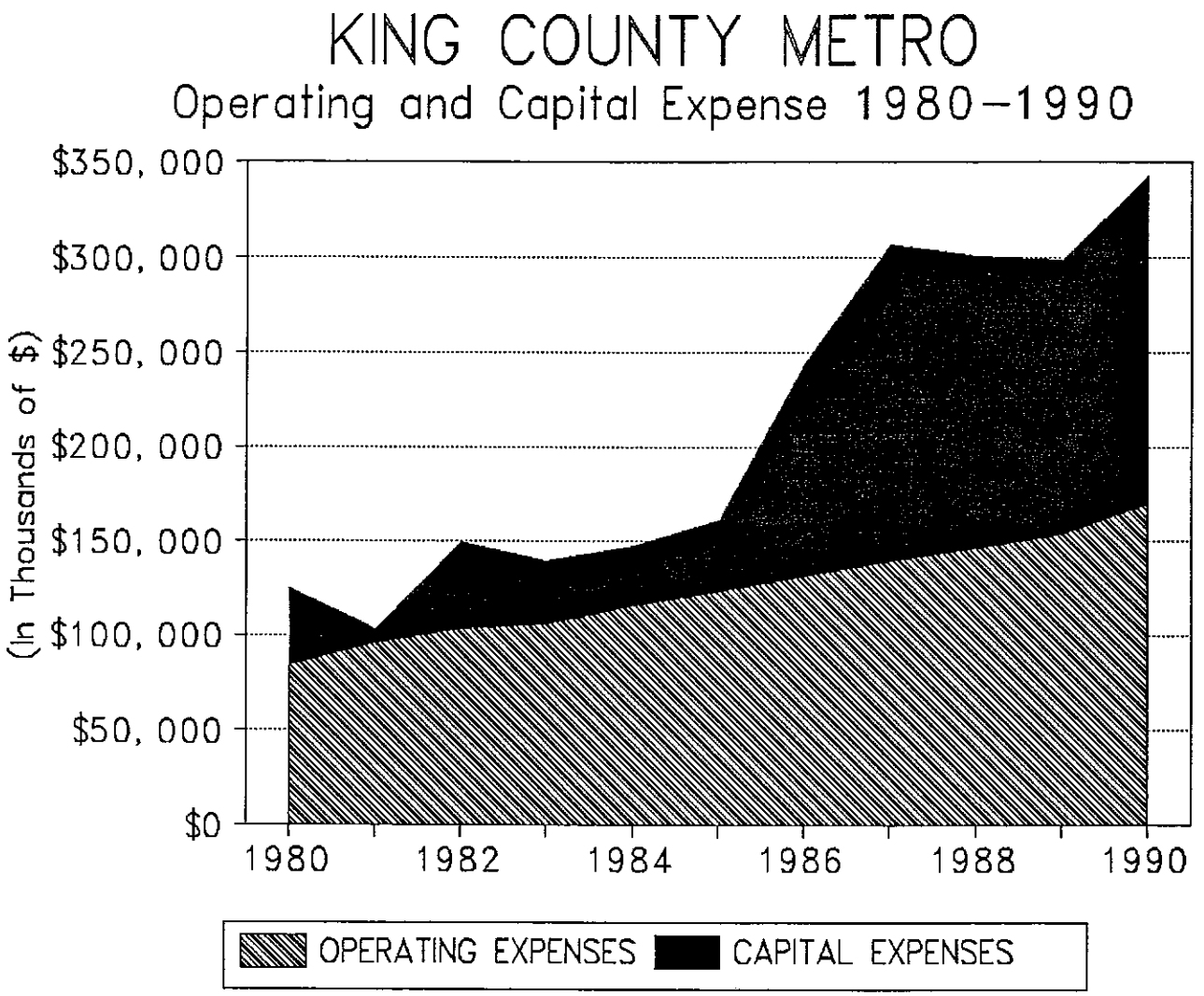

KING COUNTY METRO
Operating and Capital Expense 1980–1990
(In Thousands of $)
$350, 000
$300, 000
$250, 000
$200, 000
$150, 000
$100, 000
$50, 000
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

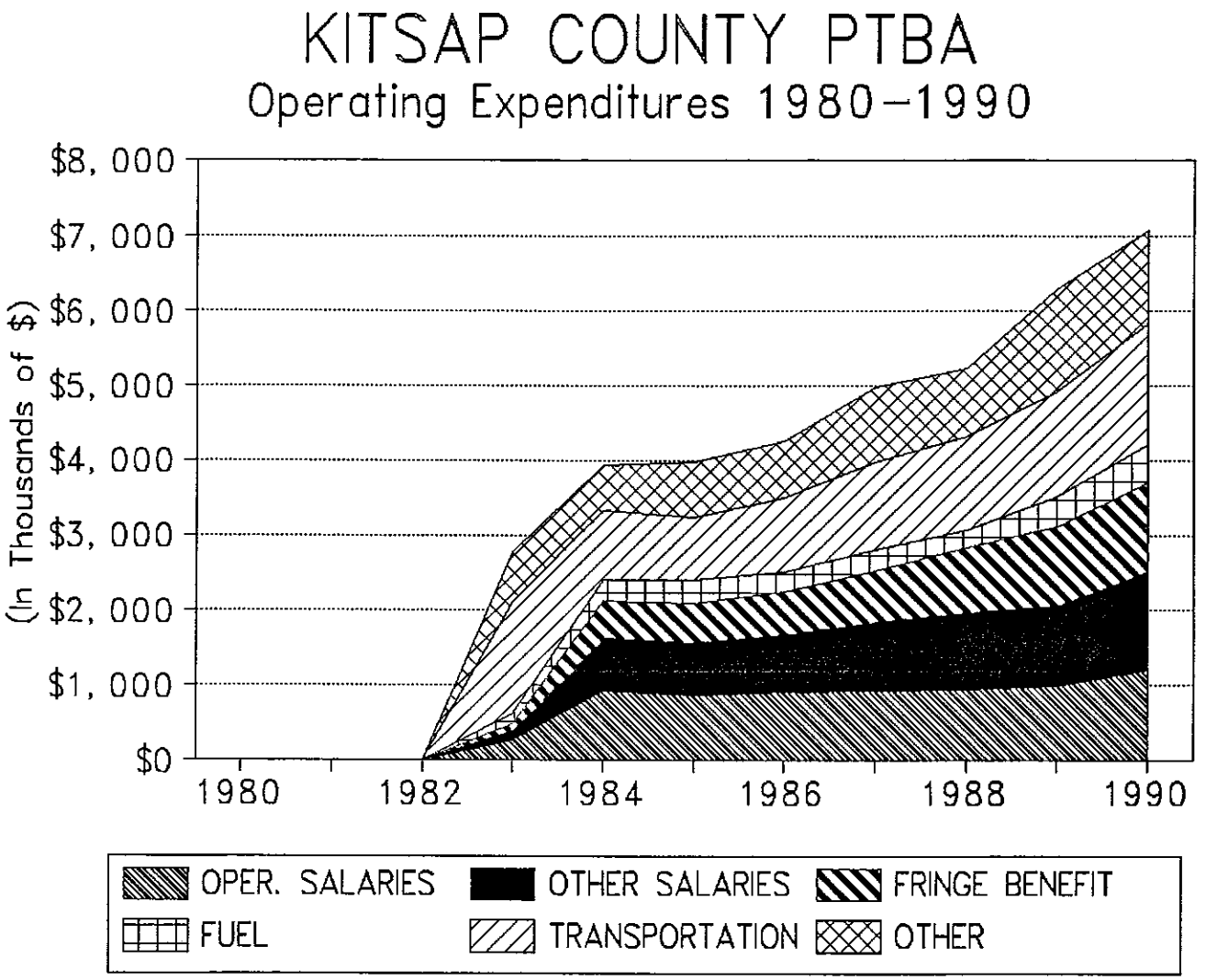

KITSAP COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

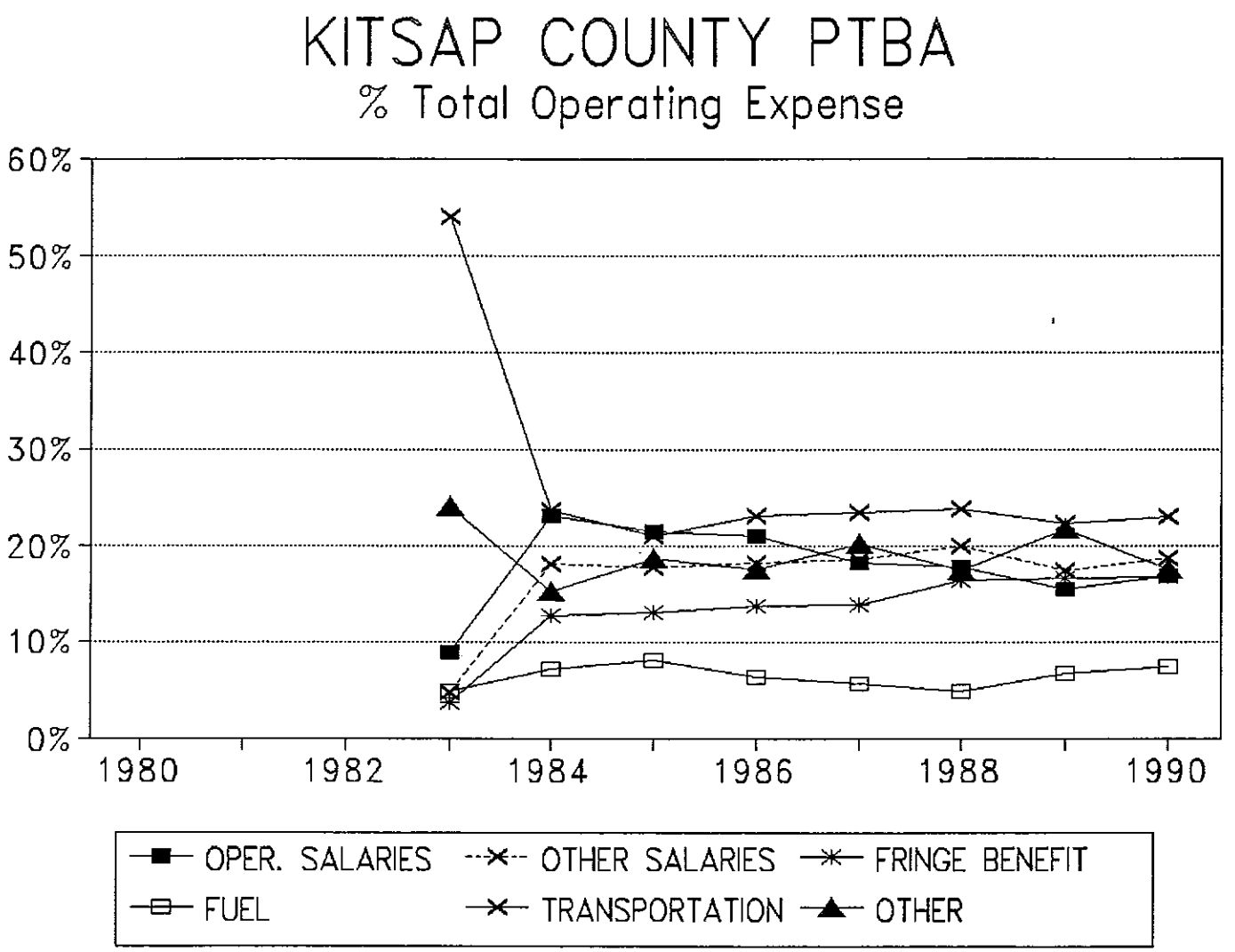

KITSAP COUNTY PTBA
% Total Operating Expense
60%
50%
40%
30%
20%
10%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

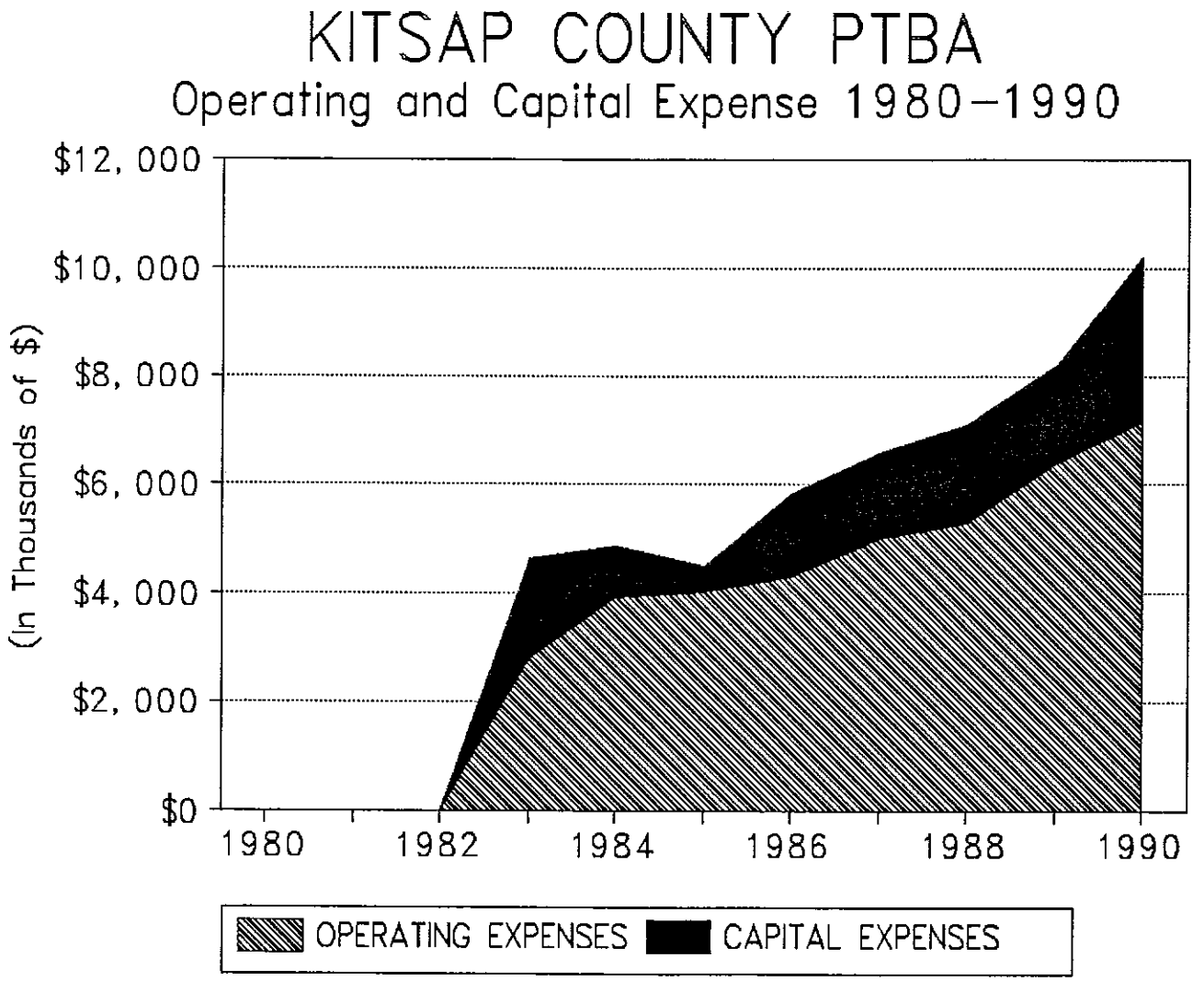

KITSAP COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$12, 000
$10, 000
$8, 000
$6, 000
$4, 000
$2, 000
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

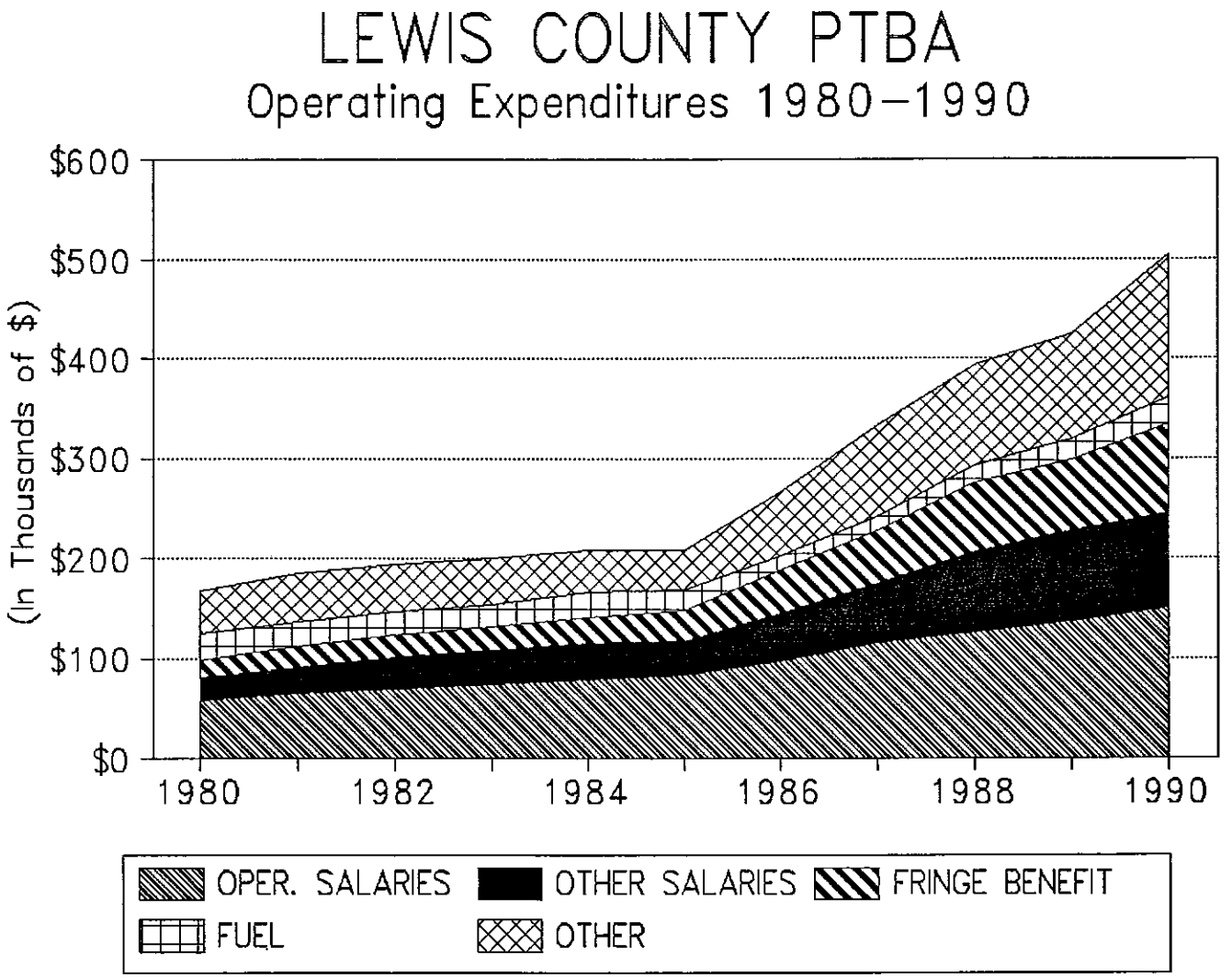

LEWIS COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
OTHER

Figure 2

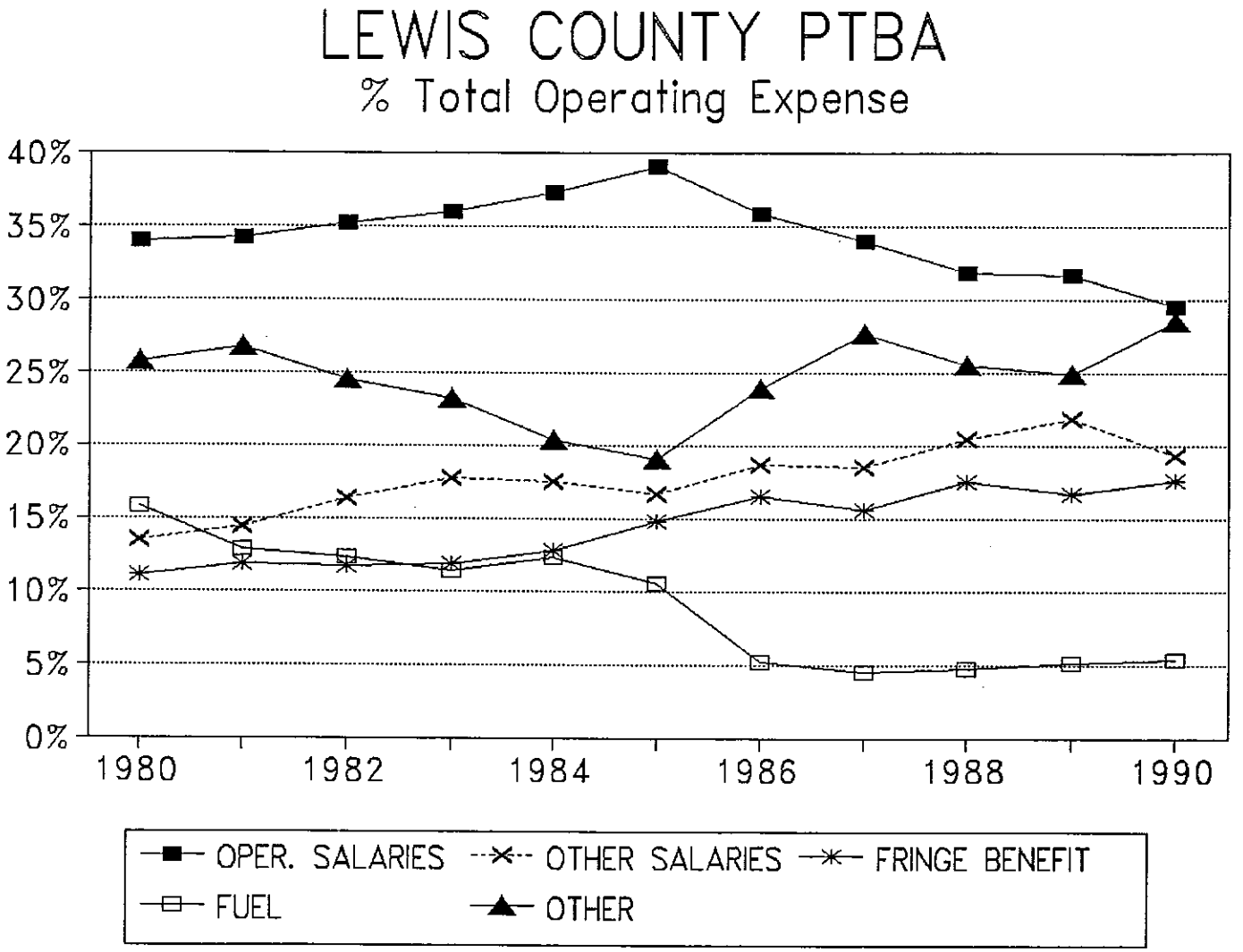

LEWIS COUNTY PTBA
% Total Operating Expense
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
OTHER

