

**POTOMAC AND RAPPAHANNOCK  
TRANSPORTATION COMMISSION**

**RESOLUTION**

**MOTION:** \_\_\_\_\_

**RESOLUTION NO. 08-07-\_\_\_\_\_  
OFFICIAL COMMISSION MEETING  
JULY 17, 2008**

**SECOND:** \_\_\_\_\_

**RE: PROPOSED PLAN FOR ADDRESSING THE EFFECTS OF RAPID RISE IN FUEL  
PRICES**

**WHEREAS**, the unprecedented rise in fuel prices is compelling the Potomac and Rappahannock Transportation Commission (hereinafter also referred to as "PRTC" or the "Commission") to incur much higher fuel expenditures than budgeted and swelling ridership to the point that it is straining available capacity; and

**WHEREAS**, the resultant passenger revenue gains are much less than the increased fuel expense, let alone the expense of service increases that the surge is necessitating to avert overcrowding; and

**WHEREAS**, these conditions necessitate a plan to cover unbudgeted expenses; and

**WHEREAS**, management has developed a proposed plan and presented it to the PRTC for consideration; and

**WHEREAS**, the Commission finds that the proposed plan is well conceived and deserving of support; and

**WHEREAS**, elements of the proposed plan – a proposed FY 2009 fare increase and a proposed fare indexing policy to guide fare pricing in FY 2010 and beyond – require a public review process before they can be considered for adoption; and

**WHEREAS**, a public review process as required must be authorized by the Commission.

**NOW, THEREFORE, BE IT RESOLVED** that the Potomac and Rappahannock Transportation Commission does hereby authorize the start of a public review process to invite reaction to the proposed FY 2009 fare increase and fare indexing policy; and

**ITEM 12-B.2**

**(12 PAGES)**

**BE IT FURTHER RESOLVED** that the Commission approves the proposed plan in principle, with the understanding that:

- The “FY 2009 fare increase” and “fare indexing policy” elements of the proposed plan are being endorsed at this time only as a basis for inviting public comment, and are subject to change after public comments have been solicited and considered;
- The size of the “supplemental appropriation” element of the proposed plan is tentative and will be finalized in time for the mid-year budget revision based on actual expenditures and revenues leading up to that recalculation; and
- Adoption of an FY 2009 fare increase, fare indexing policy, and supplemental appropriation will require a further approval by the Commission and, in the case of the supplemental appropriation, approval by the Prince William Board of Supervisors, the Manassas City Council, and the Governing Body of the City of Manassas Park.

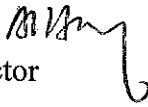


Potomac and Rappahannock  
Transportation Commission

14700 Potomac Mills Road  
Woodbridge, VA 22192

July 17, 2008

TO: Chairman Jones and Commissioners

FROM: Alfred H. Harf   
Executive Director

RE: Proposed Plan for Addressing the Effects of Rapid Rise in Fuel Prices

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Recommendation:

Approve proposed plan in principle, with companion authorizations elsewhere on this month's agenda for particular elements of the proposed plan. The companion authorization on this month's agenda pertaining to two of the elements – a proposed FY 2009 fare increase and a proposed fare policy – would simply authorize the start of a public review process, following which management would seek the Commission's approval to adopt a final version of the proposed fare increase and fare policy that takes the public review comments into account.

Background:

In June 2008, management informed the Commission that the unprecedented rise in fuel prices is compelling PRTC to incur much higher fuel expenditures than budgeted and swelling ridership to the point that it is straining available capacity. While the ridership surge is a welcome challenge, the resultant passenger revenue gains are much less than the increased fuel expense, let alone the expense of service increases that the surge is necessitating to avert overcrowding. Consequently, management also informed the Commission that a proposed plan to address these conditions was being developed, and would be presented at the July Commission meeting for the Commission's consideration.

The proposed plan is detailed in the attached PowerPoint presentation, and a summary of it follows. It envisions:

- Increased expenditures in FY 2009 for both fuel and bus service hours;
- Deferral of specified budgeted expenditures to free up resources that can defray a portion of the increased fuel/bus service hours expenditures;

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Chairman Jones and Commissioners