Figure 3

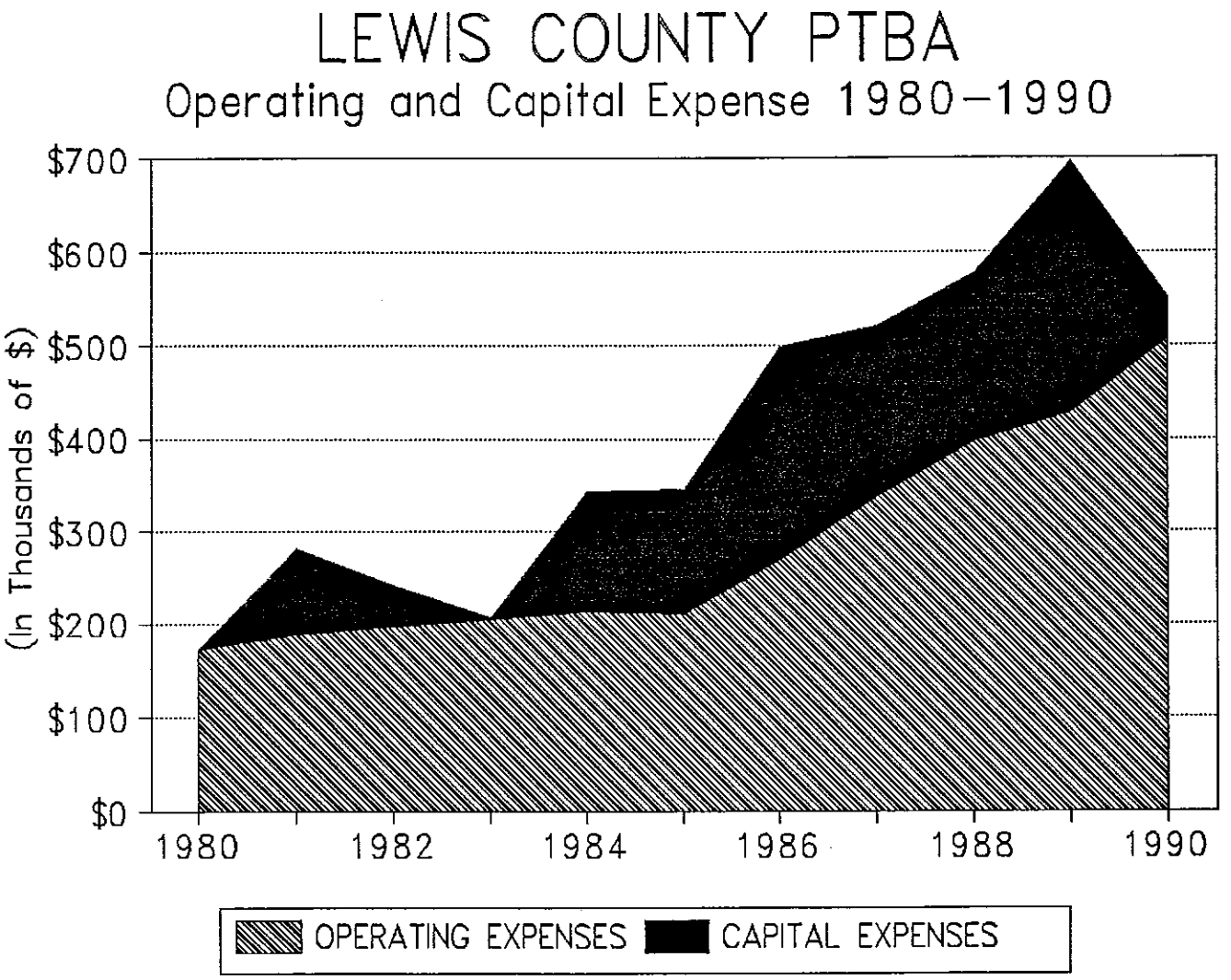

LEWIS COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$700
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

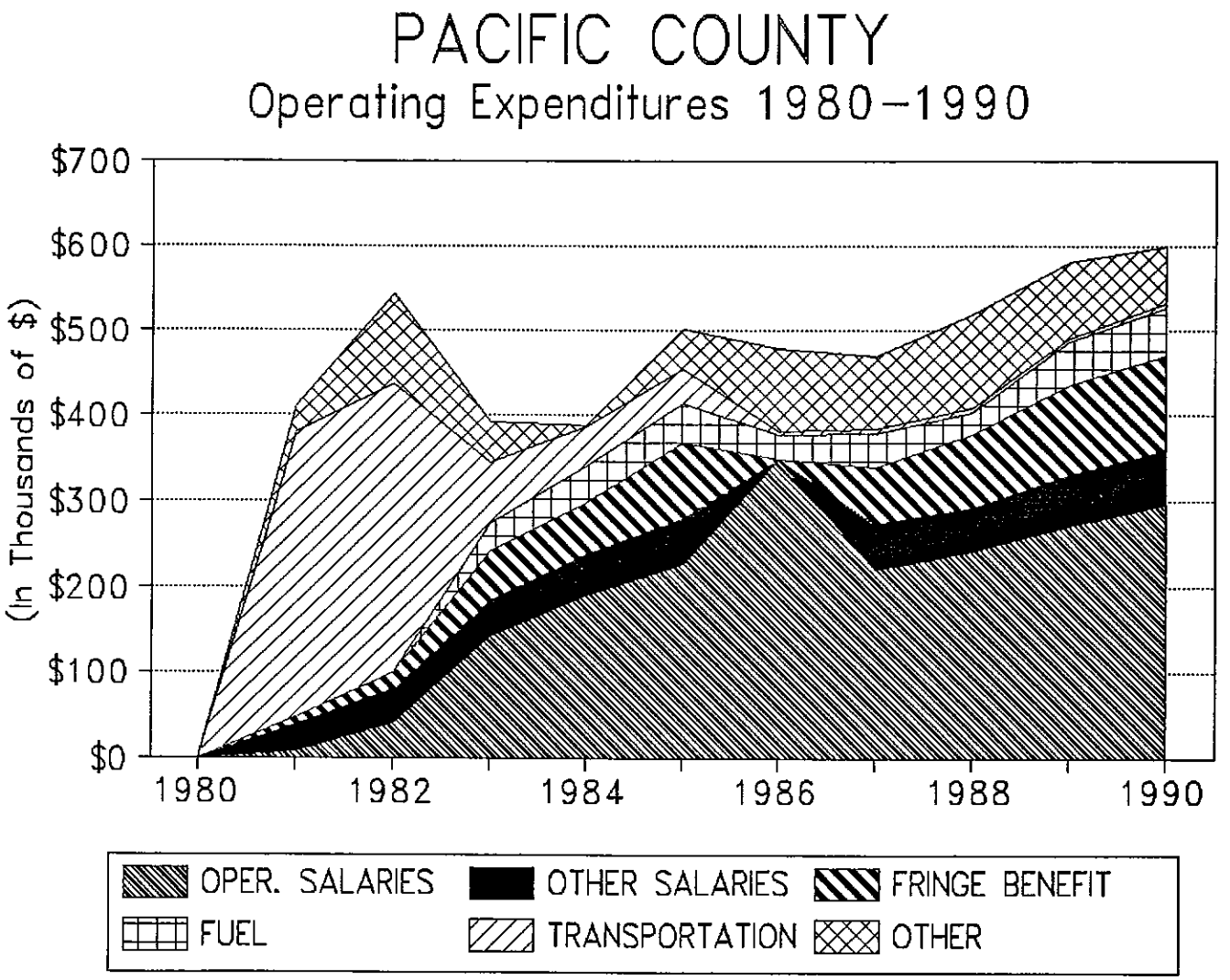

PACIFIC COUNTY
Operating Expenditures 1980–1990
(In Thousands of $)
$700
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

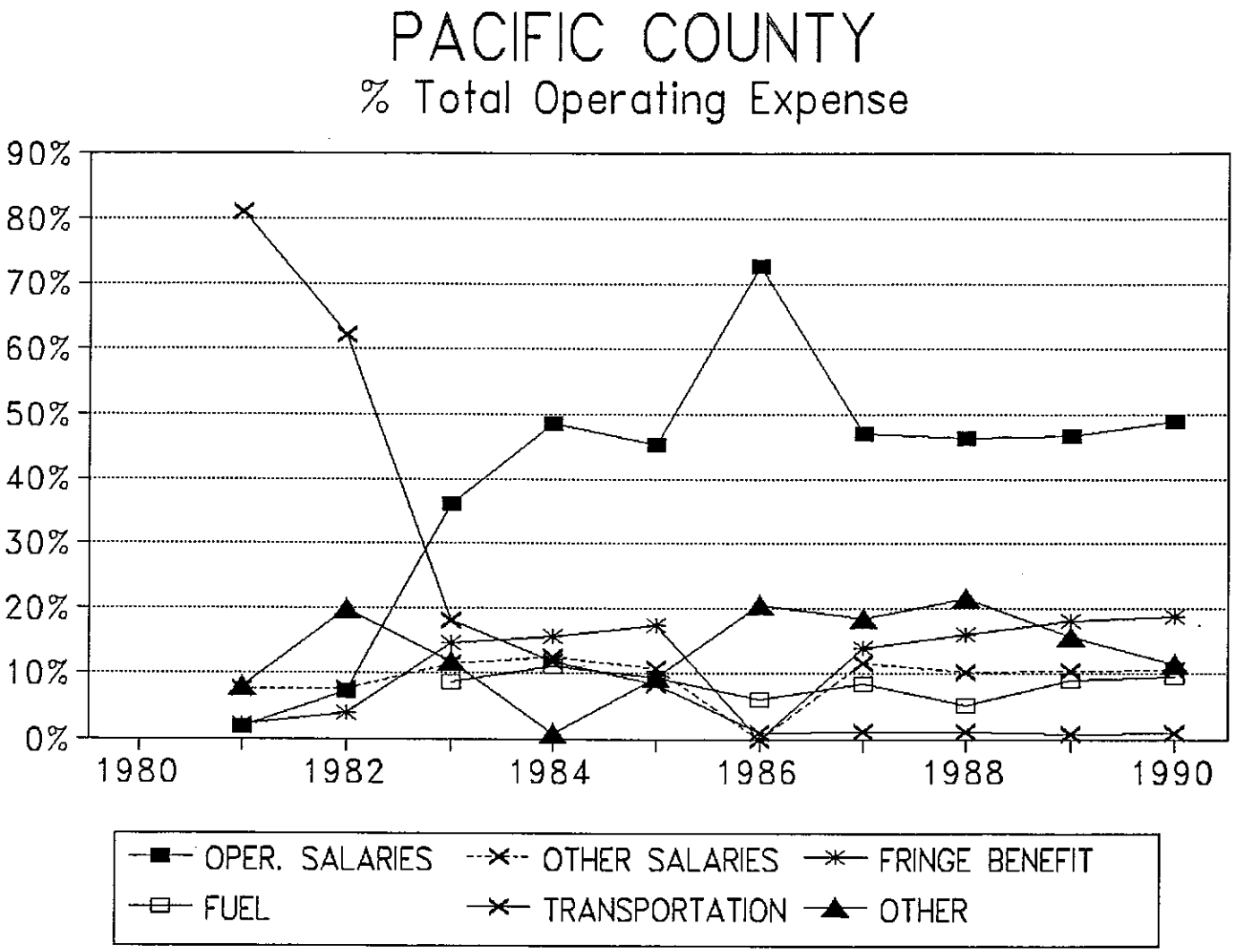

PACIFIC COUNTY
% Total Operating Expense
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

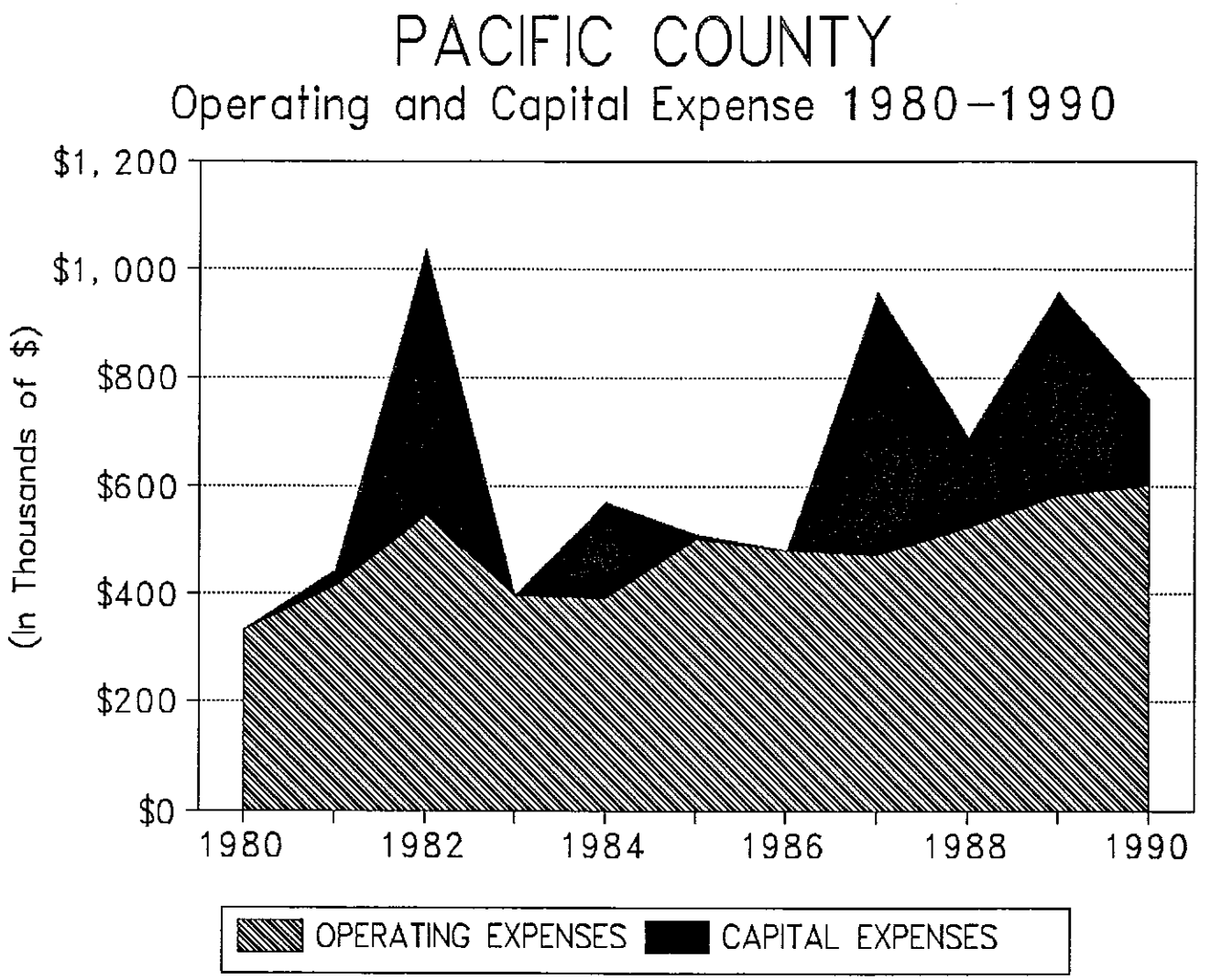

PACIFIC COUNTY
Operating and Capital Expense 1980–1990
(In Thousands of $)
$1,200
$1,000
$800
$600
$400
$200
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

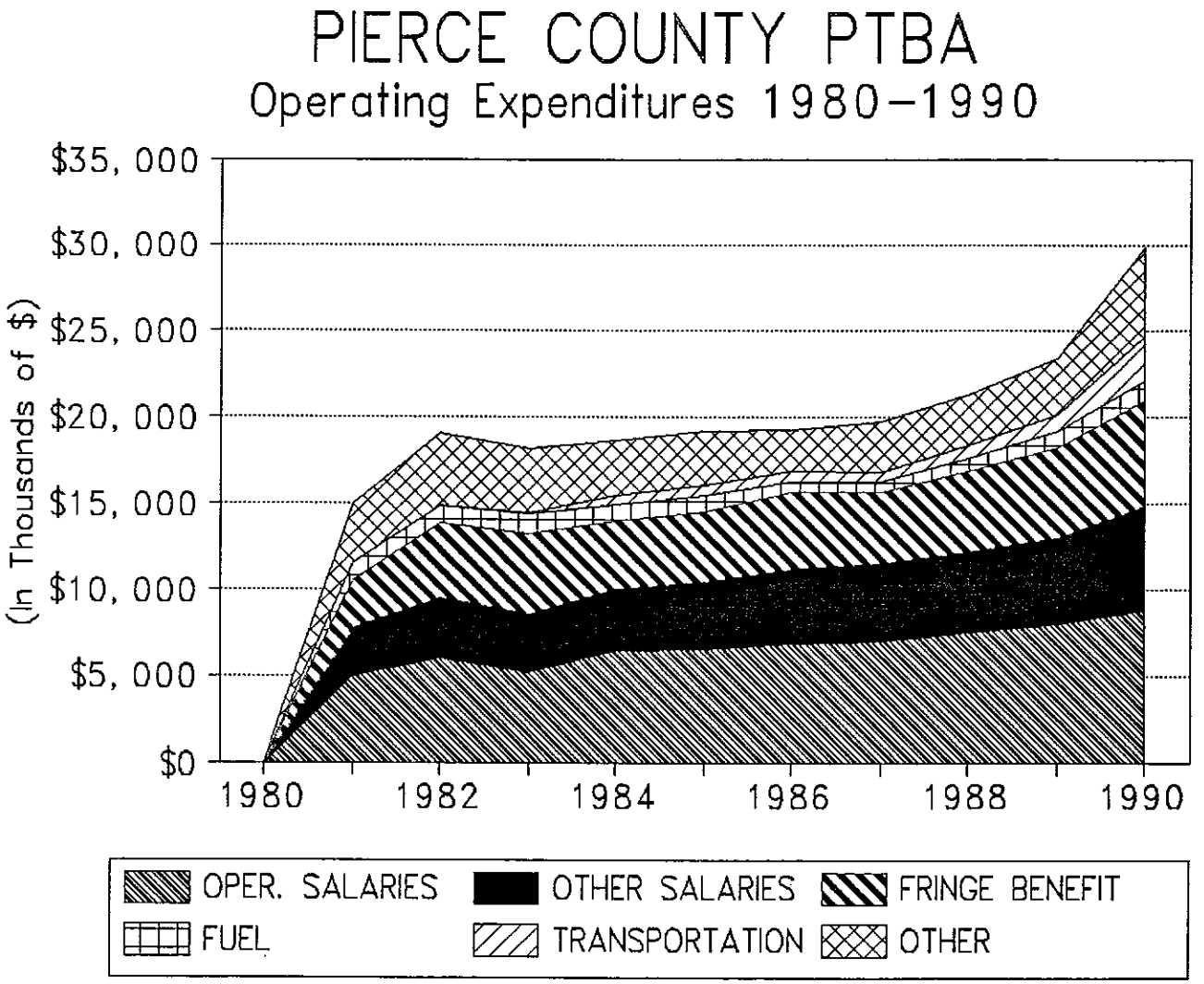

PIERCE COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$35, 000
$30, 000
$25, 000
$20, 000
$15, 000
$10, 000
$5, 000
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

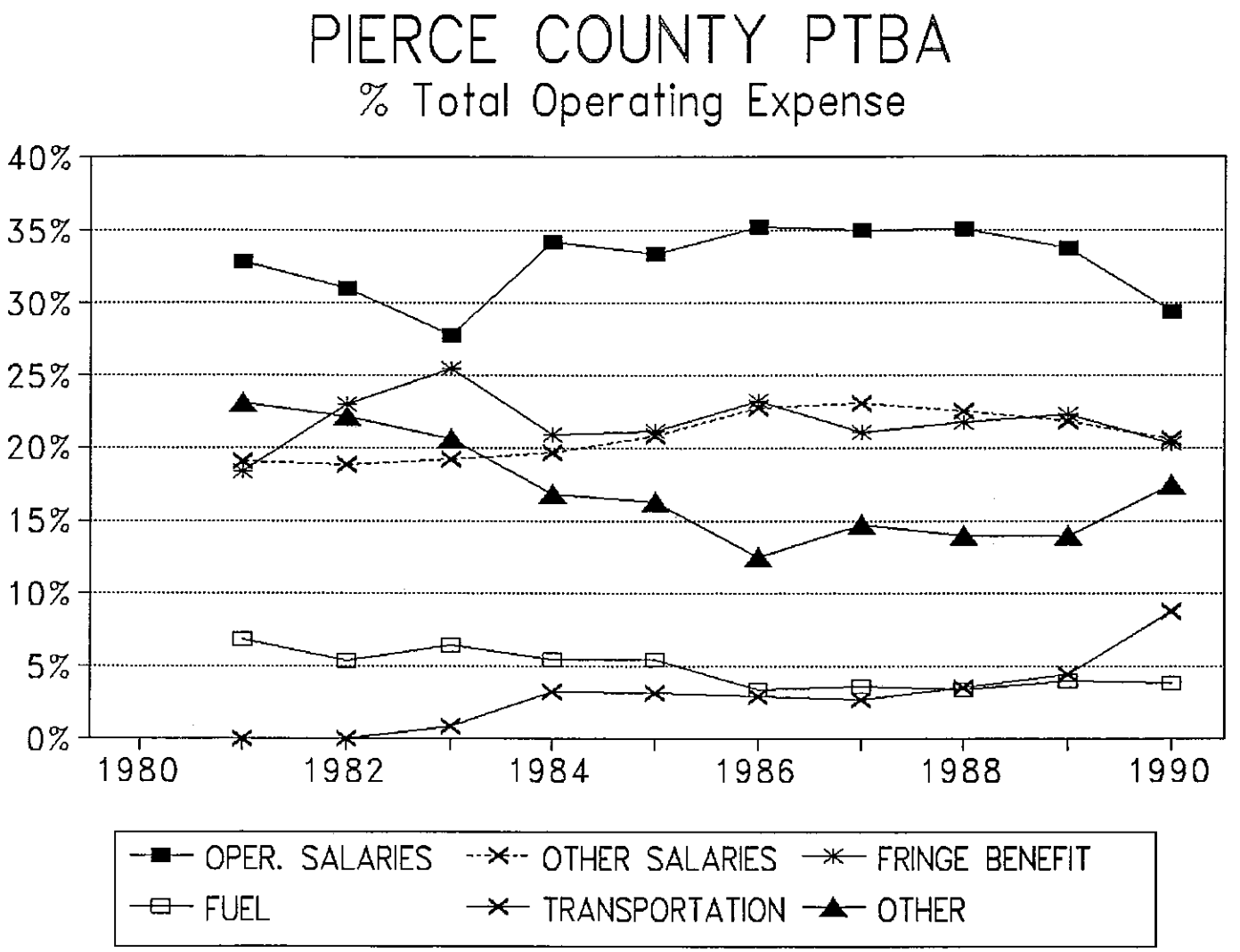

PIERCE COUNTY PTBA
% Total Operating Expense
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

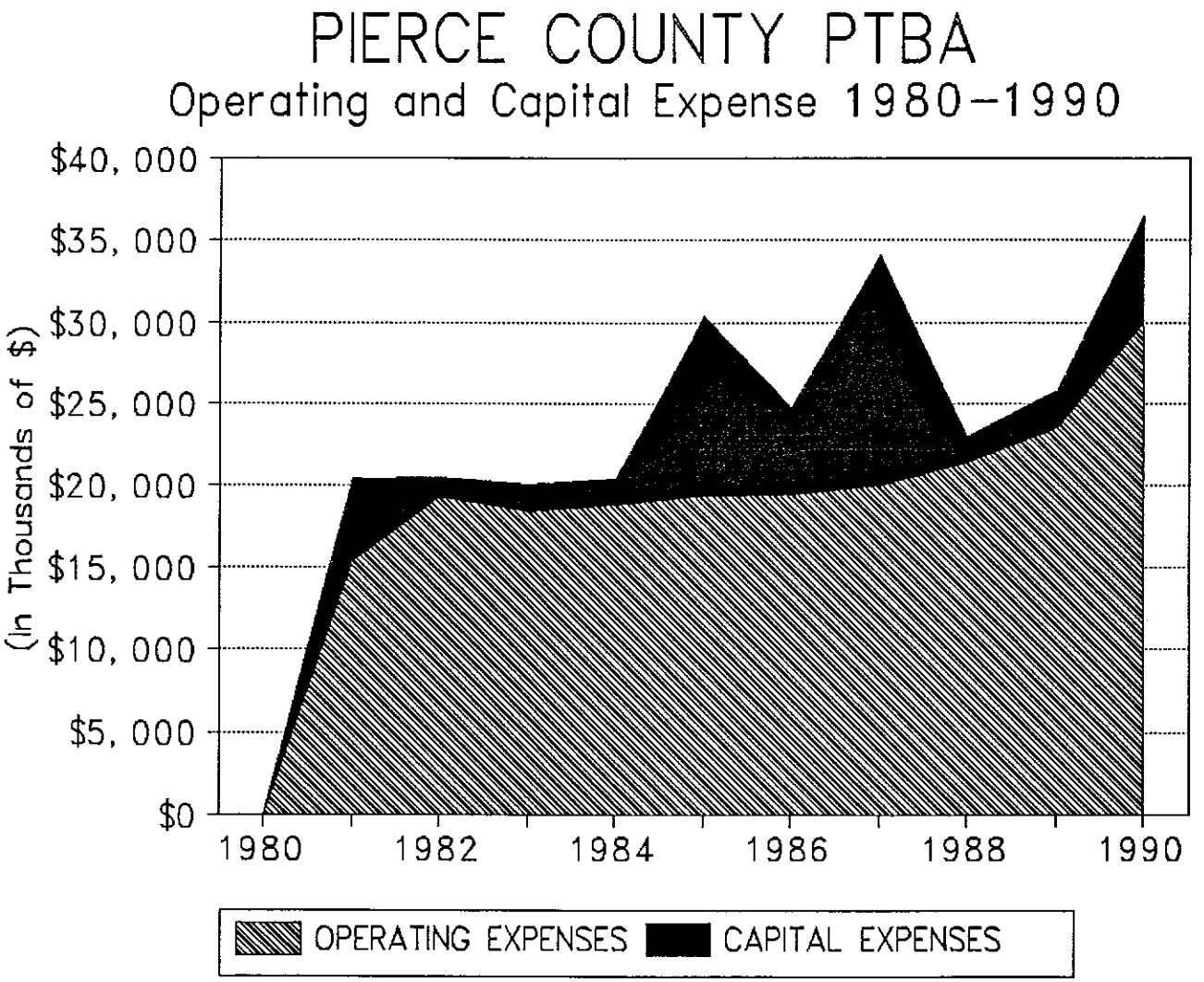

PIERCE COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

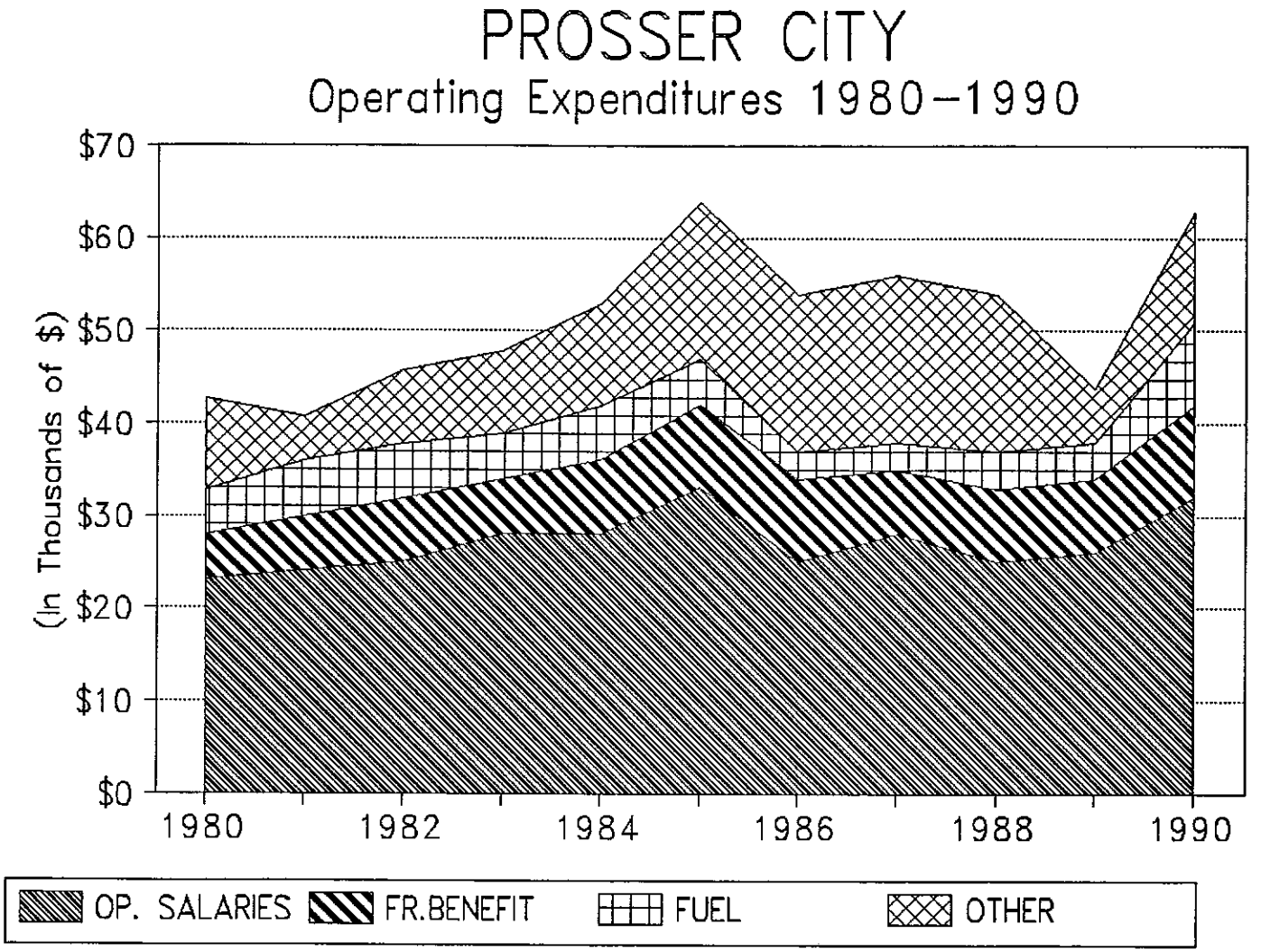

PROSSER CITY
Operating Expenditures 1980–1990
(In Thousands of $)
$70
$60
$50
$40
$30
$20
$10
$0
1980
1982
1984
1986
1988
1990
OP. SALARIES
FR.BENEFIT
FUEL
OTHER

Figure 2

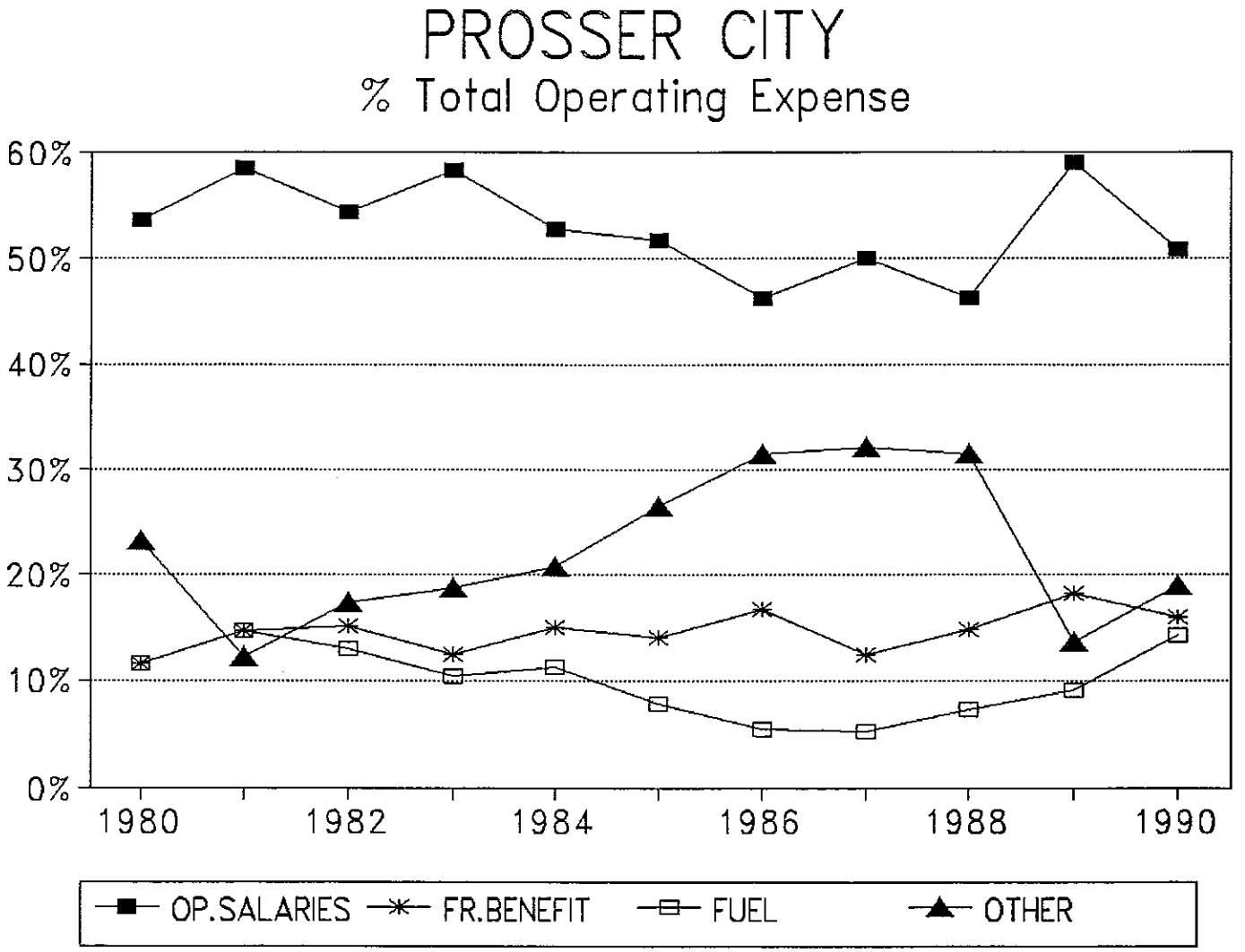

PROSSER CITY
% Total Operating Expense
60%
50%
40%
30%
20%
10%
0%
1980
1982
1984
1986
1988
1990
OP.SALARIES
FR.BENEFIT
FUEL
OTHER

Figure 3

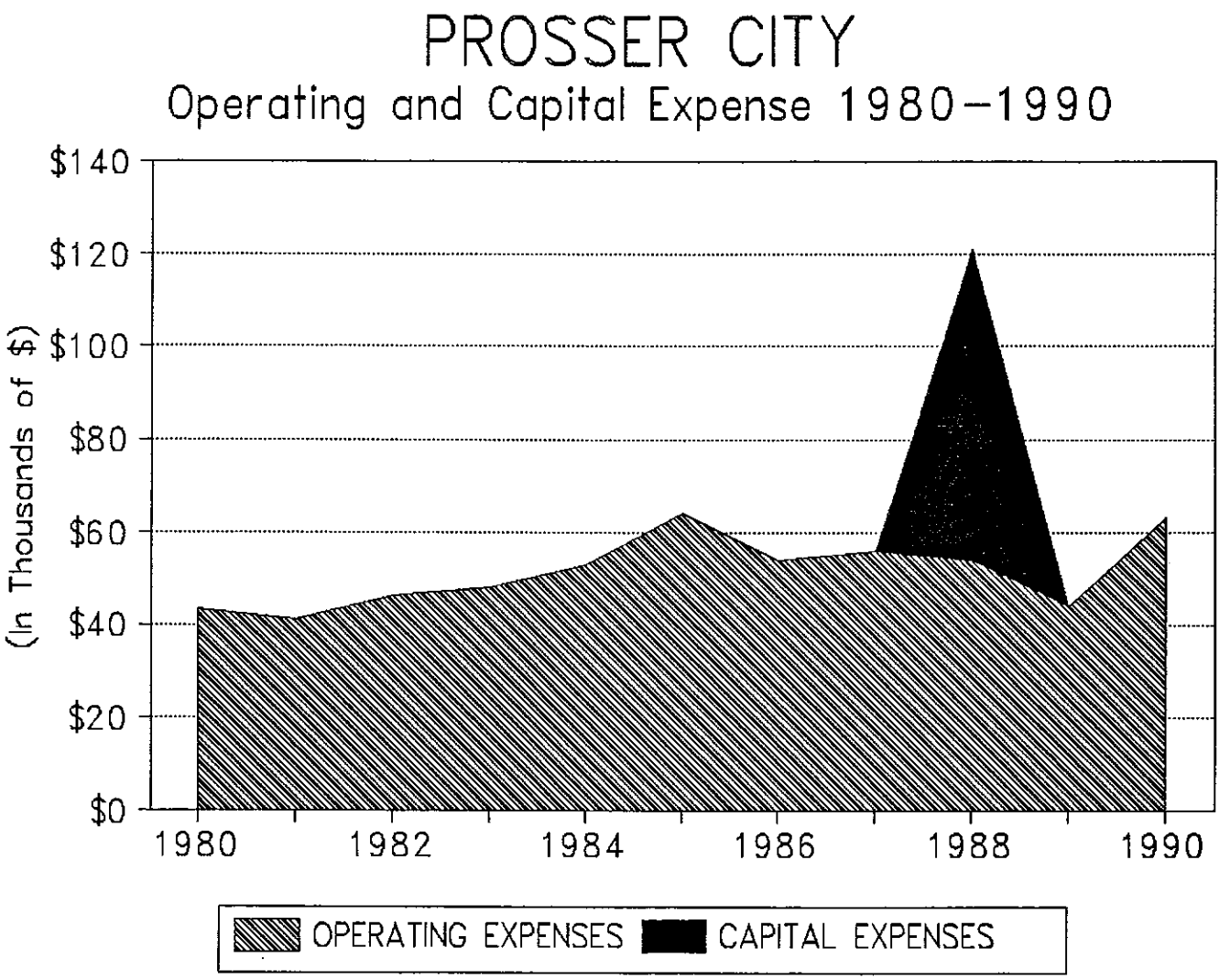

PROSSER CITY
Operating and Capital Expense 1980–1990
(In Thousands of $)
$140
$120
$100
$80
$60
$40
$20
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

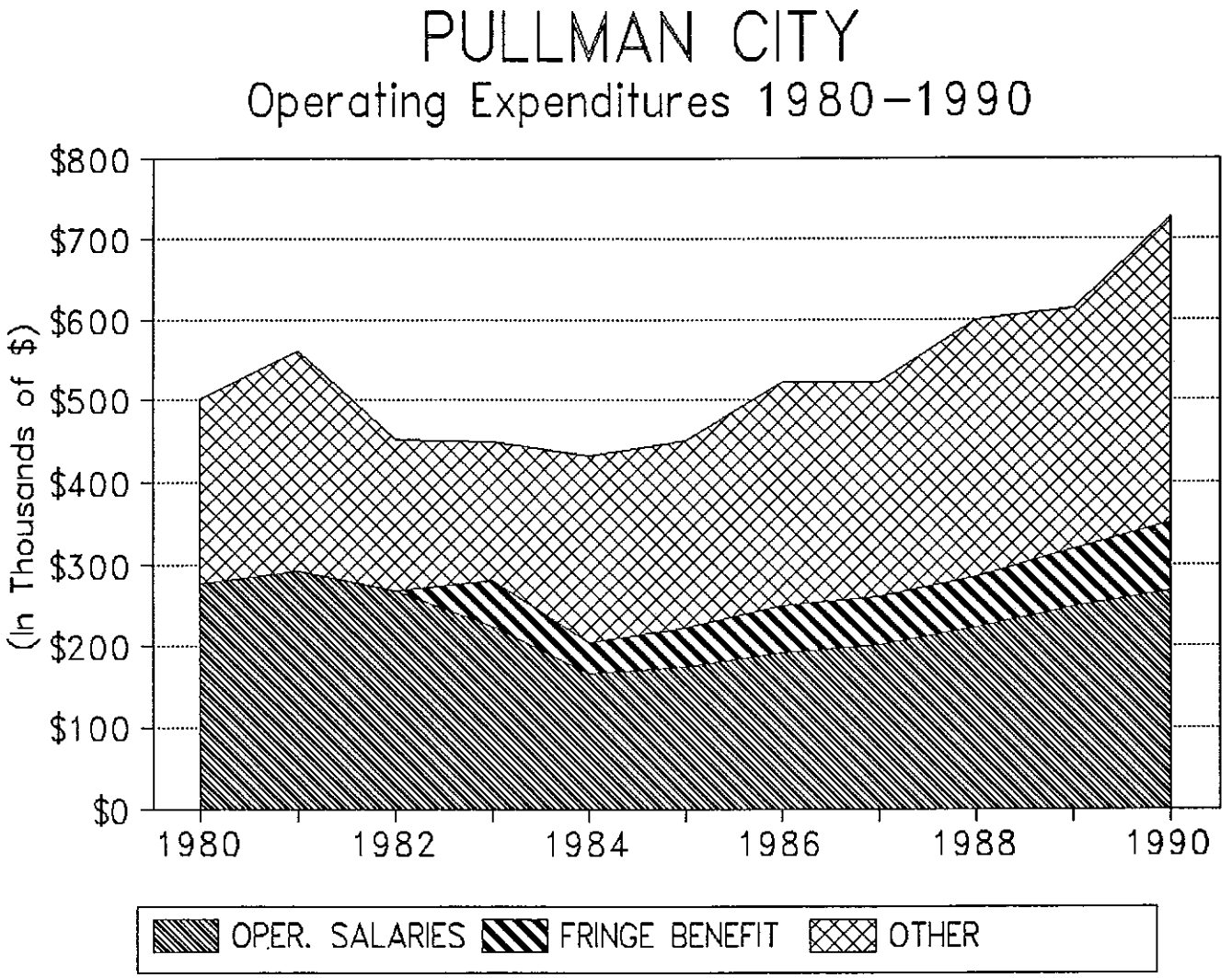

PULLMAN CITY
Operating Expenditures 1980–1990
(In Thousands of $)
$800
$700
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
FRINGE BENEFIT
OTHER

Figure 2

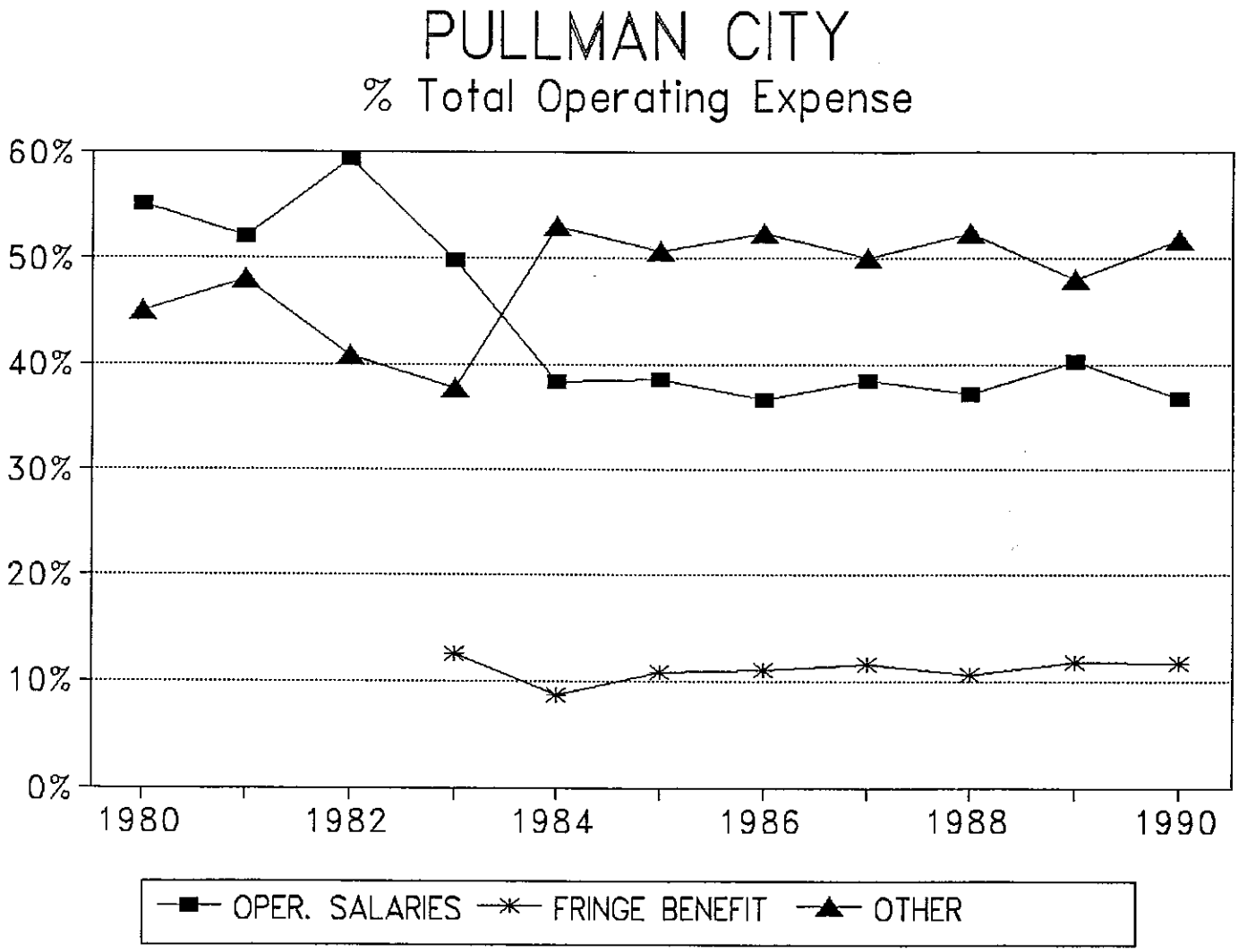

PULLMAN CITY
% Total Operating Expense
60%
50%
40%
30%
20%
10%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
FRINGE BENEFIT
OTHER