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- Tapping budgeted local funds that have been “freed up” by higher-than-budgeted state grant participation rates so these funds can also be used to defray a portion of the increased fuel/bus service hours expenditures;
- Expediting the purchase of new buses that are budgeted, by use of an “internal bridge loan” so the procurement does not have to await the receipt of the grant funding which will ultimately pay for these buses;
- Retention of three retirement-age buses that under normal circumstances would be auctioned, so they can be retained in the contingency fleet and deployed as necessary if the existing active fleet is inadequate to accommodate continued ridership growth;
- A proposed fare increase in FY 2009 to generate some of the revenue necessary to fully fund the proposed plan;
- A proposed fare indexing policy for FY 2010 and beyond to establish a structure for maintaining a sensible balance between what riders pay for service and what the taxpayers at-large pay in the form of local subsidy as costs rise; and
- A supplemental appropriation of 2% motor fuels tax funding by PRTC’s three bus-sponsoring jurisdictions, using adopted cost-sharing principles, to cover the remaining costs of the proposed plan that are not covered by the foregoing.

A brief further elaboration on the last three bullet points is warranted here. Both the proposed FY 2009 fare increase and proposed fare indexing policy trigger the need for a public review process, so the pertinent companion authorization elsewhere on this month’s meeting agenda would simply authorize the start of that public review process – neither the fare increase nor the fare indexing policy would be adopted at this time. After the public review process has run its course, management would assess whether changes are warranted in light of the comments received, and make a final recommendation for the Commission’s consideration, probably at the October 2008 Commission meeting. Thus if a fare increase is enacted in FY 2009, it would not occur until late in calendar year 2008, roughly at mid-year.

With regard to the proposed supplemental appropriation, management is not proposing that it occur at this time – waiting until mid-year is sensible so the magnitude of what’s required can be sized more precisely based on how actual expenditures for fuel and service materialize over the first half of the year. The number appearing in the presentation -- \$534,550-- is an estimate derived from estimates of costs and revenues associated with all the other elements of the proposed plan, so it is subject to change. Having such an estimate serves the useful purpose of allowing comparison to the increased fuel tax yields that the three PRTC bus service-sponsoring jurisdictions stand to realize from the fuel price increases, though these are also estimates (conservative) that are subject to change. The estimated increases in fuel tax yields are also present in the PowerPoint, and they are substantially greater for all three jurisdictions than the magnitude of the estimated supplemental appropriation.

Chairman Jones and Commissioners  
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Fiscal Impact:

Estimated increases in expenditures (beyond budget) amount to \$1,533,000 (for fuel and bus service hours less the added passenger revenue resulting from more service). Estimated budgeted resources that would be freed up to defray a portion of these increased expenditures amount to \$631,000 (as a result of deferred budgeted expenses and higher-than-budgeted state grant participation rates). The difference -- a deficit of \$902,000 -- would be covered by the proposed FY 2009 fare increase (\$367,450 assuming is operative for six months of the fiscal year) and the supplemental appropriation (estimated at \$534,550 for the three PRTC bus-sponsoring jurisdictions collectively).

Attachment: As stated

## **Proposed Plan for Addressing Effects of Rapid Rise in Fuel Prices**

Presentation to  
Potomac and Rappahannock  
Transportation Commission  
July 17, 2008

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### **Purpose**

- Discuss proposed plan
- Seek approval of proposed plan in principle
- Seek authorization to commence public review process on elements of the plan warranting such a review
  - Proposed FY 2009 fare increase
  - Proposed fare policy for FY 2010 and beyond

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### **Elements of the Proposed Plan**

1. FY 2009 budget adjustments for expense increases
  - Fuel
  - Increased revenue hours of service to counter overcrowding / respond to demand on existing services
2. FY 2009 budget adjustments for expense reductions and favorable revenue variances to partially fund the expense increases
3. A proposed FY 2009 fare increase
4. A proposed fare indexing policy for FY 2010 and beyond
5. Expedited purchase of budgeted buses with an internal bridge loan
6. A supplemental appropriation in FY 2009 drawn from higher fuel tax yields at mid-year

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### **Effects of Rapid Rise in Fuel Prices on PRTC -- Summary**

- Much higher fuel costs than budgeted
- Many more riders seeking refuge from higher fuel prices -- straining available capacity
- Revenue yield from 2% motor fuels tax higher than anticipated

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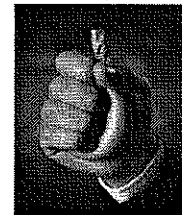
### **Fuel Expenses**

- PRTC budgeted @ \$3.00/gallon in FY 2009; in contrast
  - Lock-ins for July through October average \$4.28/gallon
- PRTC Fuel expense prognosis for all of FY 2009
  - Based on EIA's latest FY 2009 price projection (\$4.02/gallon) plus PRTC's delivery surcharge (\$0.026/gallon), PRTC's FY 2009 expense would be \$1.34 million more than budgeted
- Management's proposed plan premised on fuel costing \$1.34 million more than presently budgeted