Figure 3

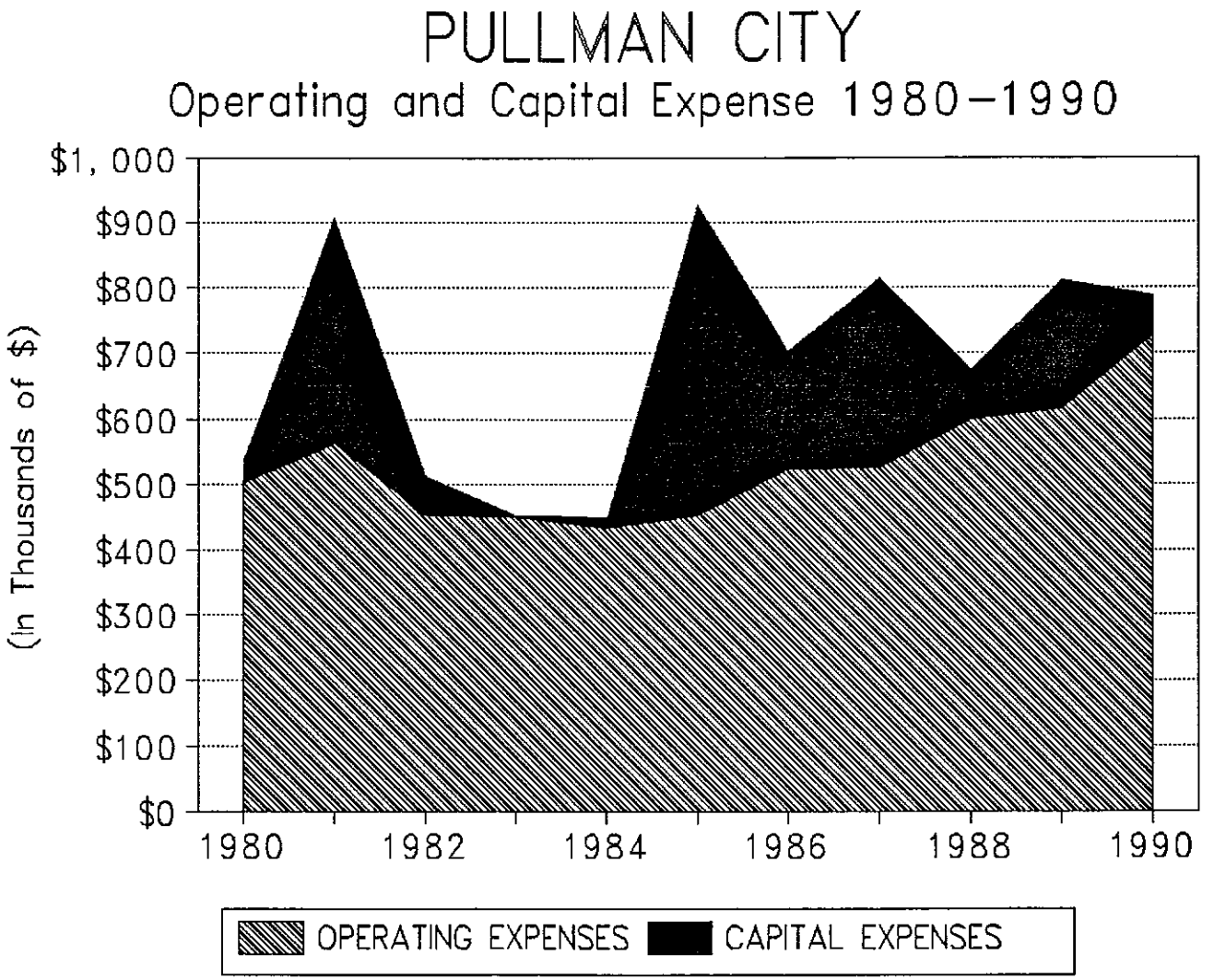

PULLMAN CITY
Operating and Capital Expense 1980–1990
(In Thousands of $)
$1,000
$900
$800
$700
$600
$500
$400
$300
$200
$100
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

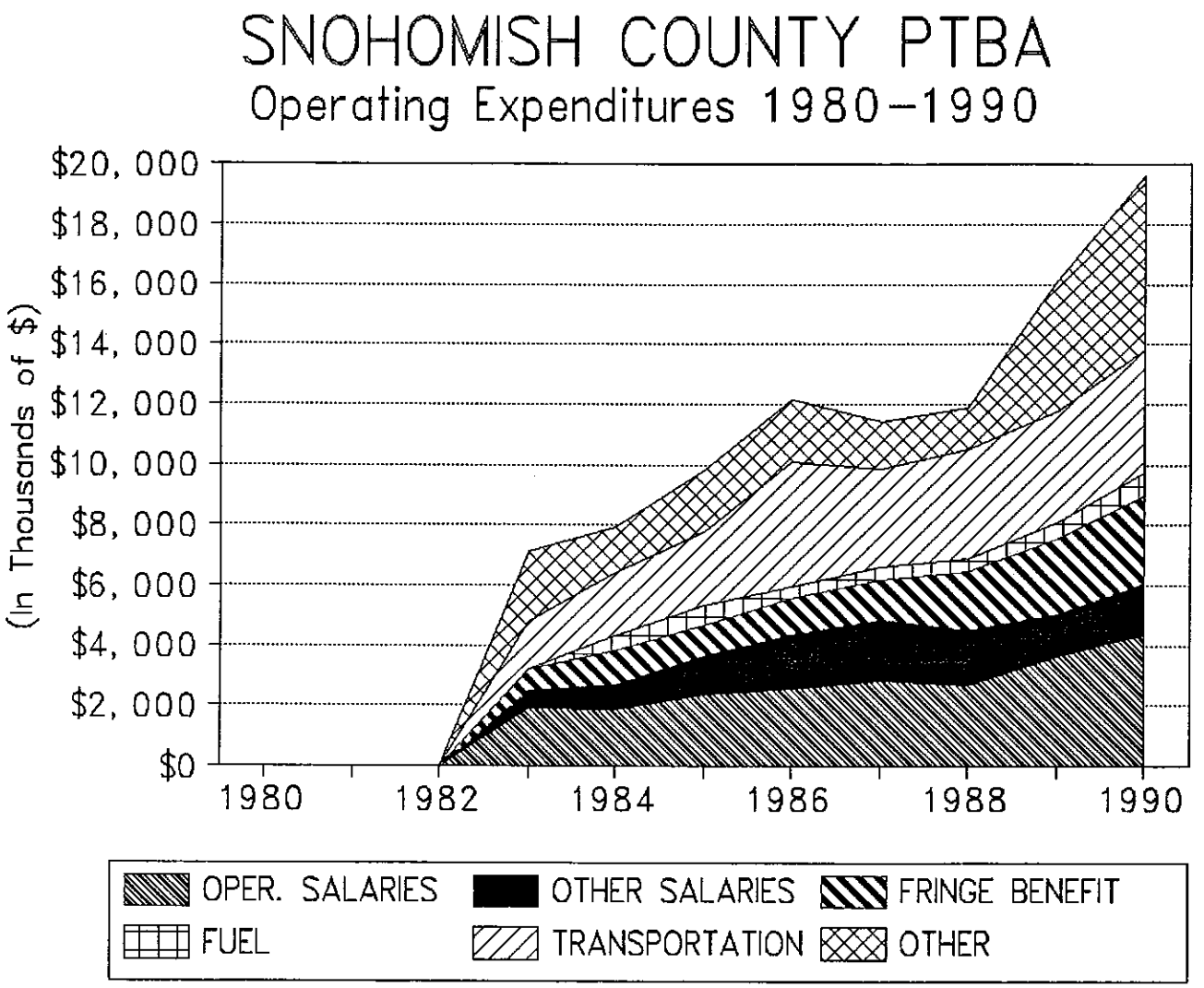

SNOHOMISH COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$20, 000
$18, 000
$16, 000
$14, 000
$12, 000
$10, 000
$8, 000
$6, 000
$4, 000
$2, 000
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

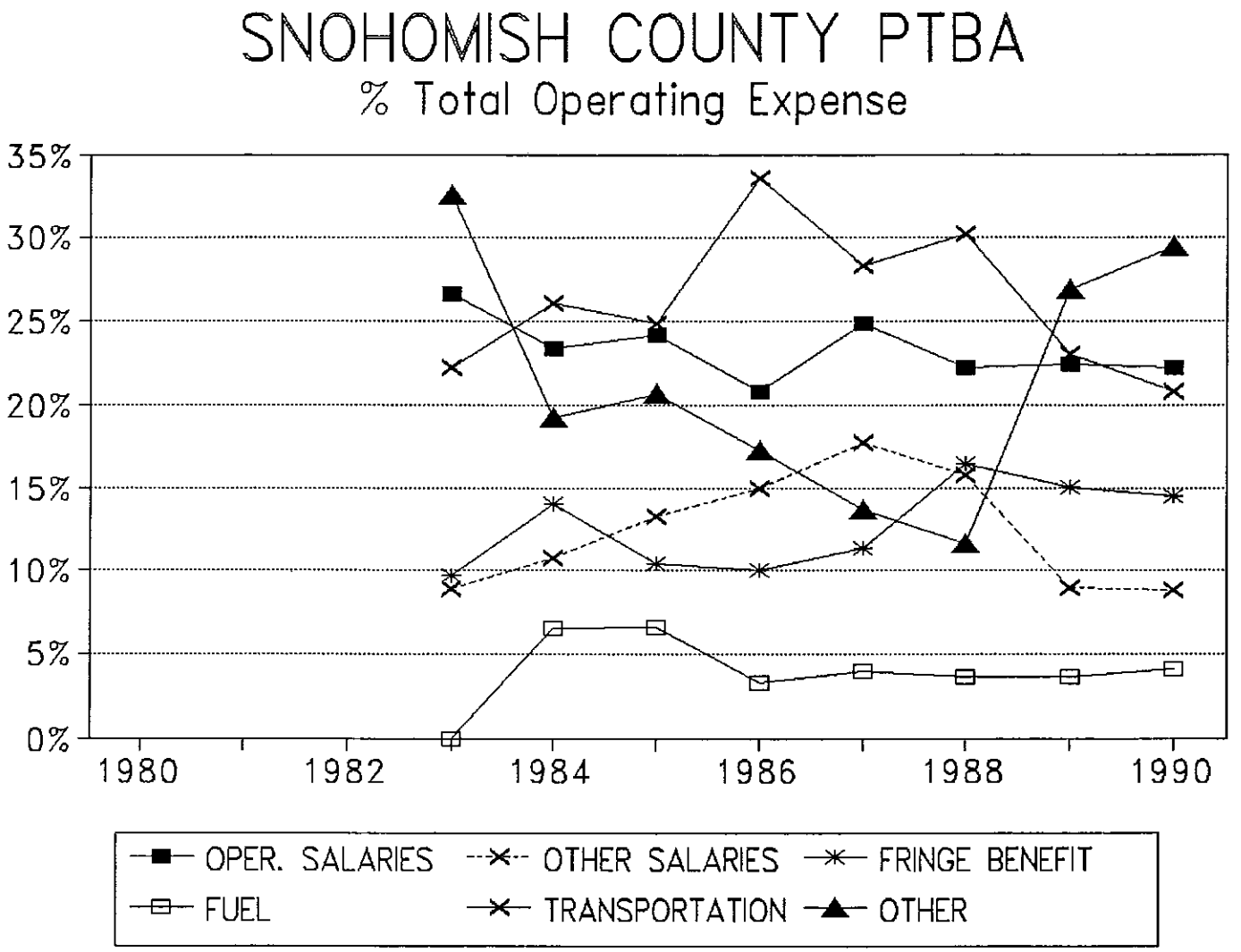

SNOHOMISH COUNTY PTBA
% Total Operating Expense
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

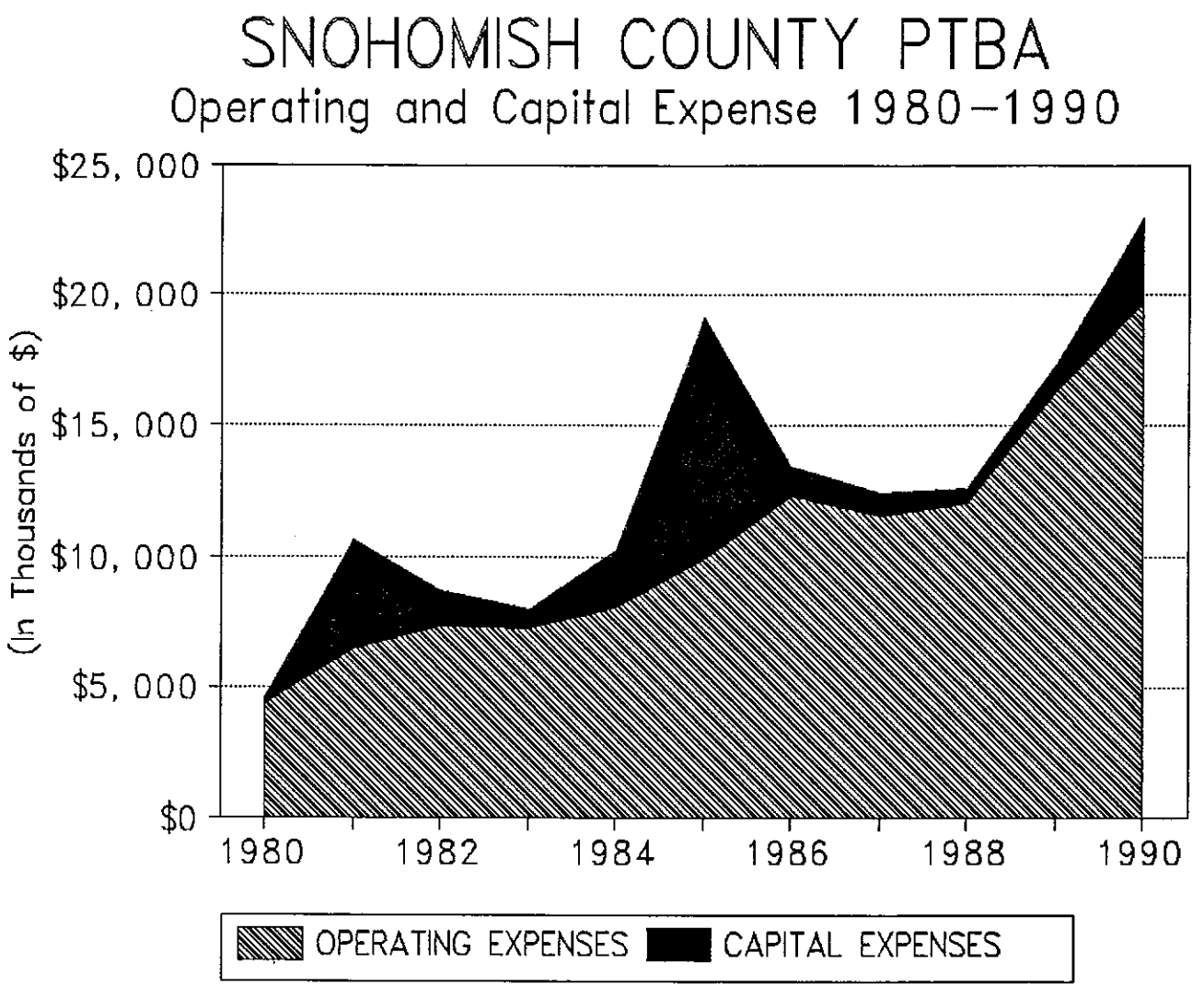

SNOHOMISH COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$25, 000
$20, 000
$15, 000
$10, 000
$5, 000
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

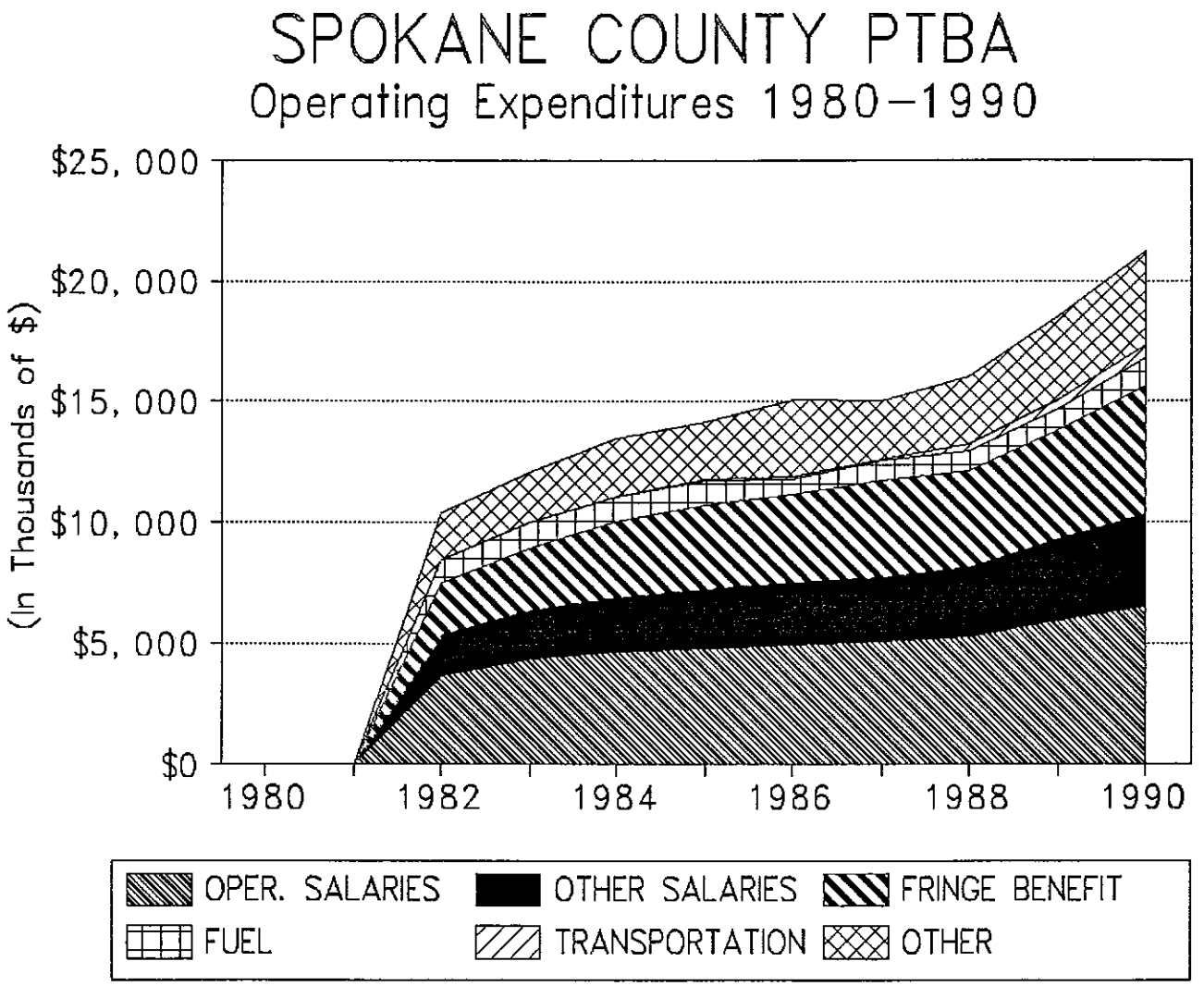

SPOKANE COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$25,000
$20,000
$15,000
$10,000
$5,000
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

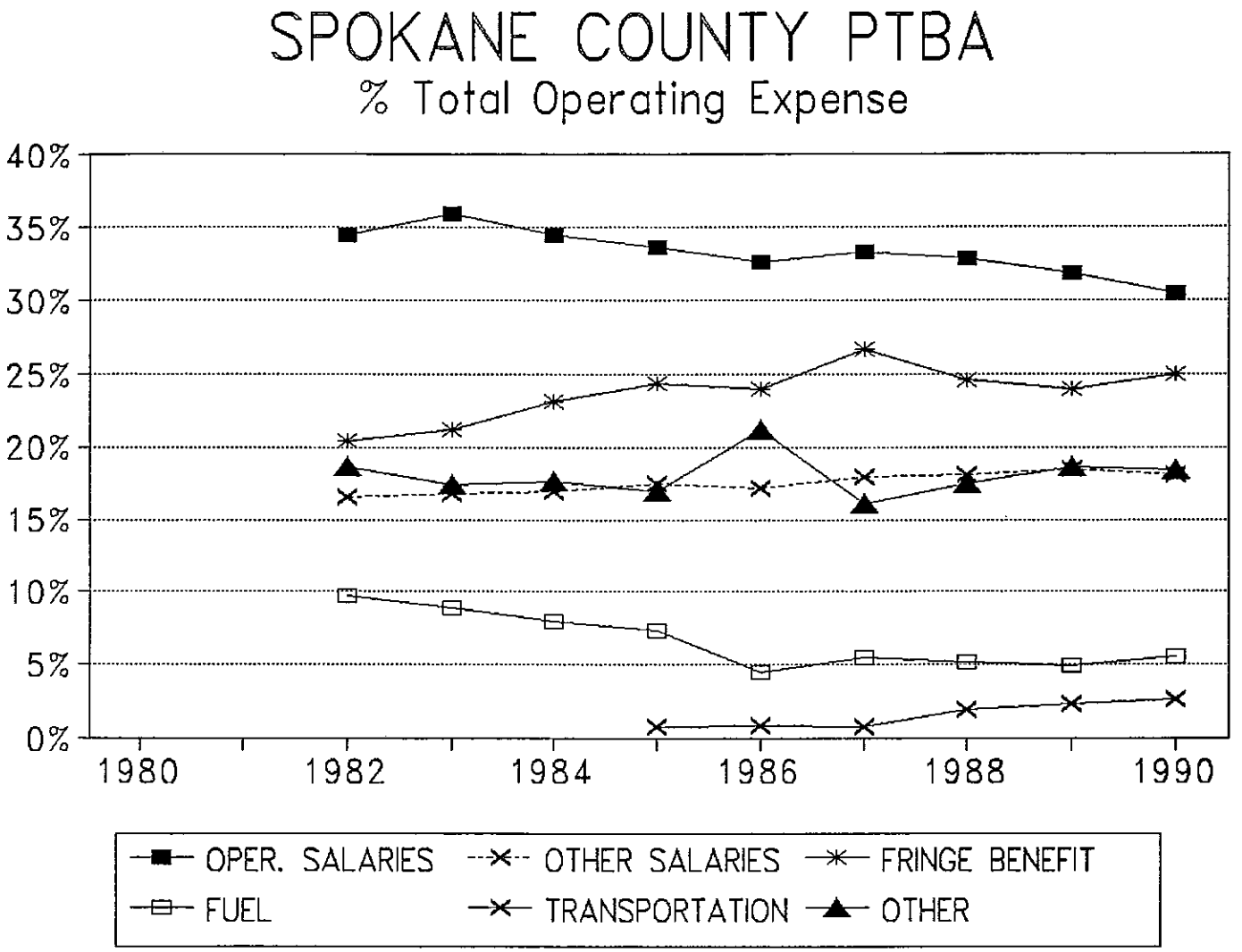

SPOKANE COUNTY PTBA
% Total Operating Expense
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