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### **Ridership Growth / Capacity Strains**

- OmniRide / Metro-Direct and OmniLink up 15.9% and 16.5%, respectively\*, since February 2008
- Capacity strains
  - Bus fleet
  - Storage yard
  - Budget



\* June 2008 vs. February 2008 average daily ridership

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### Capacity Issues -- Fleet

- Virtually all of PRTC's buses (including new ones that arrived in May) are in use (only three 1989-vintage contingency fleet buses in reserve)
- Four more buses budgeted for acquisition (two budgeted in FY 2008 and two budgeted in FY 2009) which could be delivered as soon as 5-9 months from now if purchase is expedited\*

\* Bus purchase authorization elsewhere on this month's agenda is for eight buses – the four that are budgeted and four more that VDOT will fund for the Tyson's bus route that is part of the Beltway HOT lanes TDM plan

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### Capacity Issues – Storage Yard

- Completed expansion is 100% utilized by PRTC's current active and contingency fleet – no room for more without resumption of "doubling up"
- New westerly maintenance facility is a few years off at best (construction pushed out beyond five-year plan because of budget constraints)

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### Capacity Issues – Budget

- FY 2009 budget has allowance for 14 more annualized revenue hours of service to ease overcrowding, all but 3.5 of which have already been deployed to ease existing overcrowding at the outset of the fiscal year
- Because there are no signs of gas prices abating, continued ridership growth beyond PRTC's capacity constraints seems certain

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### Effects on 2% Motor Fuels Tax Yield

- Because the tax is percentage-based (not cents per gallon-based), tax yields increase as the price increases
- Source data for yield estimates
  - Price projections from the Federal Energy Information Administration (EIA)
  - Consumption projections from the State Department of Taxation
- Taxation's consumption projections lowered to account for reduced driving drawing on CBO research\*
  - Short-run elasticity of -0.06
  - Long-run elasticity of -0.4 if current prices persist for 15 years or longer
  - PRTC management proposes to use a -0.2 elasticity rate

\* Effects of Gasoline Prices on Driving Behavior and Vehicle Markets, Congressional Budget Office (CBO), January 2008

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### Effects on 2% Motor Fuels Tax Yield – FY 2009

| Jurisdiction   | Projected Yield at Time of Budget Preparation <sup>1</sup> | Latest Projected Yield <sup>2</sup> | Change      |
|----------------|--|-------------------------------------|-------------|
| Prince William | \$14,130,792   | \$17,210,596                        | \$3,079,804 |
| Manassas       | \$1,817,790  | \$2,213,978                         | \$396,188   |
| Manassas Park  | \$1,022,948  | \$1,245,899                         | \$222,951   |
| Stafford       | \$4,693,803  | \$5,716,817                         | \$1,023,014 |
| Fredericksburg | \$1,850,713  | \$2,254,075                         | \$403,362   |

<sup>1</sup> Based on 3/08 EIA FY 2009 projection for regular unleaded gasoline/gallon of \$3.13

<sup>2</sup> Based on 6/08 EIA FY 2009 projection of \$4.05/gallon and consumption elasticity of -0.2

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### Effects on 2% Motor Fuels Tax Yield – Over Full Five Year Plan

| Jurisdiction   | Projected Yield at Time of Budget Preparation <sup>1</sup> | Latest Projected Yield <sup>2</sup> | Change       |
|----------------|--|-------------------------------------|--------------|
| Prince William | \$69,300,864   | \$84,335,628                        | \$15,034,764 |
| Manassas       | \$8,914,888  | \$10,848,967                        | \$1,934,079  |
| Manassas Park  | \$5,016,788  | \$6,105,177                         | \$1,088,389  |
| Stafford       | \$23,019,559   | \$28,013,634                        | \$4,994,075  |
| Fredericksburg | \$9,076,349  | \$11,045,456                        | \$1,969,107  |

<sup>1</sup> Based on 3/08 EIA FY 2009 projection for regular unleaded gasoline/gallon of \$3.13

<sup>2</sup> Based on 6/08 EIA FY 2009 projection of \$4.05/gallon and consumption elasticity of -0.2

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**Increased Tax Yield vs. Increased PRTC / VRE Fuel Expense – Prince William Example**

- Projected increased FY 2009 fuel tax yield -- \$3.08 million
- Projected fuel expense unfavorable variance (FY 2009)
  - PRTC \$1.34 million
  - VRE \$2.92 million\*
- Whatever the share of unfavorable fuel cost variance covered by a supplemental appropriation, Prince William's share would be
  - 98.7% for PRTC
  - 37.7% for VRE

\* VRE budgeted \$2.38/gallon for fuel in FY 2009, or \$1.64/gallon less than VRE's latest projection aided by its fuel consultant. Prince William bears 37.7% of overall VRE subsidy

**Increased Tax Yield vs. Increased PRTC / VRE Fuel Expense – Prince William Example**

| If the % of overall fuel expense for PRTC / VRE fuel in FY 2009 is covered by a supplemental appropriation, it | Prince William's share of the overall variance would be | And Prince William's projected increase in fuel tax yield would be a total number of \$/gallon |
|--|---|--|
| 20%  | \$0.484 million   | 6.36   |
| 40%  | \$0.968 million   | 3.18   |
| 60%  | \$1.452 million   | 2.12   |
| 80%  | \$1.936 million   | 1.59   |
| 100%   | \$2.420 million   | 1.27   |

**PRTC Management's Proposed Plan**

| Item   | Amount        |
|--|---------------|
| <b>Budget adjustments</b>  |               |
| Supplement FY 2009 daily bus revenue hours by 10.5, restoring the 14 hours intended for the year   | (\$291,000)   |
| Increase passenger revenue to account for added hours of service   | \$97,000      |
| Increase fuel budget   | (\$1,389,000) |
| Account for higher than budgeted state grant revenue related to bus services   | \$541,000     |
| Reduce other budgeted expenditures (overtime, fringe benefits, professional services, facility maintenance initiatives, conference attendance) | \$90,000      |
| <b>Bus / bus farebox initiatives</b>   |               |
| Expedited purchase of 8 57-passenger buses via state contract / Internal bridge loan (4 budgeted; 4 for state-funded Tyson's service)          | N/A           |
| Expedited purchase of 8 fareboxes  |               |
| Retention of 3 '89 vintage RTS buses for contingency fleet   |               |
| Proposed fare increase / fare indexing policy – public review process  | \$367,450     |
| Supplemental appropriation from PRTC bus-sponsoring jurisdictions, tapping increased 2% motor fuels tax yields*                                | \$534,550*    |

\* This is premised on fuel costing \$4.046 / gallon on average, meaning an unfavorable variance of \$1.34 million in FY 2009. Supplemental request at mid-year would be higher if variance is greater.

**Prospective Supplemental Appropriation**

**A Closer Look At the Prospective Supplemental Appropriation**

- \$534,550 amounts to 39.9% of the projected PRTC fuel expense unfavorable variance
- Proposed supplemental would be borne by the three PRTC bus-sponsoring jurisdictions
  - Prince William County -- \$527,654
  - Manassas -- \$4,170
  - Manassas Park -- \$2,726
- Magnitude of proposed supplemental subject to revision at mid-year
  - Better handle on actual fuel costs
  - Fate of fare increase proposal will be known

**Proposed FY 2009 Fare Increase Revenue Yield – How Was Target Chosen?**

- PRTC has had a long-standing aim of maintaining a balance between amount that riders and taxpayers pay
- Riders' fares have consistently been no less than 25% of total costs before FY 2009

| Fiscal Year                       | Total Operating Budget | Fare Revenue | Farebox Recovery |
|-----------------------------------|------------------------|--------------|------------------|
| 2004                              | \$14,599,564           | \$4,024,217  | 27.6%            |
| 2005                              | \$16,308,139           | \$4,787,233  | 29.4%            |
| 2006                              | \$18,981,029           | \$4,920,964  | 25.9%            |
| 2007                              | \$21,217,378           | \$5,345,826  | 25.1%            |
| 2008                              | \$23,833,600           | \$6,861,500  | 28.8%            |
| 2009 (Before fare index increase) | \$26,772,500           | \$6,474,800  | 24.2%            |