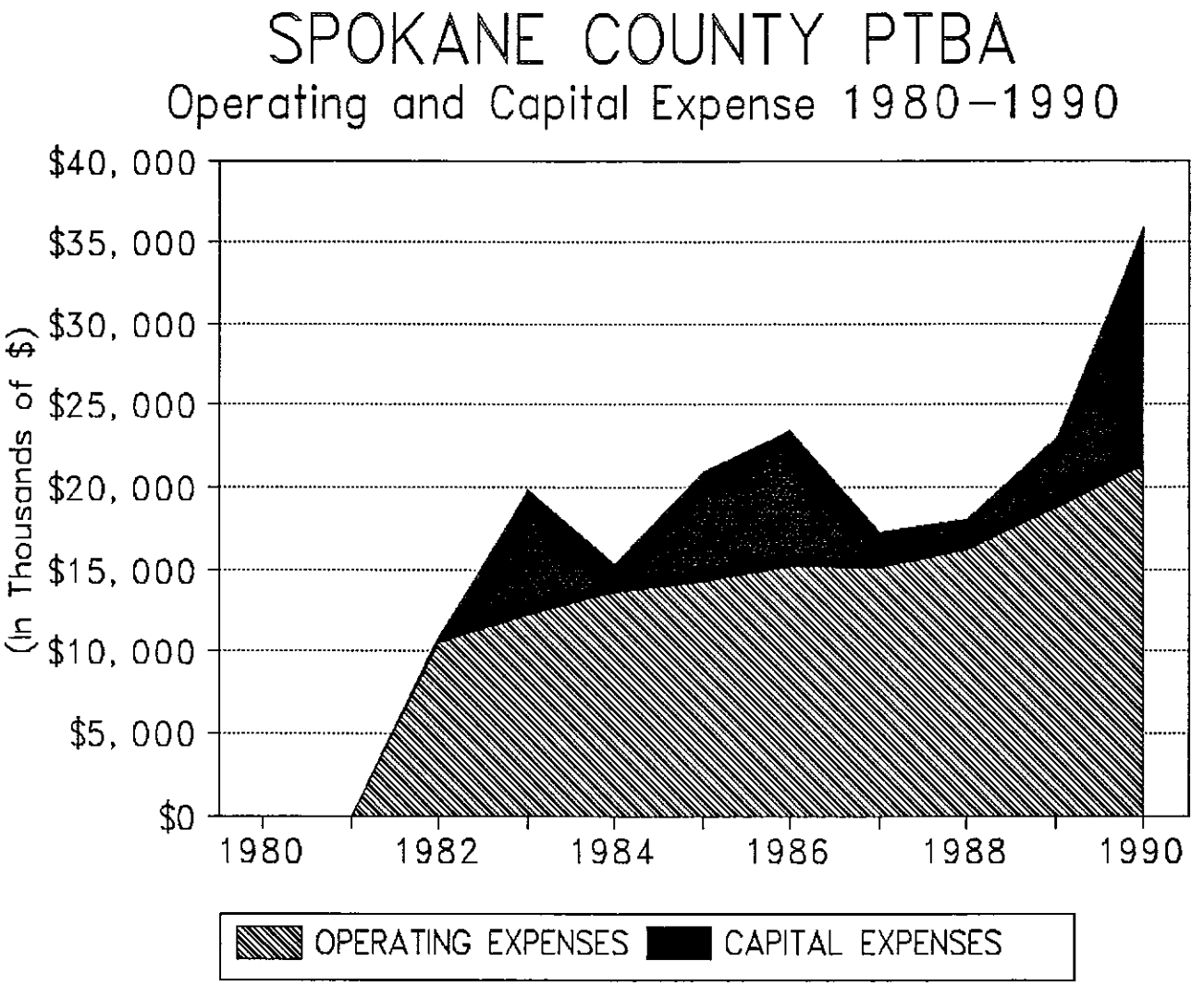

SPOKANE COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

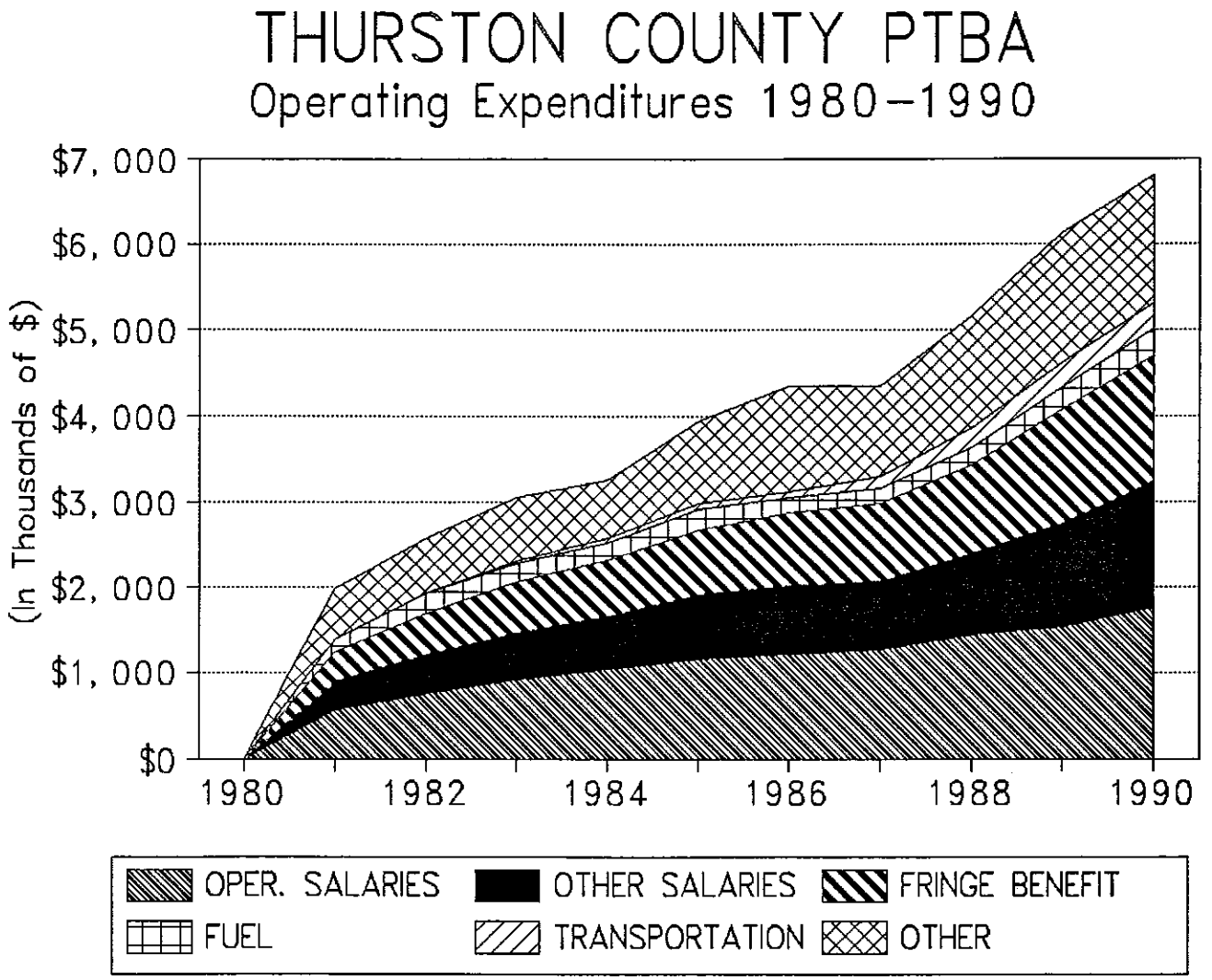

THURSTON COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$7, 000
$6, 000
$5, 000
$4, 000
$3, 000
$2, 000
$1, 000
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

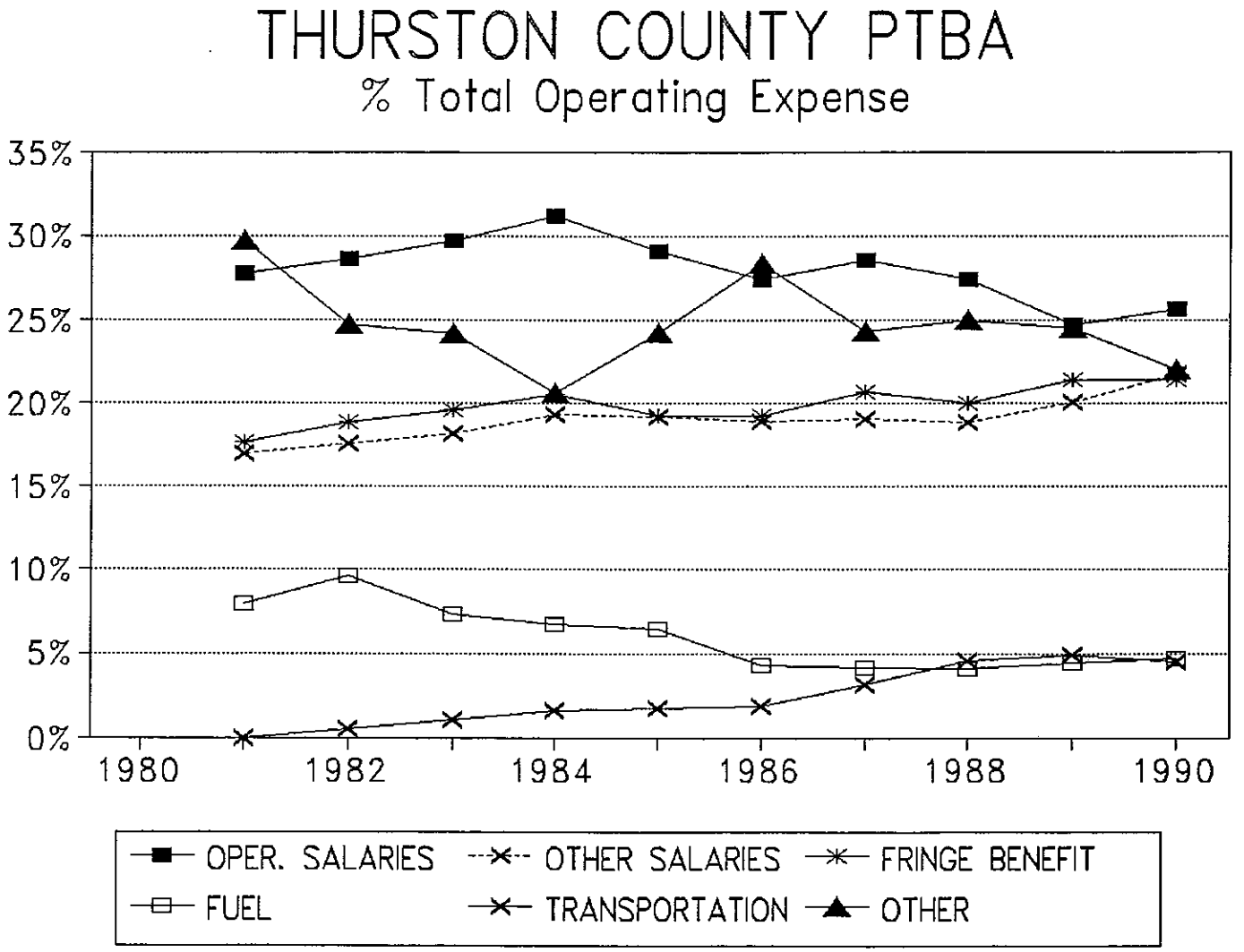

THURSTON COUNTY PTBA
% Total Operating Expense
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

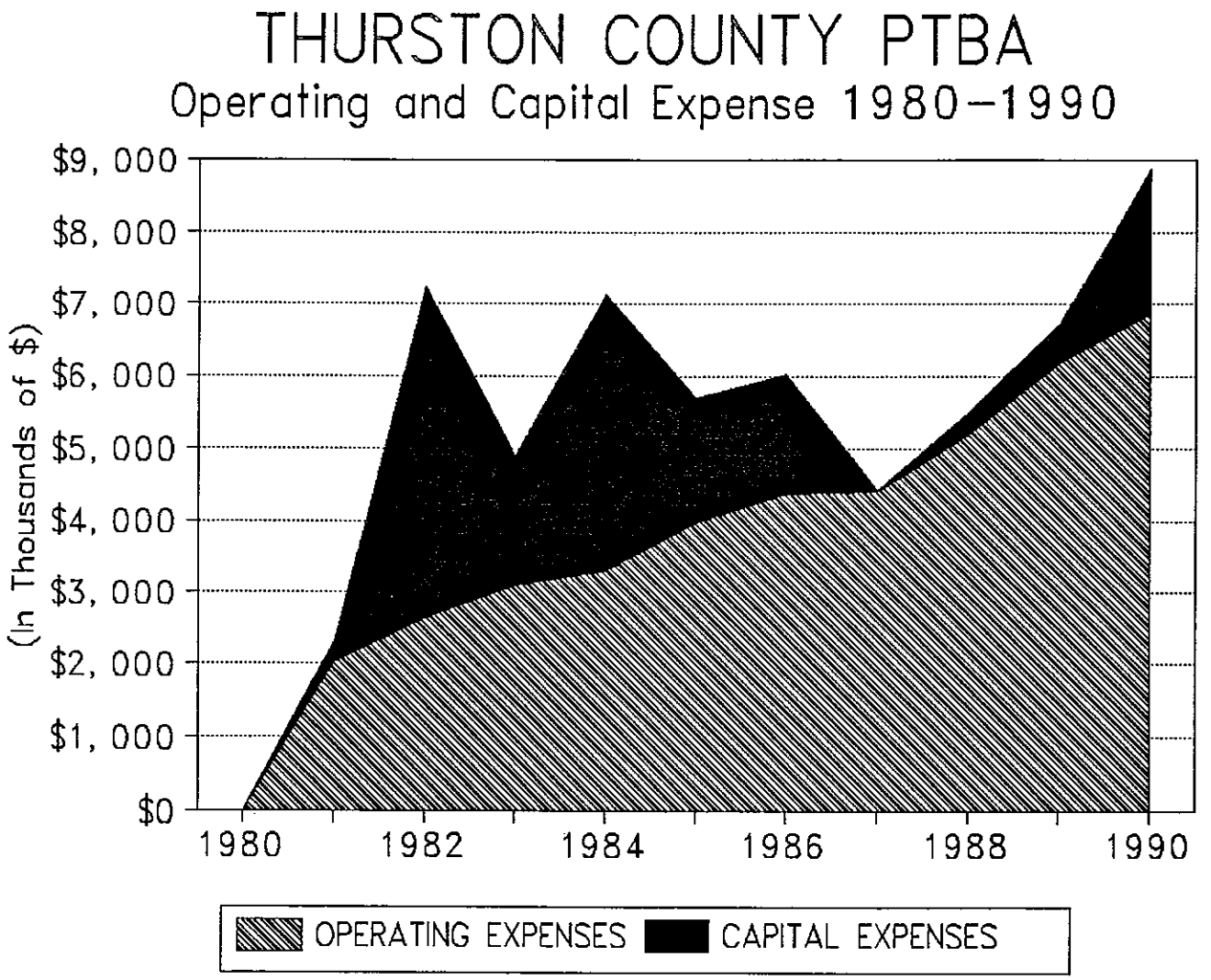

THURSTON COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$9, 000
$8, 000
$7, 000
$6, 000
$5, 000
$4, 000
$3, 000
$2, 000
$1, 000
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

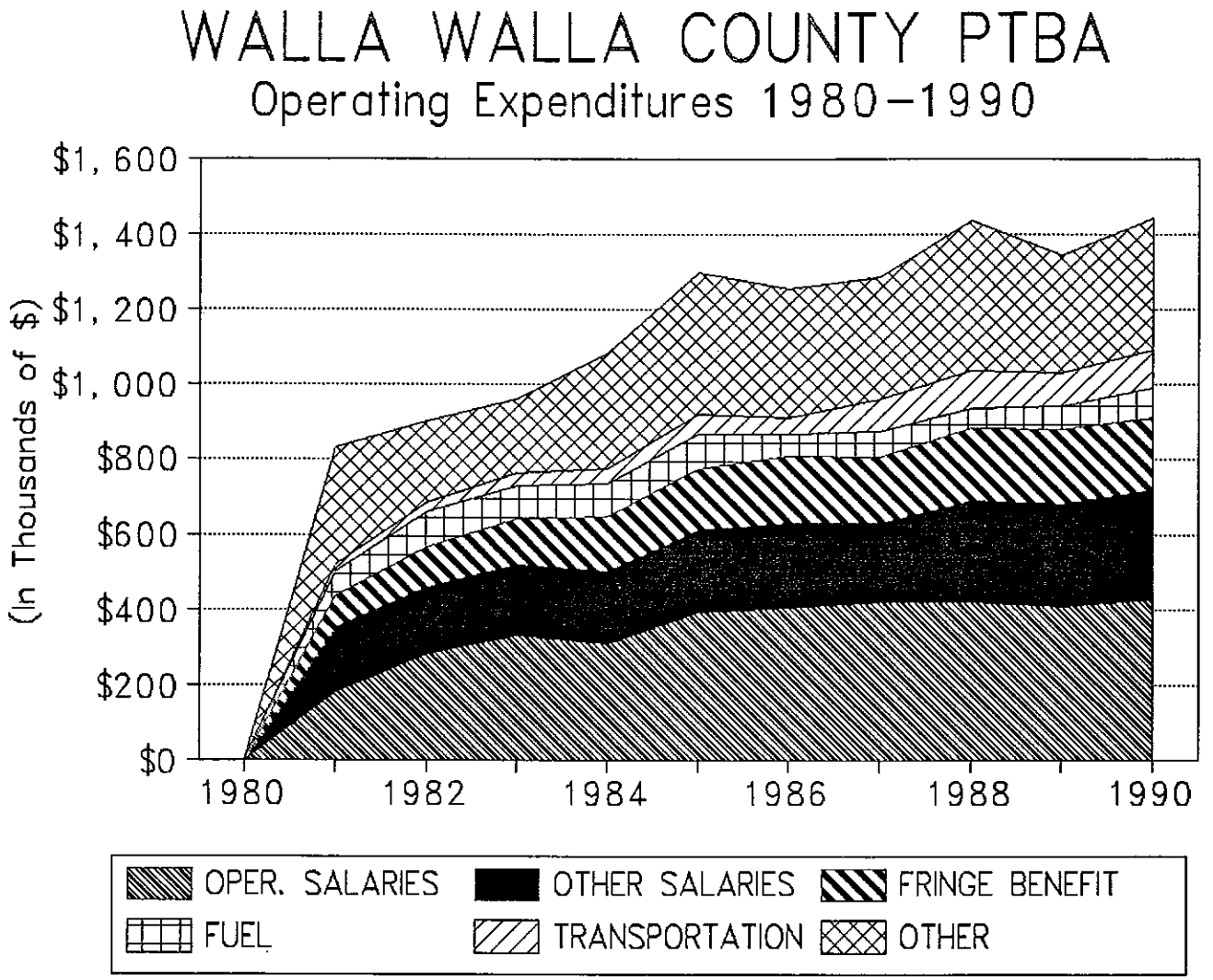

WALLA WALLA COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

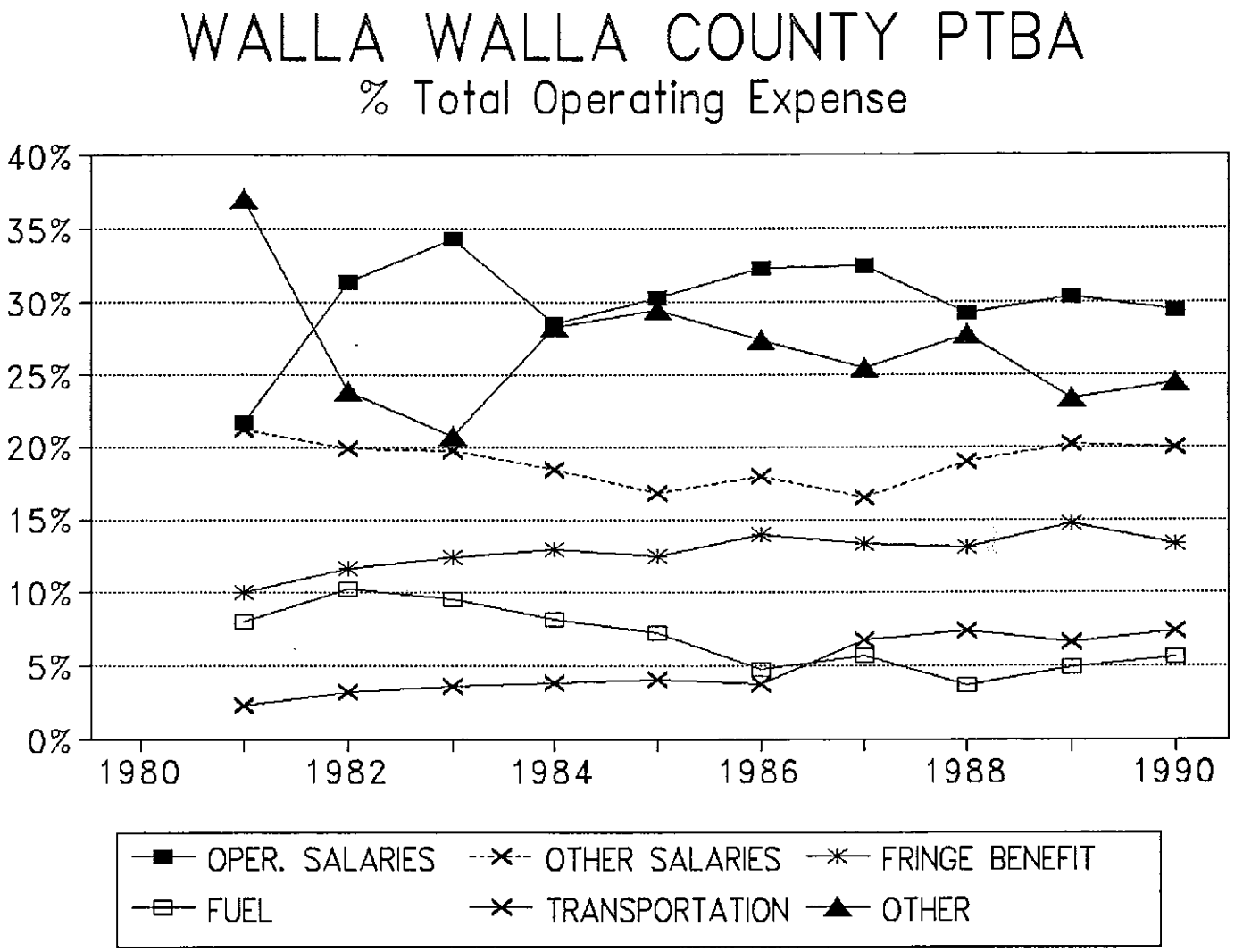

WALLA WALLA COUNTY PTBA
% Total Operating Expense
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