**Proposed FY 2009 Fare Increase  
Revenue Yield – How Was Target Chosen?**

- Reflects a long-standing aim of maintaining a balance between amount that riders and taxpayers pay
- Riders' fares have consistently been no less than 23% of total costs before FY 2009
- Would drop to 23% in FY 2009 if local government sponsors have to bear 100% of estimated fuel-related impacts
- Local government sponsors are squeezed budgetarily even with the increased 2% fuel tax yield

| Fiscal Year                         | Total Operating Budget | Fare Revenue | Farebox Recovery |
|-------------------------------------|------------------------|--------------|------------------|
| 2006                                | \$14,198,946           | \$3,261,117  | 23.0%            |
| 2007                                | \$16,906,139           | \$3,792,233  | 22.4%            |
| 2008                                | \$18,909,809           | \$4,302,966  | 22.8%            |
| 2009                                | \$19,312,500           | \$4,451,900  | 23.0%            |
| 2009 (without fuel-related impacts) | \$18,702,800           | \$4,271,900  | 22.8%            |

| FY 2009 Scenarios to Account for Fuel Price-Related Impacts |                        |              |                  |
|---|------------------------|--------------|------------------|
| Scenario  | Total Operating Budget | Fare Revenue | Farebox Recovery |
| If all impacts were borne by increased subsidy              | \$20,312,500           | \$6,571,900  | 23.2%            |
| If cost of impacts are shared as proposed                   | \$20,312,500           | \$6,939,350* | 24.5%*           |

\* Assumes fare increase is enacted @ mid-year. If it were for the full year, farebox recovery would be 23.9%.

**FY 2009 Fare Increase Proposal**

**Factors Shaping Management's Proposed Fare Changes**

- The desired yield must be generated in six months, so the annualized yield must be twice desired yield
- Recognize riders' ability to pay
- Price in a way that encourages more ridership where carrying capacity permits
- Price in a way that encourages SmarTrip usage

**Ability to Pay**

**Recognize Riders' Ability to Pay**

- 2006 on-board survey shows profound demographic differences of OmniRide, Metro-Direct, and OmniLink riders
- Metrochek benefit is virtually non-existent among OmniLink riders, so these riders bear 100% of the fare out-of-pocket
- Elasticities (from empirical data)
  - -0.2 to -0.4 depending on market (meaning that a 10% fare increase will prompt a 2-4% ridership decrease)
  - OmniLink ridership response will tend to be towards the low end of this range because its riders have few options
  - OmniRide / Metro-Direct ridership response will tend to be in the middle of this range because slugging / organized carpooling are viable options for many (higher elasticity in I-95 corridor than in I-66 corridor because of different levels of slugging)

**Carrying Capacity**

### **Carrying Capacity**

- Limitations most acute on OmniRide services
  - No chronic standees policy
  - Additional revenue hours used to date have been exclusively on OmniRide services
- Metro-Direct is not capacity-constrained
- OmniLink capacity has a capacity constraint of a different sort
  - Growing traffic congestion on local roadways slowing the service and straining headways
  - Limitations on deviation allowances

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### **SmarTrip Usage**

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### **SmarTrip Usage**

- Very high market penetration on OmniRide and Metro-Direct
  - 92.5% on OmniRide (as of end of May)
  - 49.1% on Metro-Direct (as of end of May)
  - Reflects the fact that SmarTrip users are charged a discounted fare compared to cash fare
- Very low market penetration on OmniLink
  - 4.2% (as of end of May)
  - No discounted fare for SmarTrip users at present time because fares have been kept low in light of demographics
  - Some opportunity to entice greater SmarTrip usage via pricing
- The more SmarTrip usage there is, the less cash handling and the faster boarding times – these are desired aims

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### **PRTC Management's FY 2009 Fare Increase Proposal**

#### General

- Discounted fare policy for seniors / people with disabilities sustained; fares raised so they are no more than half the new cash fares

#### OmniRide

- \$4.75/trip for SmarTrip card holders (\$0.75/trip or 18.75% more than at present)
- \$6.50/trip for cash fares (\$1.00/trip more than at present)

#### Metro-Direct

- \$2.40/trip for SmarTrip card holders (\$0.30/trip or 14.29% more than at present)
- \$3.00/trip for cash fares (\$0.50/trip more than at present)

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### **PRTC Management's FY 2009 Fare Increase Proposal**

#### OmniLink (and "local fares" aboard other services) – Two Options

- Option One
  - \$1.10/trip for SmarTrip card holders and cash fares (\$0.10/trip or 10% more than at present)
  - \$2.50 for day pass (\$0.25 more than at present)
- Option Two
  - \$1.00/trip for SmarTrip card holders (no fare change)
  - \$1.25/trip for cash fares (\$0.25/trip more than at present)
  - \$2.50 for day pass (\$0.25 more than at present)

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### **Anticipated Effects of Fare Increase as Proposed\***