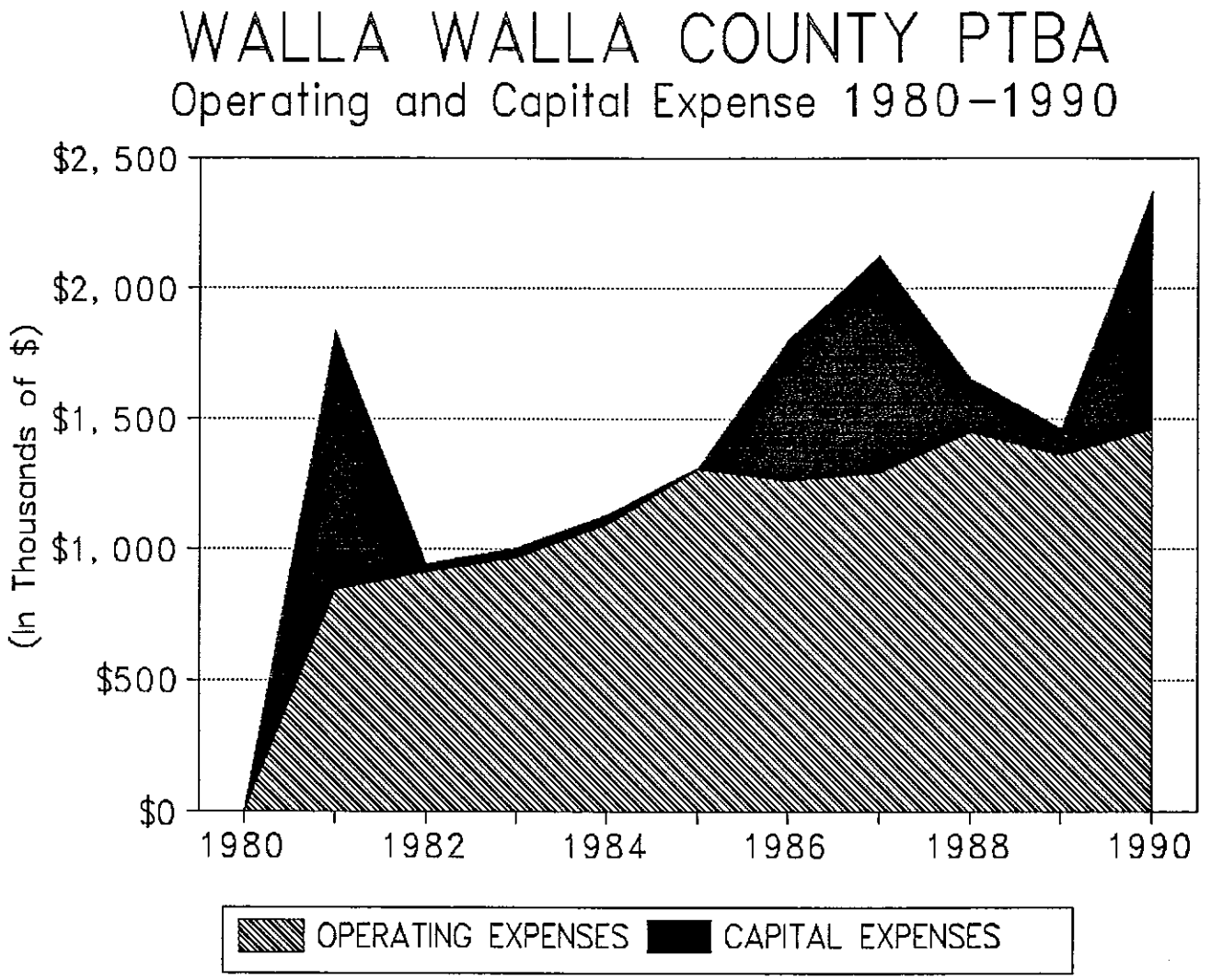

WALLA WALLA COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$2, 500
$2, 000
$1, 500
$1, 000
$500
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

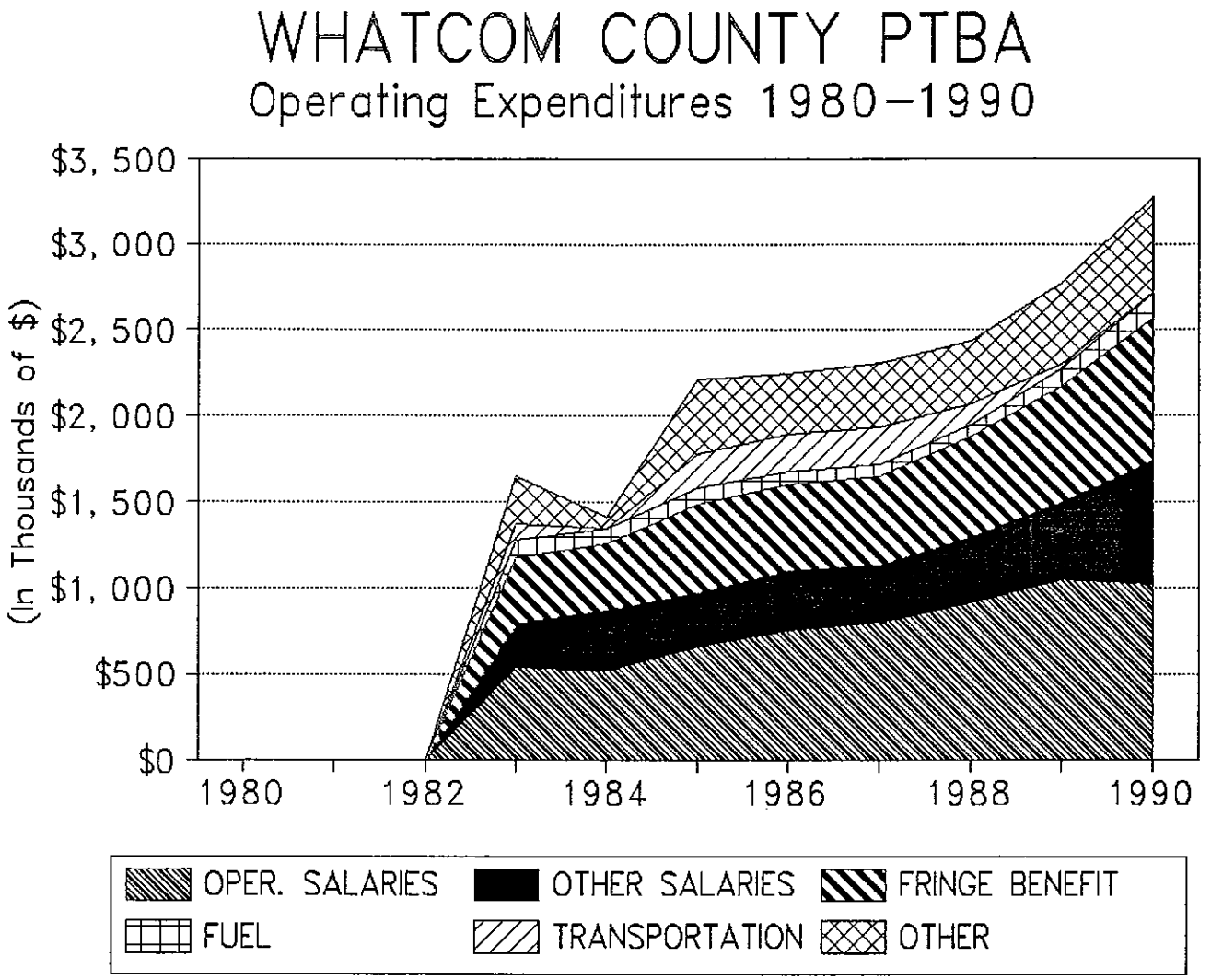

WHATCOM COUNTY PTBA
Operating Expenditures 1980–1990
(In Thousands of $)
$3, 500
$3, 000
$2, 500
$2, 000
$1, 500
$1, 000
$500
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

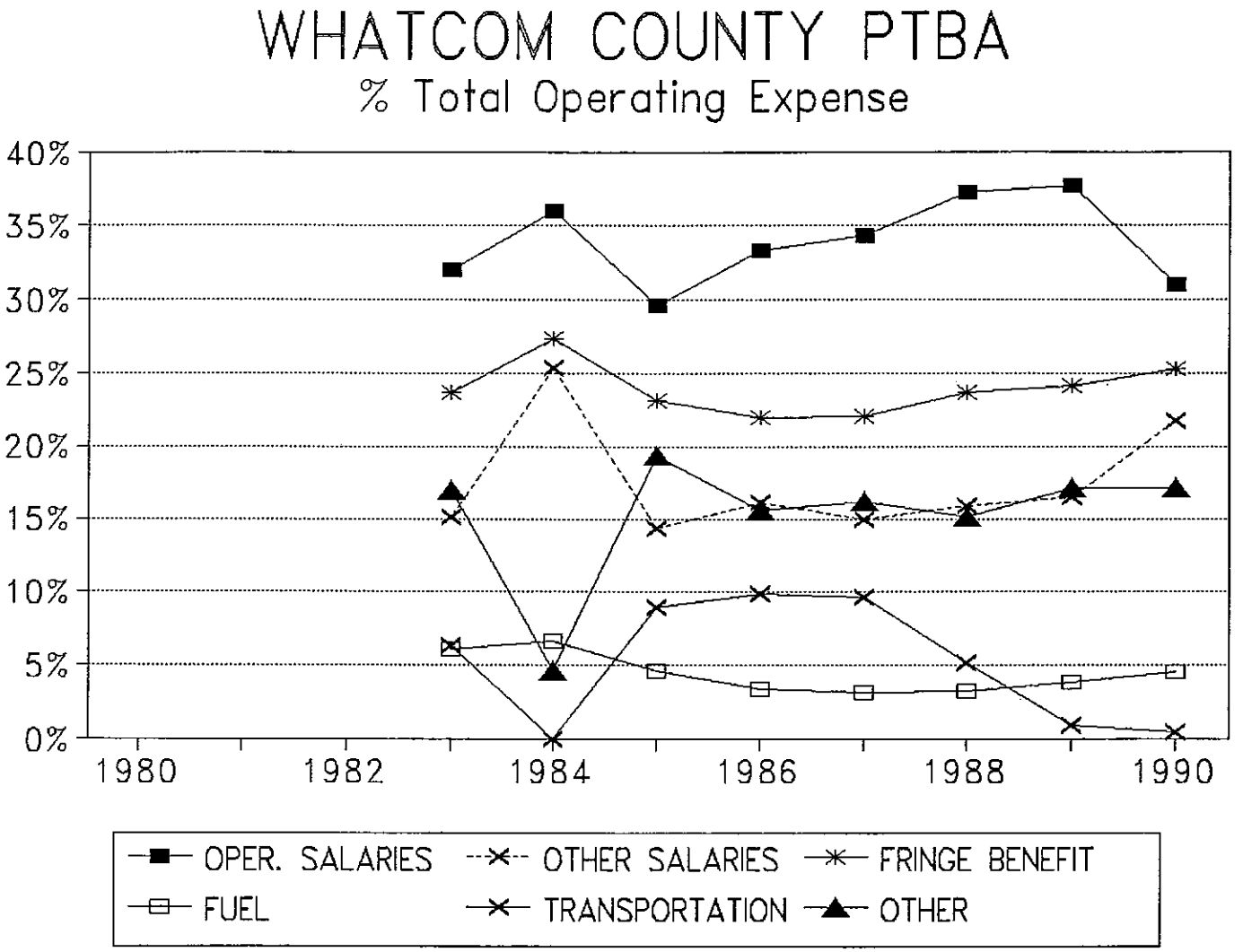

WHATCOM COUNTY PTBA
% Total Operating Expense
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3

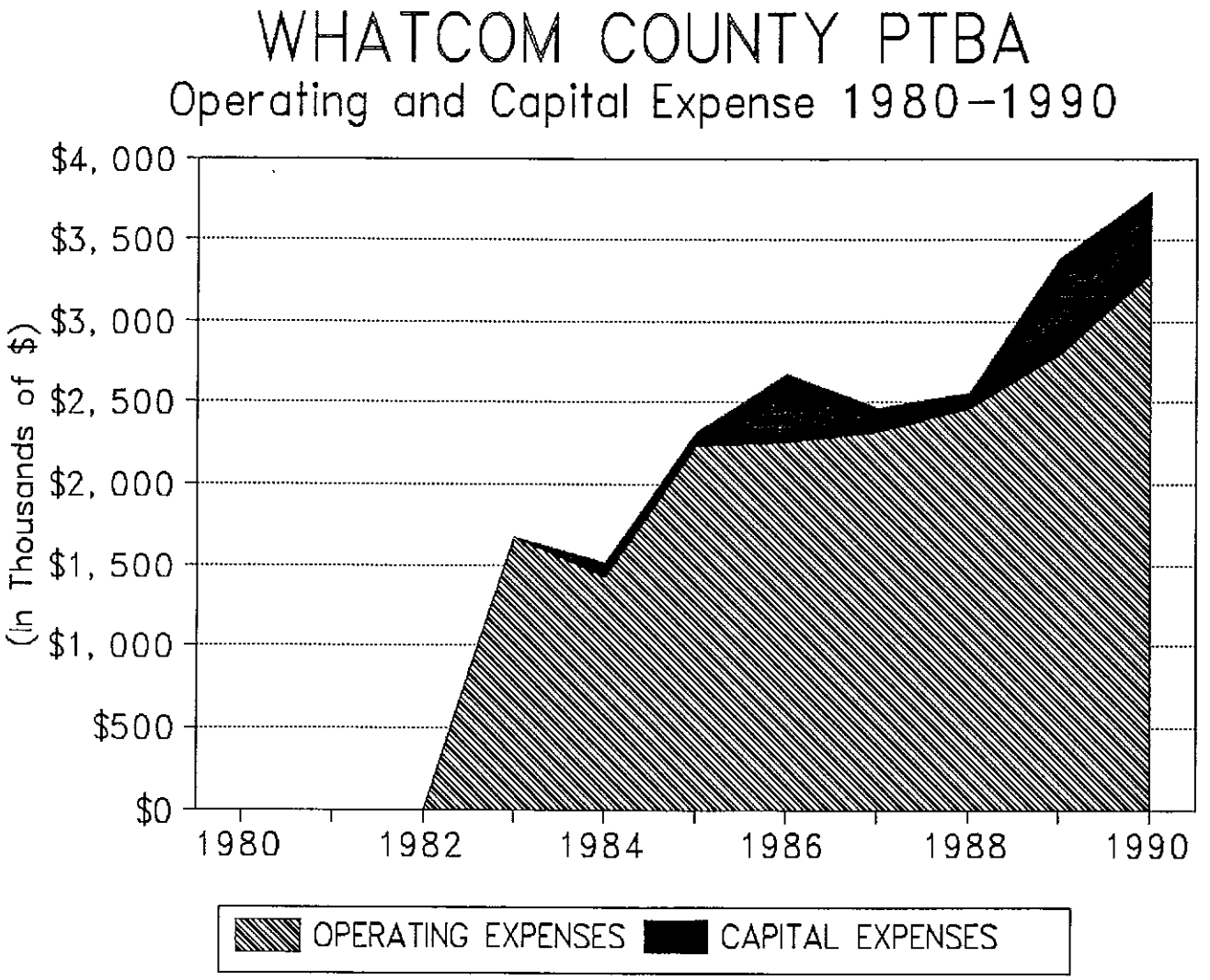

WHATCOM COUNTY PTBA
Operating and Capital Expense 1980–1990
(In Thousands of $)
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

Figure 1

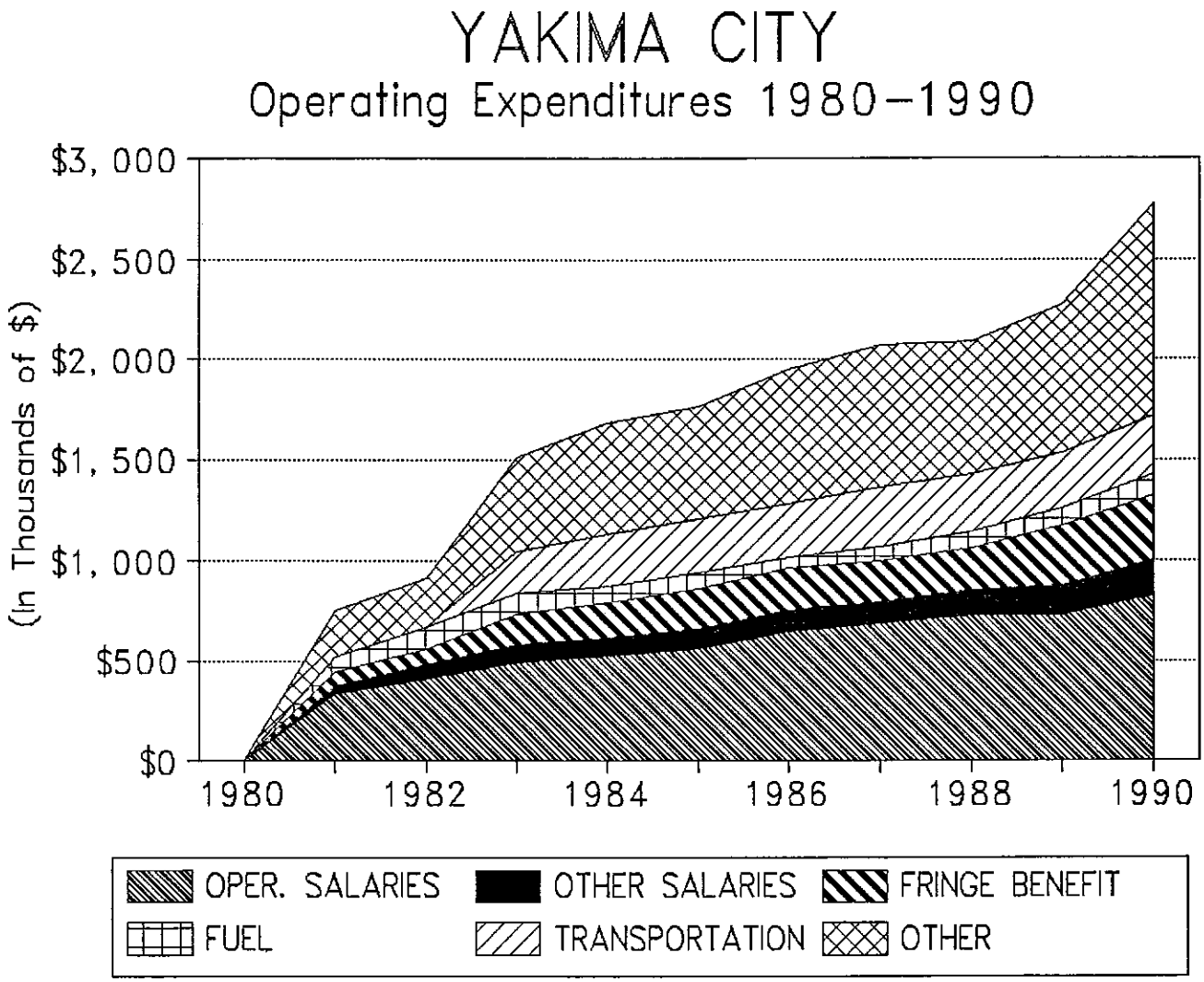

YAKIMA CITY
Operating Expenditures 1980–1990
(In Thousands of $)
$3, 000
$2, 500
$2, 000
$1, 500
$1, 000
$500
$0
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 2

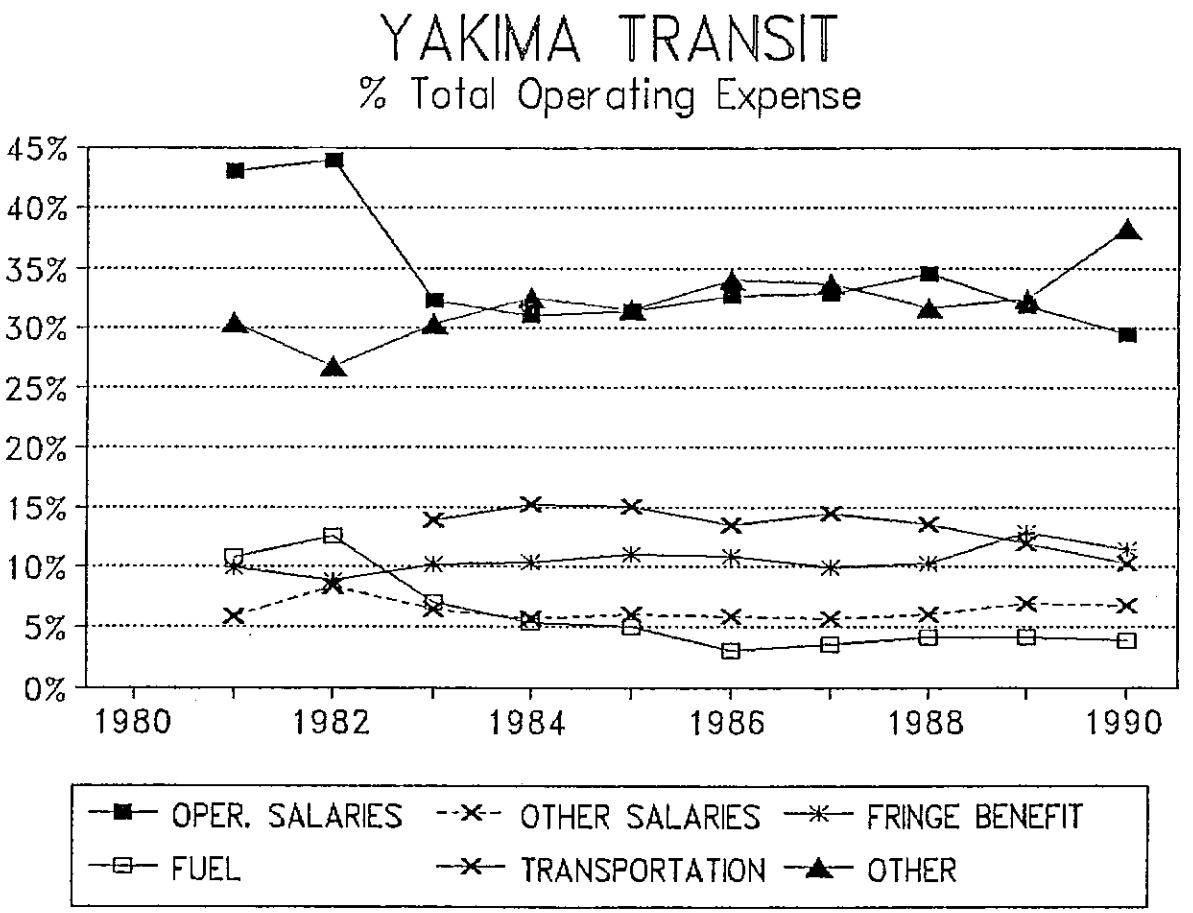
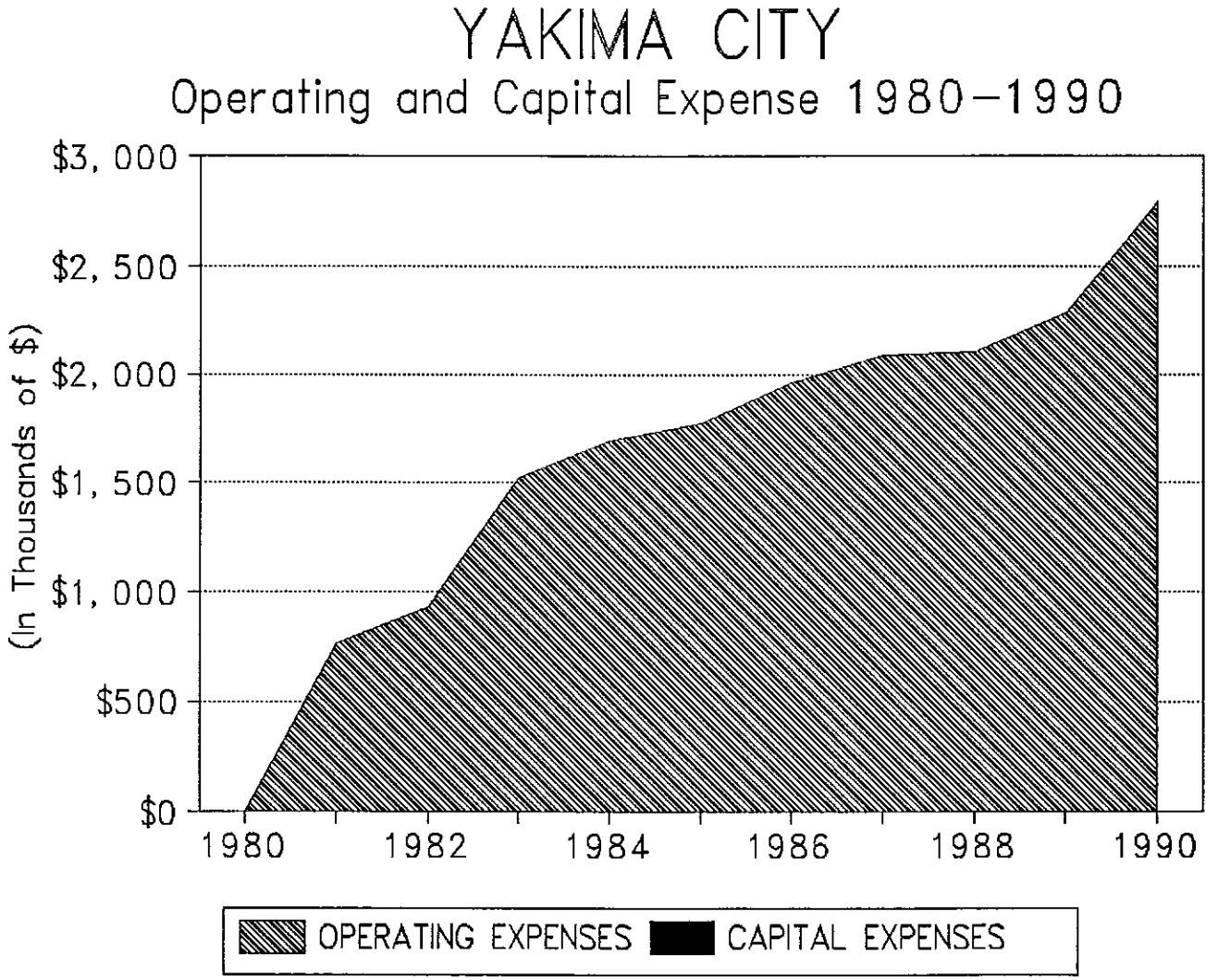

YAKIMA TRANSIT
% Total Operating Expense
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

Figure 3


YAKIMA CITY
Operating and Capital Expense 1980–1990
(In Thousands of $)
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
1980
1982
1984
1986
1988
1990
OPERATING EXPENSES
CAPITAL EXPENSES

PUBLIC TRANSPORTATION STUDY

Task 4C

RELATIONSHIP OF LOCAL TRANSIT REVENUES TO COSTS

Prepared for:

STATE of WASHINGTON

The Legislative Transportation Committee

Prepared by:
Gannett Fleming

in association with:

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Booz·Allen & Hamilton
Berk and Associates

September 5, 1991

RELATIONSHIP OF LOCAL TRANSIT REVENUES TO COSTS

TABLE OF CONTENTS

Abstract - Local Revenue/Cost

The Washington State Public Transportation Study, Task 4C, addresses the factors that affect the relationship between local revenues and the cost of providing service. There are policies at the federal, state, and local levels which do affect the income that is collected by the transit authorities in the state. The policies which affect locally generated revenue are reviewed. A discussion of the fare collection policies of the transit systems is also included. In addition, this paper examines the relationship between revenues and expenditures for the transit systems in the state.

I. Relationship of Local Transit Revenues to Costs

A. Federal Revenue Policies

The Federal Government, within the parameters of the Urban Mass Transportation Administration Act (now the Federal Transit Administration), imposes financial policies on transit authorities in Washington State. Most federal policies affect the expenditure of funds more than they affect the revenue that is generated. For example, federal policies require a competitive bidding process for any item procured using federal funds. This is not an onerous requirement in that it does not affect revenue that is generated at the local level. However, if there is any federal money in a project the federal restrictions apply to the full value of the project.

Another policy which affects expenditures is a labor standards provision in the UMTA Act. Section 13 of the UMTA Act was originally intended to protect transit labor by assuring that they would not lose their jobs. The extent of labor protection has grown and developed. However, once again these provisions do not affect revenue collection but rather revenue expenditures.

Federal requirements exist for the protection of the environment, for transit financial and operating data reporting, for the engagement of disadvantaged and minority business enterprises and also for Buy America provisions. Again, none of these policies affect the generation of revenues, only their expenditure. There are, however, federal policies which do influence the generation of revenue.

Section 3(e) of the UMTA Act requires "participation of private mass transportation companies...to the maximum extent feasible". Since the early 1980's, UMTA grant recipients have been required to show their attempted inclusion of private transportation providers in the planning and operation of transit services at the local level. Philosophically, the administration in the early 1980's felt that, in most cases, private providers could provide service more cheaply and more efficiently than public authorities. Whether or not this is the case, the policy has meant that the revenues from providing such service may not have gone to the public body depending upon how the contract with the private provider was structured. In the State of Washington, there are

contracts to provide paratransit service with private providers and the provider collects and does not even report the income generated. In effect, this service does not add to an authority's income or revenue. True, it theoretically costs an authority less for the contract, but the full financial effect is not clear. The Federal Government has in other ways directly limited the income and revenues capable of generation by public transit authorities in the state.

Section 3(f) of the UMTA Act states that transit authorities "will not engage in charter bus operations outside the urban area in which it (they) provides regularly scheduled service." The original intent of this part of the Act was to protect private charter bus operators from unfair competition from publicly funded mass transportation authorities. For most public providers, Charter business was inexpensive to provide, especially in the middle of the day, between peak transit service. What the policy has done is to eliminate that expanded source of revenue for public transportation agencies. Some public transit vehicles sit unused, mid-day, late in the evening, and on weekends. These vehicles could be used for charter operations outside the regular service area of the authority and thus produce additional revenue. UMTA regulation does permit public authorities to provide such service within their service area (UMTA has defined "service area" to include an area not to exceed fifty miles beyond existing public authority boundaries). Revenue can, therefore, be generated by provision of that service. As might be expected, the provision of this type of service by transit authorities also generates goodwill with the community and provides a public benefit.

Section 3(g) of the UMTA Act prohibits transit authorities from providing "school bus operation exclusively for the transportation of students and personnel" unless agreed to by the Secretary of the U.S. Department Transportation. Some transit authorities in Washington, and other states, provided that service prior to the receipt of federal funds. As such, their school service has been "grandfathered" in and they are exempt from this prohibition. Many authorities in this state and elsewhere have managed to get around this prohibition by establishing such service as part of a regularly scheduled route. In effect, the route provides service for school children but the service is open to any other citizen who wishes to pay the fare and travel the scheduled route. School bus route revenues have proven to be a source of significant revenues for some authorities.

Another significant restriction on local systems revenue was imposed as a result of Section 504 of the Federal Rehabilitation Act of 1973 which required local transit authorities to charge the elderly and handicapped only no more than half that of regularly scheduled transit service. It should be noted that under present ADA regulations, transit authorities, may now charge up to twice the regular fare for paratransit service (State judicial precedence may not allow twice the regular fare to be charged in Washington).

Section 9(k)1 of the Federal Transit Act indicates that "The Federal grant for any project for operating expenses shall not exceed 50 percent of the net project cost of such project. The remainder shall be provided in cash from sources other than federal funds or revenues from the operation of public mass transportation systems. As indicated in the Act:

> "Revenues from the operation of a public mass transportation system shall not include the amount of any revenues derived by such system from the sale of advertising and concessions which is in excess of the amount of such revenues derived by such system from the sale of advertising and concessions in fiscal year 1985. Any public or private transit system funds so provided shall be solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital."

In effect, this portion of the Act discourages advertising and concession revenues though not prohibiting them. Additionally, the Act does not give a system official credit for collecting such revenues in the computation of their local share of matching funds.

Revenues that have been foregone because of the existence of these federal policies are not significant in the case of most Washington State systems. All of the policies have been put into effect after extensive national debate and most are long-standing statutes.

B. State Policies

The State of Washington does not have a state policy concerning fares or farebox revenues. However, all taxing authority is given to local transit authorities by the state legislature. Both MVET and the sales tax are limited in their rate by state legislative action and in the case of the sales tax, no rate increase may be enacted except by action of the voters. In addition, the Business and Occupation (B&O) and household tax is also available only through action of the state legislature. In other words, those tax sources could be taken away from transit authorities. A complete discussion of these revenue sources is included in the Task 2A Report.

Generally, state policies do not infringe upon the revenue generating capabilities of Washington State's transit authorities. There are, however, some state policies which indirectly affect the revenue of the systems. For example, transit authorities in the state, except for Metro, must pay a B&O tax on the fare income they receive. Metro, under the provisions of RCW35.58.560, may receive a credit against their taxes, and in effect, does not pay the B&O tax. For authorities like Pierce and Spokane Transit, this

results in a loss of $40,000 to $60,000 per year, which is taken out of their farebox income and returned to the state.

C. Local Policies

Local transit authorities have the greatest control over both operating and non-operating revenue. It is the local districts that have authority to pass the B&O or household tax to provide a new revenue or to place initiatives on the ballot to adjust the local option sales tax (so long as it is below 0.6%). Most importantly, it is the local districts who set the fare policies which control the operating revenue capabilities of transit systems. Table 1 summarizes by district the policies regarding the percent that farebox revenues are intended to constitute of total revenues. Of the 22 districts in the state, ten have no policy regarding how much of total revenue or expenses farebox should be expected to cover. Two districts, Island County PTBA and Chelan-Douglas have a stated and adopted policy of prepaid fares; in effect no fare is collected at the point of service. A memo from the General Manager of the Chelan-Douglas PTBA is included outlining their philosophy that was taken to the voters for approval in establishing the prepaid fare. Of the remaining ten systems that do have some type of fare policy, only two seem to have a formal board resolution. Several others indicate that their transportation development plan includes a policy on fares. Since the transit boards vote on these plans, they can be considered to be a formal stated policy. A small number of the ten that do not have policies, indicate that there are informal goals which they try to achieve on an annual basis. Many of the districts with fare policies do not achieve, on a consistent basis, their goal. In effect, they use the policy to evaluate where they are and adjust fares on an annual basis.

Figure 1, depicts total revenue, both capital and operating. As a percentage of total revenues, transit fares have generally declined over the past decade from the upper to the mid and lower teens, averaging somewhere in the neighborhood of 14. It should be remembered that total revenues also include those used for capital purposes. In 1990, the farebox covered approximately 19 percent of total operating expenses for all transit systems in the state.

Several of the authorities have some interesting and unique farebox policies. For instance, Table 1 shows that Community Transit has chosen to address transit service and commensurate fares by disaggregating by type of service (e.g., 15 percent return policy for local service, 40 percent return policy for U.W. express service, and 60 percent return policy for commuter service). This policy implies that their local service does not need to return the same farebox level as does their commuter service. It should be noted that commuter service runs in the peak times of the day. Thus, the ridership is

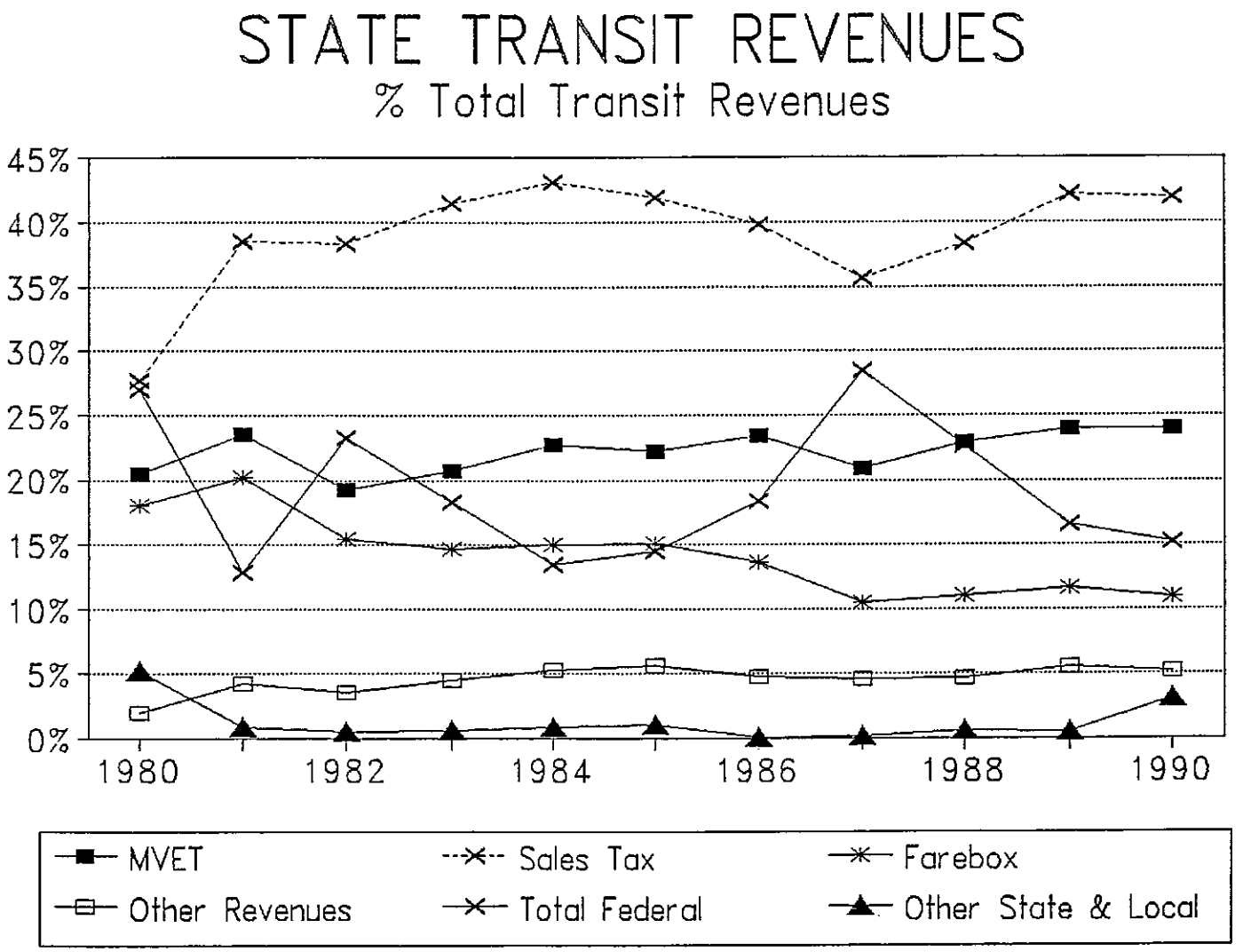
TABLE 1
WASHINGTON STATE TRANSIT SYSTEM
"FAREBOX RETURN" POLICIES

AUTHORITY	EXISTING POLICY	% MANDATE
Benton-Franklin PTBA	No Policy	-
Clallam County PTBA	Yes, by Board Resolution	12% *
Clark County PTBA	Planning Goal - Not Formal	10%
Snohomish County PTBA	In Planning Process - Percent Varies	Local Service 15% UW Express 40% Commuter 60%
Cowlitz PTBA	In 1987 Transportation Development Plan	15%
Everett City	No Policy	-
Grays Harbor County	No Policy	-
Thurston County PTBA	No Policy	-
Island County PTBA	No Policy	-
Jefferson County PTBA	No Policy	-
Kitsap County PTBA	No Policy	-
King County Metro	Adopted by Board	25% **
Pacific County	No Policy	-
Pierce County PTBA	No Policy	-
Prosser City	No Formal Policy Planning Guidance	50%
Pullman City	Planning Goal	25%
Spokane County PTBA	Informal Goal (Fixed Route) (No Goal for Demand Responsive)	20%
Lewis County PTBA	No Policy	-
Walla Walla County PTBA	No Policy	-
Whatcom County PTBA	1985 Transportation Development Plan	12%
Yakima City	Transportation Development Plan	12-15%
Chelan-Douglas PTBA	No Fare	-

* Definition includes Charter and Advertizing in Revenue and excludes administration, marketing and planning from expenses.

** Operating Revenues/Operating Expense, revenues include advertising and other.

Figure 1


STATE TRANSIT REVENUES
% Total Transit Revenues
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
MVET
Sales Tax
Farebox
Other Revenues
Total Federal
Other State & Local

more captive and concentrated than is the local service provided. Hence, a higher percent farebox return policy was established for commuter services than for local services. Assuming that the commuter and express type services are for students or white collar workers, and local service serves the elderly, younger students, disabled, and economically disadvantaged persons, then the farebox policy suggests that the different farebox ratios were established as goals corresponding to the ability of the ridership to pay the fare.

Also unique is that the highest stated and formally adopted farebox return policy is that of Metro at 25 percent. Though both Prosser and Pullman equal or exceed that stated percentage, neither is a formally adopted farebox goal.

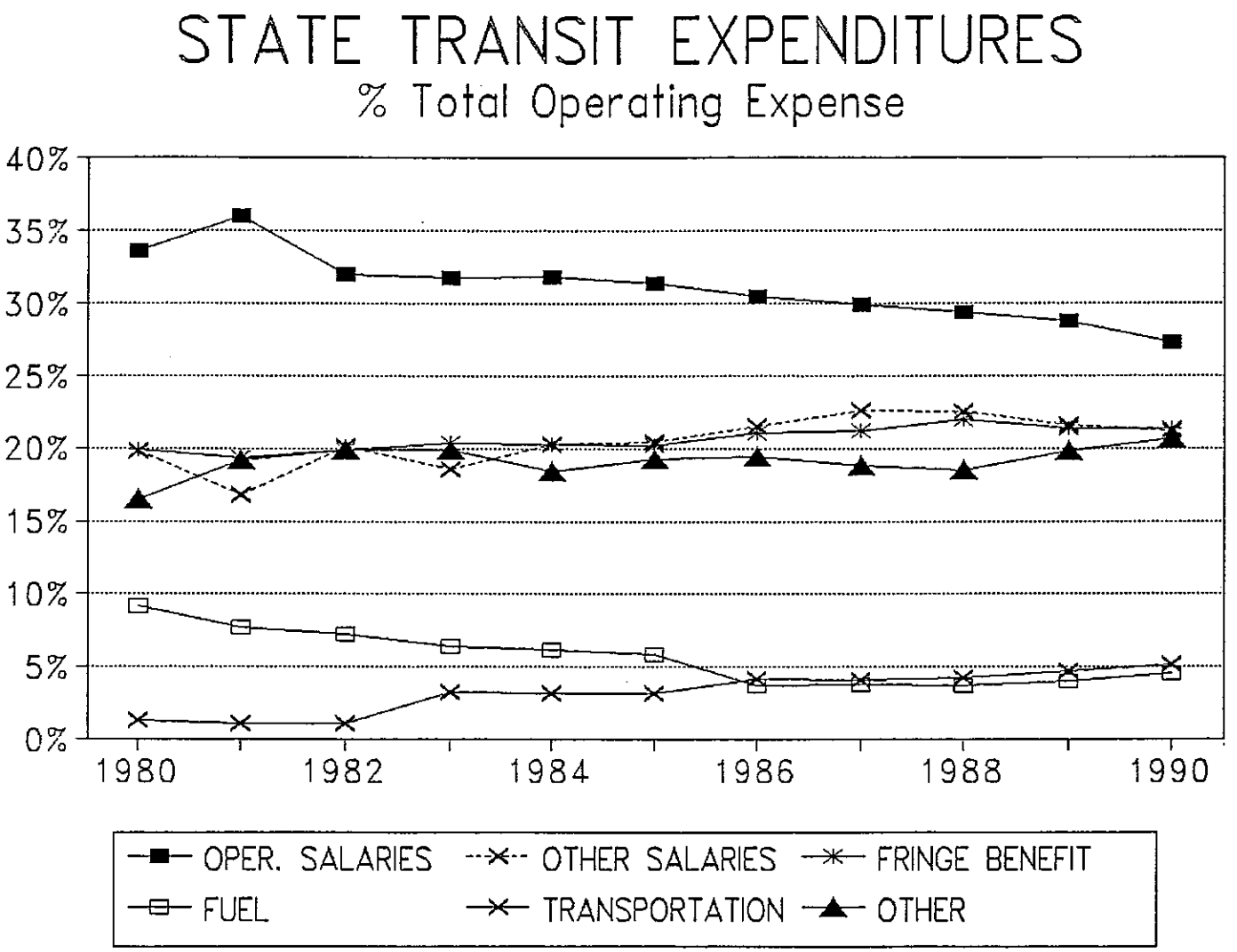
D. Historical Relationship Between Revenues and Expenditures

Figures 1 and 2 and Tables 2 and 3, depict the trend in total transit district revenues and expenditures from 1980 to 1990. Table 2 shows total revenues and Table 3 shows total expenditures. These tables indicate that in 1990, fare revenues ($55 Million) represented 19 percent of total revenues ($291 Million). Figure 1, which shows the trend of revenues across the state, indicates that in 1990 the sales tax provided the largest and most significant percentage (over 40 percent) of total revenues. Over the past decade, the sales tax percentage has varied only slightly and still is the largest revenue source. MVET revenue has remained fairly constant at between 20 and 25 percent of total revenue. Farebox revenue has declined somewhat, averaging about 14 percent of total revenue over the past decade, and about 11 or 12 percent in 1990.

The variability in federal revenues is mostly due to the variability in capital grant revenues provided to the State's transit systems. It is also this variability in federal capital revenues that causes the peaks and valleys of other revenue sources shown on this chart. In other words, high federal capital funding decreases the total percentage of other revenue sources, as occurred in 1987 due to the federal capital grant for the Metro bus tunnel.

Table 3 depicts the expenditure history of transit systems in the state. The relationship between these categories of expenses is shown in Figure 2. The trends illustrated by Figure 2 are fully consistent with the rest of the country. Operating salaries remain the highest category of expenditures and although declining over the past decade, they still average between 25 and 30 percent of total expenditures. One reason for the decline in operating salaries could be the rise in other transportation costs (including purchased transportation from private providers) which have risen over the decade to about 5 percent of total costs. In this case, the 5 percent rise in transportation costs is directly attributable to a 5 percent decrease in operating salaries. However, this does show that there has not been a significant savings difference in turning to the private sector to provide transportation service.