- Ridership
  - OmniRide lowered by 5.63% (assumes a -0.3 elasticity)
  - Metro-Direct lowered by 3.57% (assumes a -0.25 elasticity)
  - OmniLink lowered by 2% (assumes a -0.2 elasticity)
  - Total ridership lowered by 4.05%
- Passenger Revenue
  - OmniRide increased by 12.06%
  - Metro-Direct increased by 10.21%
  - OmniLink increased by 7.8%
  - Total passenger revenue increased by 11.35%

\* These are annualized estimates, so the actual magnitudes of change in FY 2009 would depend on the timing of implementation

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### **Factors Shaping PRTC Management's Proposed Fare Indexing Policy**

- Desire to sustain a proper balance between portion of overall cost borne by riders vs. taxpayers at-large
- Desire to introduce greater predictability into fare changes
- Recognition that fare changes need to be divorced from SmarTrip-enabled pass products for the time being because the timing of such products remains highly uncertain

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### **Fare Change Predictability**

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### **Fare Change Predictability**

- PRTC's fare changes have been erratic and, because of political sensitivity about the size of any one increase, the practical effect of erratic increases has been a declining share of the overall cost borne by riders
- Empirical evidence clearly shows that small fare increases at periodic intervals have less of an adverse ridership effect than larger fare increases at erratic (long) intervals
- A fare policy that calls for fare increases at periodic intervals has the virtue of
  - Making pricing decisions more rational /understandable
  - Allowing the increases to be small enough to avoid unintended consequences (large ridership diversions)
  - Making it easier to plan budgetarily because local government sponsors can buy-into the fare policy, and recognize that such a policy is premised on balancing what the riders vs. the taxpayers at-large pay

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### **PRTC Management's Fare Policy Proposal**

- Fares on average would be increased once every two years to offset cost increases by
  - 10% OR
  - A factor weighted 85% by the change in the urban wage earners index (CPI) and 15% by the change in fuel price
  - Higher of the two would be operative
  - First year that policy is operative is FY 2011, two years after the FY 2009 increase
- Fare increases for each of PRTC's types of service would continue to be tempered by riders' ability to pay

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### **Fare Policy Proposal – How Would It Work?**

- For fiscal years when fare increase is envisioned
  - Calculate whether factor governing the increase will be 10% or higher using latest CPI and fuel price projection compared to actuals two years earlier, and incorporate finding in "budget guidelines" Board is asked to approve (late summer / early fall). This is a provisional factor subject to change based on updated projections in next step
  - Develop explicit fare increase proposal compatible with updated factor for incorporation in proposed budget and seek Board approval to commence public review process (spring)
  - Develop final fare increase for incorporation in final budget (June)

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### **What Would FY 2009 Fares Be If The Proposed Fare Policy Had Been Adopted in FY 2007?** *(which is when fares were last increased)*

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## Proposed Fare Policy – Application in Retrospect

| CPI Urban Wage Earners Index<br>(Baltimore – Washington D.C. Area) |                          |                             | PRTC Fuel Price History |                                  |                             |
|--|--------------------------|-----------------------------|-------------------------|----------------------------------|-----------------------------|
| Fiscal Year  | Increase from Prior Year | Indexed Relative to FY 2007 | Fiscal Year             | Average Price per Gallon         | Indexed Relative to FY 2007 |
| FY 2007  | 4.4739%                  | 1.0000                      | FY 2007                 | \$2.0412                         | 1.0000                      |
| FY 2008  | 2.2823%                  | 1.0282                      | FY 2008                 | \$2.5238<br>(through April 2008) | 1.2364                      |
| FY 2009  | 5.3094%                  | 1.0828                      | FY 2009                 | \$4.046<br>(projected)           | 1.9822                      |

### Proposed Fare Index Formula

$$\begin{aligned} \text{Fare Increase Multiplier} &= (0.85) \times (\text{CPI Increase Multiplier}) + (0.15) \times (\text{Fuel Price Increase Multiplier}) \\ &= (0.85) \times (1.0828) + (0.15) \times (1.9822) = 1.2177 \end{aligned}$$

• If the proposed policy had been in effect since the last fare increase, fares would be 21.77% higher in FY 2009 than they were in FY 2007 on average

• In contrast, FY 2009 fares as proposed are:

- OmniRide 18.75% higher
- Metro-Direct 14.29% higher
- OmniLink 10.00% higher

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## Proposed Next Steps

- If Board authorizes public review, advertise broadly to invite review and comment
- Present public review feedback and final recommendations after considering the feedback, at the PRTC Board's October meeting
- Implement the fare change and fare policy if approved by the PRTC Board effective November 2008

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## Questions?

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