Figure 2


STATE TRANSIT EXPENDITURES
% Total Operating Expense
40%
35%
30%
25%
20%
15%
10%
5%
0%
1980
1982
1984
1986
1988
1990
OPER. SALARIES
OTHER SALARIES
FRINGE BENEFIT
FUEL
TRANSPORTATION
OTHER

STATE, LOCAL, AND FEDERAL REVENUES 1980-1990

TABLE 2

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
STATE & LOCAL(in 000's)											
MVET	32847	40502	50530	55510	63157	67256	80521	87378	93854	105736	121133
Sales Tax	44318	66392	100314	111418	119870	127158	137145	148524	157405	186222	212122
Farebox	28829	34803	40166	39457	41627	45701	46973	43572	45330	51112	55226
Other State&Local Re	8213	1419	1215	1439	2155	3115	256	799	2343	2049	15668
Other Revenues	3094	7183	9193	12044	14517	16905	16373	18924	19137	23971	26103
Total State & Local:	117301	150299	201418	219868	241326	260135	281268	299197	318069	369090	430252
FEDERAL (in 000's)											
Sec. 3 Capital	26396	4,430	37810	28981	8857	10230	4948	77007	72601	36033	6164
Sec. 5, 6, 9 Capital	5225	1,591	4576	4858	14755	19427	29165	29459	9695	25198	59497
Sec. 5, 6, 9 Oper.	11105	14939	16462	13798	12420	11240	11065	10567	9693	10562	9778
Sec. 16, 18, Other Cap.	193	296	742	1122	548	2714	17868	647	204	231	772
Sec. 16, 18, Other Oper	57	226	242	203	302	163	134	216	99	252	413
Other Federal	220	485	999	212	392	210	304	787	299	622	70
Total Capital	31814	6317	43128	34961	24160	32371	51981	107113	82500	61462	66433
Total Operating	11162	15165	16704	14001	12722	11403	11199	10783	9792	10814	10191
Total Federal:	43196	21967	60831	49174	37274	43984	63484	118683	92591	72898	76694
TOTAL REVENUES	160497	172266	262249	269042	278600	304119	344752	417880	410660	441988	506946

WASHINGTON STATEWIDE TRANSIT DISTRICT EXPENSES - YEARS 1980-1990
All dollars are expressed in thousands

Table 3

Operating Expenditures

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Salaries	29,190	44,482	48,651	54,231	59,089	63,042	65,114	66,722	69,334	73,833	79,487
Salaries, Other	17,228	20,755	30,569	31,811	37,602	40,939	45,835	50,342	52,968	55,406	61,553
Fringe Benefits	17,290	23,898	30,172	34,782	37,607	40,461	44,778	47,339	51,667	54,897	62,176
Fuel	7,955	9,427	10,944	10,857	11,407	11,677	7,907	8,371	8,615	10,170	12,988
Purchased Transportation	1,088	1,331	1,646	5,503	5,813	6,148	8,849	8,935	9,982	11,902	14,834
Other	14,297	23,644	30,242	34,047	34,042	38,597	41,427	41,922	43,732	50,824	59,996
Total Operating Expenses	87,048	123,537	152,224	171,231	185,560	200,864	213,910	223,631	236,298	257,032	291,034

Capital Expenditures

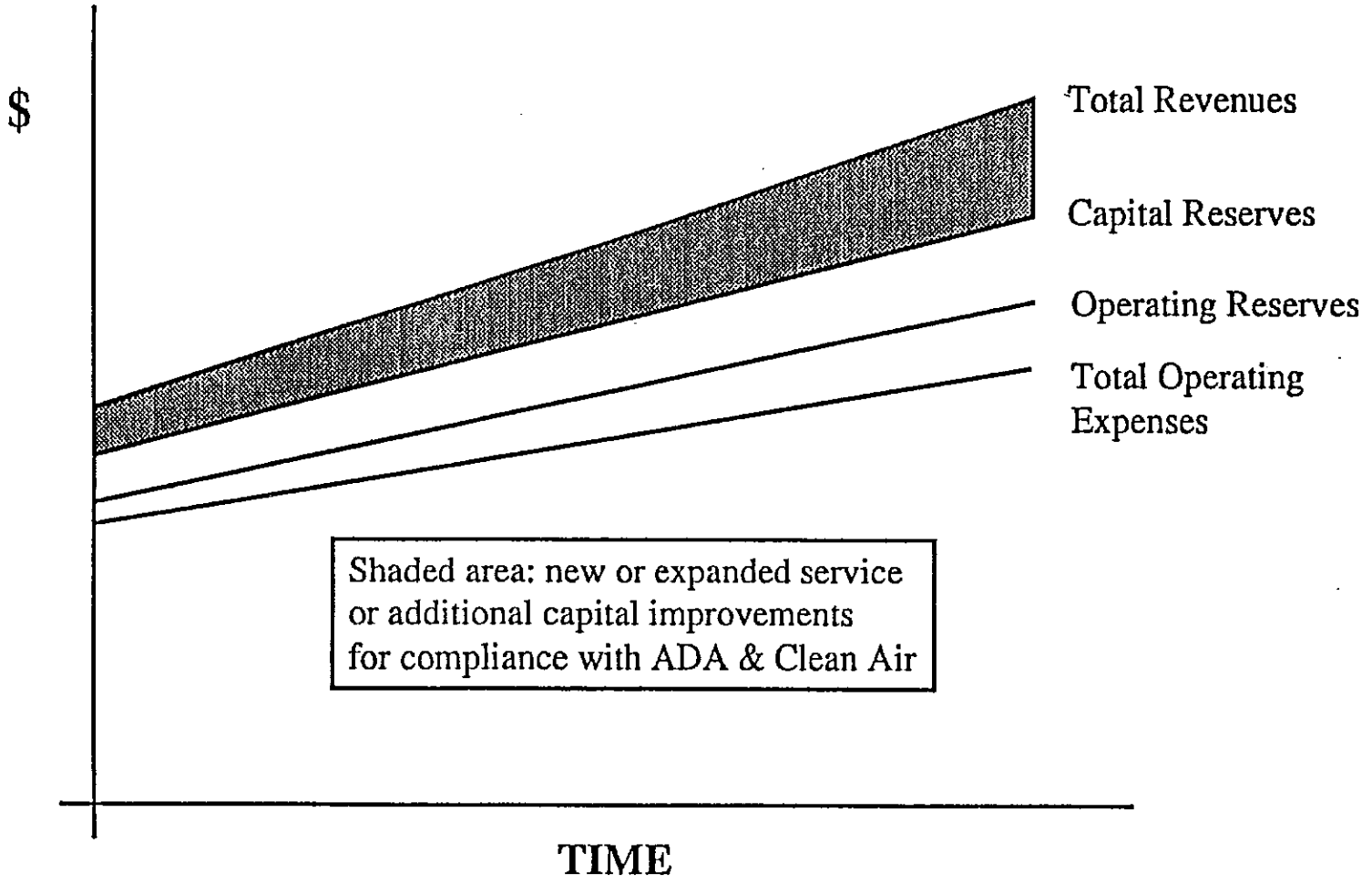
ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Fleet replacement/expansion	32,249	10,319	48,667	29,371	4,762	10,489	34,560	31,622	9,895	12,560	89,845
Other	9,640	10,615	15,461	25,638	43,135	61,334	105,563	158,646	158,828	148,516	119,834
Total Capital Expenses	41,889	20,934	64,128	55,009	47,897	71,823	140,123	190,268	168,723	161,076	209,679
Total Annual Expenses	128,937	144,471	216,352	226,240	233,457	272,687	354,033	413,899	405,021	418,108	500,713

Another national trend is the decrease in the portion of total operating expenses attributable to fuel costs. As can be seen, the fuel cost percentage decreased over the past decade and is now at approximately 5 percent of total cost. It is important to note that drastic changes in fuel costs are not usually significant in terms of the total overall budget of a transit agency. The remaining categories of expenditure, which include other salaries, other expenses, and fringe benefits, have remained fairly constant at about 20 percent each over the past decade.

The expenditure and revenue tables show that expenditures and revenues have both risen about threefold over the past decade. With the exception of 1986, revenues exceeded expenses for each year during that period. When revenues have exceeded costs, the difference has generally been put into capital reserves, operating reserves, or other sinking funds.

Figure 3 depicts this practice. In addition to operating expenses, money is allocated to: 1) operating reserves; 2) capital reserves in the form of either a sinking fund or depreciation; and 3) new or expanded service. Systems in the state now are faced with ADA and/or the Clean Air Act requirements, improvements which may require the use of revenues that would have been dedicated to new or expanded service, the reserve funds, and even possibly existing operating expenses. Several authorities in the state have also indicated that to maintain services at current levels may require more than just adjustments for inflation in cost.

Figure 3


$
Total Revenues
Capital Reserves
Operating Reserves
Total Operating Expenses
Shaded area: new or expanded service or additional capital improvements for compliance with ADA & Clean Air
TIME

II. Relating Cost and Benefits of Public Transit in the State of Washington

Due to the support and encouragement of both state and local governments, Washington State transit systems were able to increase service, facilities, and equipment during the 1980's. The Tasks 3B and 4B Report, (Qualitative and Quantitative Benefits of Public Transportation) demonstrated that there are numerous derivative community benefits from the provision of public transportation services. As ridership increases, so do the benefits. Examples include increased labor pool from which businesses can draw prospective employees, infrastructure (highways) cost avoidance, energy savings, and improved air quality. Not surprisingly, however, increases in expenditures are needed to provide increased service. Accordingly, both capital and operating expenses also increased during the 1980's. A look at costs and service levels will illustrate this relationship.

Table 4 summarizes the trend in national transit ridership over the past decade. Table 4 shows that in the larger urbanized areas of the country (i.e., those areas larger than 100,000 in population) transit ridership declined over the decade. This can be attributed, in part, to several factors including the increase in national economic vitality over the decade, which created additional disposable income which could be spent on automobiles and personal travel. Another factor is the decline in the cost of automotive fuel, and the corresponding decrease in the marginal cost of operating an automobile and since the use of transit is inversely related to the cost of substitute modes these two factors combined to discourage transit usage. A third major factor in the national trend of declining ridership over the past decade was the continued suburbanization of most American cities, which served to move increasingly more residents and employment outside of the traditional transit service areas. This increased dispersion in the population reduced the effectiveness of the service delivery capabilities of many transit systems which thrive within an urban form where more of the jobs and residents are located in smaller, more densely populated, areas.

Table 4 also shows that in the largest areas, a smaller decline in ridership was experienced (i.e., a 1 percent to 5 percent decline in areas over 500,000 population). Areas in the middle ranges (i.e., 100,000 to 500,000 population) experienced a greater ridership decline than the largest populated areas. In the smallest urbanized areas (those from 50,000 to 100,000 in population) and for areas less than 50,000 in population, ridership increased. In fact, in the smallest areas ridership increases were quite dramatic (from 12 percent to 97 percent). Nationwide, a 2 percent decrease in ridership occurred over the past decade.

These national trends are an effective reference point in starting to analyze changes in Washington State transit ridership. Table 5 has been prepared to highlight Washington State ridership activity by system from 1980 to 1990. It should be noted

that in the early 1980's, transit data was either not kept, not uniformly defined or recorded but not reported. The first full year of consistent statewide transit ridership data collected from both Federal Section 15 reports and individual transit systems was 1983. It is important to note that in 1980, only 8 of the 22 existing systems in the state were recognized by the federal government as operating public entities. Eight others existed in some form but were not recording or reporting data to the federal or state government. Seven systems which exist today did not exist in 1980.

TABLE 4
U.S. NATIONAL TRANSIT RIDERSHIP
(Unlinked Trips)
For Motor Bus, Trolley Bus, and Demand Responsive Vehicles

1980 - 1990

URBANIZED AREA SIZE	1980 (Millions)	1990 (Millions)	PRELIMINARY PERCENT CHANGE
2 M >	3,324	3,289	-1%
500 K to 2 M	1,550	1,480	-5%
250 K to 500 K	408	327	-20%
100 K to 250 K	309	231	-25%
50 K to 100 K	91	102	+12%
< 50 K	155	305	+97%
TOTAL	5,837	5,734	-2%

SOURCE: "Transit Fact Book" 1990 Edition American Public Transit Association, September 1990.

Table 6 provides transit ridership by the system groupings utilized in the Task 2E Report, Appropriateness and Adequacy of Current Funding. The average urbanized area population for each Washington State group of systems is indicated to enable comparison with national ridership figures provided in Table 4.

Comparing the data contained in Tables 4 and 6 shows that transit ridership has increased significantly more, both by urbanized area size and in total, in Washington State than it has nationally during the 1980's. In fact, while total national ridership decreased 2 percent over the period 1980 to 1990, Washington State ridership increased just over 17 percent over the period 1983 to 1990. These

TABLE 5
WASHINGTON STATE
TRANSIT RIDERSHIP TRENDS
(000's)

TRANSIT SYSTEM	1980	1983	1990	1983-1990 PERCENT CHANGE
Benton-Franklin PTBA	-	2,105	2,785	+32.3%
Chelan-Douglas PTBA	-	-	-	-
Clallam County PTBA	41	461	615	+33%
Clark County PTBA	-	1,838	3,132	+70%
Cowlitz PTBA	-	48 (1)	287	+500%
Everett City	-	1,671	1,515	-9%
Grays Harbor County	783	1,147	1,257	+10%
Island County PTBA	-	-	370	-
Jefferson County PTBA	-	155	207	+34%
King County Metro	85,930	81,250	95,410	17.4%
Kitsap County PTBA	-	2,015	2,699	+34%
Lewis County PTBA	142	156	191	+22%
Pacific County	46	98	181	+85%
Pierce County PTBA	9,418	10,566	10,727	+1.5%
Prosser City	10	6	24	+300%
Pullman City	443	355	698	+97%
Snohomish County PTBA	-	3,095	4,413	+43%
Spokane County PTBA	-	7,496	7,293	-2.7%
Thurston County PTBA	-	2,112	2,620	+24%
Walla Walla County PTBA	-	816	769	-6%
Whatcom County PTBA	-	1,200	1,700	42%
Yakima City	-	969	1,308	+35%

(1) Possible Partial Year Data

increases in ridership occurred despite the previously cited external factors (increased disposable income, reduced fuel costs, increased suburbanization) which serve to discourage the shift from auto mode to transit mode.

To put the ridership in some context it is important to make some comparison to the levels of service provided over the period in question. Table 7, illustrates, by transit district, total revenue vehicle miles, a measure of local transit service levels, including percent changes from 1980, or the first available year of data.

TABLE 6
STATE OF WASHINGTON
1983-1990 TRANSIT RIDERSHIP

Transit System Grouping	1989 Average Urbanized Area Population ('000)	Table 4 Urbanized Area Size	1983 Ridership	1990 Ridership	1983-1990 Percent Change
A	1,414	500 K to 2 M	81,250	95,410	17.4%
B	411	250 K to 500 K	21,157	22,145	4.7%
C	143	100 K to 250 K	5,958	8,616	44.6%
D	60	50 K to 100 K	8,376	9,784	16.8%
E	22	< 50 K	818	1,958	139.4%
TOTAL			117,559	137,913	17.3%

Table 7 illustrates, in some cases, dramatic increases in the level of service provided by individual transit systems. Seven of the 17 systems reporting data in both the early 1980's and 1990 show revenue miles per capita increases of 50 percent or greater; four systems show increases of 100 percent or better. (The range of change statewide is from -20 percent to +232 percent.) Revenue miles per capita in the early 1980's ranged from 4.5 to 19.6, with a statewide total of 15.4 revenue miles per capita. In 1990, revenue miles per capita ranged from 4.9 to 26.2, or a total of 18.4 revenue miles per capita statewide. This represents an increase in revenue miles per capita statewide of 19 percent from the early 1980's to 1990. This accomplishment, along with the increase in ridership, is in contrast to service level reductions experienced by peer systems across the country.

Another useful illustration of increased levels of service throughout the State is the share of population within transit service areas relative to total State population. Based on information collected during the survey process and supplemental data from the Office of Financial Management, approximately 45 percent of the State population had access to transit in 1980 compared with almost 78 percent by the year 1990.

The conclusion that was drawn from the surveys and interviews of each transit authority, and in reviewing performance measures such as revenue miles per capita, was that the transit systems in this state have for the most part increased transit ridership. It appears that peer systems across the country have faced either stagnant or declining levels of service and ridership. In this state, systems have generally maintained or increased the levels of service and maintained or increased their ridership.

These increases in service (ridership and revenue miles per capita) were achieved by investing in facilities, equipment and service. The figures in Table 3 shows that total expenditures increased approximately 121 percent from 1983 to 1990. This increase includes the increased costs associated with inflation, expanded service levels within the existing eight districts, and the creation of several new transit districts and those associated start up costs.

As was explained in Tasks 3B and 4B Reports, the provision of transit service and an increase in transit ridership has positive benefits to the state and the community. The increase in ridership results in benefits to the state and community as indicated in the Tasks 3B and 4B Benefits Report.

TABLE 7
WASHINGTON STATE
TRANSIT SYSTEM REVENUE MILES PER CAPITA

TRANSIT SYSTEM	YEAR	1980's * REVENUE MILES/CAPITA	1990 REVENUE MILES/CAPITA	PERCENT CHANGE
Benton-Franklin	1982	7.9	26.2	+232%
Chelan-Douglas	N/A	N/A	N/A	-
Clallam	N/A	N/A	17.0	-
Clark	1981	4.6 **	13.5	+193%
Cowlitz	1983	4.5	4.9	+9%
Everett	1981	14.1	17.2	+22%
Grays Harbor	N/A	N/A	N/A	-
Island	N/A	N/A	17.4	-
Jefferson	1981	11.5 **	24.0	+109%
King County Metro	1983	19.6	21.5	+10%
Kitsap	1983	16.7	15.2	-9%
Lewis	1980	9.7	9.9	+2%
Pacific	1980	8.4	23.7	+182%
Pierce	1981	12.3	16.5	+34%
Prosser	N/A	N/A	N/A	-
Pullman	1980	9.0	7.2	-20%
Snohomish	1983	12.2	15.1	+24%
Spokane	1982	12.9	18.6	+44%
Thurston	1981	10.7	20.0	+87%
Walla Walla	1981	7.6	12.2	+61%
Whatcom	1983	11.3	11.0	-3%
Yakima	1981	8.8	13.2	+50%
STATEWIDE***		15.4	18.4	19%

* First data available varies between 1980, 1981, 1982, and 1983
** Possible Partial Year Data
*** Total revenue miles per capita on statewide basis; not an average of district numbers.

II. Conclusion

In conclusion, transit expenses in the State of Washington have increased. Those increases are not solely attributable to inflation and increases in uncontrolled costs, but are more properly attributed by increases in service offered to the public. That service has tended to attract a steady and, in many instances, an increasing level of patronage from the community.

Both the federal and state government have had little effect on the revenue policies of local transit authorities. If revenue is considered to be other grants and aid, then the shift in the 1980's from massive federal assistance to state assistance is evident. The primary driver of local revenue policies is the local transit board. The boards decide the relationship of local taxes and fares in the total revenue that the agencies collect.

There are several other conclusions that can be drawn about the relationship of costs, services, and benefits.

- In Washington State operating cost increases in the 1980's increased statewide from $171 million to $291 million from 1983 to 1990. There is every evidence, however, that these increases were not just inflationary, but were instead translated into direct service increases as the percentage of total state population with access to transit increased from 45 percent in 1980 to 78 percent in 1990.

- Washington State ridership has for the most part shown to be higher in 1990 than at the start of the decade compared to decreases in national ridership trends. In the 1980's, national ridership decreased by two percent, while Washington State's ridership increased by 17 percent.

- From the early 1980's until 1990, Washington State systems have also placed a great deal more service on the road evident in the increase in revenue miles per capita, which increased 19 percent over that period.

- Both increased ridership and levels of service can be said to have generated increased community benefits. (see also Tasks 3B and 4B Report)

Link
Chelan-Douglas
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TO: Legislative Transportation Committee

FROM: Ken Hamm, General Manager
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SUBJECT: Sharing the Prepaid Philosophy

During the Legislative Transportation Study and recent related forums, there has been an increasing emphasis on the quantification of public transit systems, and tying that performance to future funding opportunities. The percent of operating cost recovered through fare box revenues appears to be the favorite method of measuring system efficiency or effectiveness. This emphasis ignores other transportation applications currently utilized in Washington State and would jeopardize funding for those organizations.

Specifically, this paper is intended to share the perspective and philosophy of "Fare Free" or "Prepaid" transportation services. The citizens of the Chelan/ Douglas PTBA (dba Link) have mandated policies related to the provision of public transportation services that embody the true spirit of public service. These progressive thinkers recognize that public transportation services, like public libraries, emergency services, and water/ sewage services, are a benefit to the communities beyond the cost of service. Those intangible benefits provide an improved quality of life; the value of which extends far beyond any financial benefit derived from a users fee.

For this region of the state, the philosophy adopted acknowledges the initial cost for start of new services and an ongoing need to fund continued delivery of that service. As it relates to the PTBA, this was legislated by our citizenry when they approved the sales tax initiative of four tenths of one percent in September of 1990. It was felt that an individual users fee, a fare collected for riding transportation services, double charges the user. It presents a barrier to citizens that is contrary to the PTBA's mission and goals. It works against the benefits derived from public transportation services.

The Chelan/ Douglas PTBA's decision makers, the board of directors and citizens advisory board, identified goals for this new transportation system that included:

1. To develop policies that provide quality services to all market segments of the PTBA. Recognizing that a significant percentage of users will be the elderly, youth, handicapped, and economically disadvantaged, policy makers did not want to put an additional use fee on services, thus further impacting some citizens.

2. To develop services that are responsive to the needs of the public. People want mobility to enhance their quality of life opportunities. Moving people by public transportation in these communities enhances economic development, improves air quality, reduces traffic, which fulfills some of the public service responsibility.

3. To develop prudent fiscal policies which are efficient in the utilization of public funds. The decision here is to commit to a local tax base that provides a reliable, predictable, and sufficient financial foundation. For small rural transportation applications, like Chelan/ Douglas PTBA , the capital outlay for fare collection, storage and counting equipment would be substantial, even if some services could be contracted. Added to the costs of accounting would also be the printing and distribution of fare and customer information materials. Weighed against the projected fare box revenue there would be limited benefit, if any, that could be derived from implementation of a fare structure.

4. To offer quality transportation services to the mobility disadvantaged. Use fares are more than economic barriers. It is difficult enough to interpret how to ride. The most fear and confusion comes from concern over how to pay, when to pay, exact fare, how much, and sometimes the embarrassment of being incorrect. This is magnified for people with disabilities. The no fare policy eliminates additional barriers by simplifying use and improving understanding.

5. To provide public transportation which is "affordable". Having a fare free system provides a market situation where the customer doesn't have to make a choice based on their pocketbook.

6. Finally, number six stipulates developing services that enhance the quality of life, community pride and image of the region as a desirable location to live, work and visit. Too many decision makers wait to make decisions about quality of life, community pride and regional image until a major problem presents itself. Facing the issues of our environment, including air quality, traffic congestion, growth management, infrastructure, mobility equality and others, is sharing a vision for the future and making a commitment to an improved tomorrow.

In general, there appears to be a mindset among a significant number of elected officials that tariffs are a must for organizations transporting goods and people. However, that is not consistently legislated. For example, this state taxes citizens for the construction and maintenance of highways, but there is no per trip user fee once the highway system is operable. Why are transit users any different? Other analogies can be drawn to demonstrate the disparate treatment of public transportation versus other public services. Sewer systems are constructed and maintained by assessment of the taxpayer as a quality of life issue. Once developed, there is no user fee for each time an individual utilizes the system. Why is one public service that addresses environmental concerns legislated so much differently than another. The decision at Chelan/ Douglas PTBA addresses the total benefit derived from public transportation services.

In conclusion, it is our hope that legislators will recognize the value of new public service philosophies as viable alternatives to traditional applications. The leaders in the Chelan/ Douglas area believe that the needs of the citizenry and visitors, the

quality of life, community pride and regional image, are best served by public transportation services through a prepaid or fare free philosophy. It is believed that innovative policies, like these, better solve the issues of growth and development for our communities. There should not be mandates thrown at these communities by state governance that potentially disadvantages them financially. Legislators must recognize that the measures of efficiency and effectiveness in one region can be quite different from those of another. It does not make sense, for example, to harness a small rural community with the same methodology or performance measures of a large metropolitan community.

Our hope is that each legislator will see the wisdom of local evaluation. As the Legislative Transportation Study consultants have already concluded, the transit systems of Washington State and their management, are far ahead of most states by comparisons of innovation, effectiveness and efficiency.

cc: Matrix Management Group
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