



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**November 14, 2017**

**Motion 14997**

**Proposed No. 2017-0353.2**

**Sponsors Dembowski, Balducci and Kohl-  
Welles**

1           A MOTION relating to public transportation; approving a  
2           report relating to ORCA card fee/load options, as directed  
3           by the 2017-2018 Biennial Budget Ordinance, Ordinance  
4           18409, Section 115, Proviso P2.

5           WHEREAS, in November 2016, Ordinance 18409 adopted the 2017-2018  
6           Biennial Budget Ordinance, subject to the provisions set forth in the ordinance, and

7           WHEREAS, Ordinance 18409 approved an appropriation for capital project  
8           1124456, ORCA replacement, and

9           WHEREAS, Ordinance 18409, Section 115, Proviso P2, required the executive to  
10          transmit by February 28, 2017, a report on ORCA card fee/load options and a motion that  
11          approves the report before expending \$1,000,000 of the funds appropriated for the  
12          2017/18 transit operating budget, and

13          WHEREAS, the executive transmitted the report by February 28, 2017 as  
14          required, and

15          WHEREAS, after the executive submitted the report in February, Metro  
16          continued to review the card fee issues addressed in the original report and has now  
17          transmitted an updated report to reflect progress made since that time, and

18          WHEREAS, consistent with the requirements of Proviso P2, the updated report  
19          includes, but is not limited to:

20           A. A listing of King County Code provisions, ordinances, interlocal agreements,  
21 joint board policies and other policy documents that are implicated if there were a change  
22 to the policy of charging the \$5 ORCA card fee and the \$3 regional reduced fare permit  
23 fee;

24           B. An analysis of the objectives from charging for the card and permit, how  
25 results are measured and whether the objectives are being met;

26           C. An analysis of the financial impacts to the county of eliminating the \$5 and \$3  
27 fees and adding equivalent value at the point of purchase, both for all purchases and for  
28 purchases solely by individuals;

29           D. An explanation of county operational procedures that would have to be  
30 changed to eliminate the \$5 and \$3 fees or to add the equivalent value at the point of  
31 purchase;

32           E. Identification of opportunities to amend the regional fare cooperation  
33 agreement to provide for all participating agencies to waive the fees or to provide the  
34 equivalent value at the point of purchase;

35           F. An estimate of the financial benefit on transit riders resulting from the  
36 elimination of the fees or adding the equivalent value at the point of purchase; and

37           G. An evaluation of the equity and social justice impacts of eliminating the fees  
38 or adding the equivalent value at the point of purchase, and

39           WHEREAS, Metro has updated the required information and the executive has  
40 transmitted a revised ORCA Card Fee/Load Options report, as set forth as Attachment A  
41 to this motion, to the council;

42           NOW, THEREFORE, BE IT MOVED by the Council of King County:

43           The council hereby approves the ORCA Card Fee/Load report, Attachment A to  
44 this motion, as required by Ordinance 18409, Section 115, Proviso P2. Further, in  
45 response to the information provided in the proviso report and because the transit division  
46 does not support a zero fee ORCA card or loading new ORCA cards with fare value  
47 equal to the cost of the card, the council, executive, and transit division director support  
48 retaining the \$5 ORCA card fee for adult and youth passengers and using additional  
49 revenue generated by a \$2.75 flat fare for:

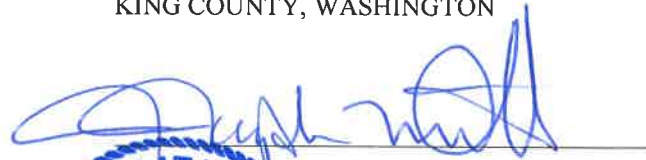
- 50           A. Waiving the regional reduced fare permit fee;
- 51           B. Increasing activities to promote ORCA and attract new riders, such as waiving  
52 card fees for ORCA LIFT customers and providing cards with value loaded for  
53 neighborhood and route promotion efforts;
- 54           C. Expanding the human services ticket program and addressing accessibility and  
55 affordability barriers for low-income riders;
- 56           D. Increasing ORCA LIFT outreach and enrollment efforts;
- 57           E. Increasing transit service hours; and

58 F. Supporting the expanded transit system envisioned in the METRO  
59 CONNECTS - King County Metro long-range plan.  
60

Motion 14997 was introduced on 8/28/2017 and passed as amended by the Metropolitan King County Council on 11/13/2017, by the following vote:

Yes: 9 - Mr. von Reichbauer, Mr. Gossett, Ms. Lambert, Mr. Dunn,  
Mr. McDermott, Mr. Dembowski, Mr. Upthegrove, Ms. Kohl-Welles  
and Ms. Balducci  
No: 0  
Excused: 0

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON



J. Joseph McDermott, Chair



Melani Pedroza, Clerk of the Council



**Attachments:** A. ORCA Card Fee/Load Options

## King County Metro Transit

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### Response to Ordinance 18409, Section 115: 2017-18 Transit Budget Proviso P2 – ORCA Card Fee/Load Options

**June 28, 2017**

*Prepared for:*

**King County Council**

*Prepared by:*



**Department of Transportation**

**Metro Transit Division**

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## Executive Summary

This report responds to Ordinance 18409, Section 115, Proviso P2 of the 2017-2018 county biennial budget. This proviso requires King County Metro Transit to examine opportunities and potential impacts of eliminating fees for ORCA cards and Regional Reduced Fare Permits (RRFPs) or adding value to them at the time of purchase. Our analysis of potential changes to card fee policies identified the following key considerations:

- The ORCA Joint Board established the ORCA card fee in accordance with the terms of the inter-local agreement approved by the governing boards of participating transit agencies. Any system-wide change to reduce or waive the card fee or load equivalent value to cards would require unanimous agreement by the ORCA Joint Board. Similarly, the \$3 RRFP administrative fee is established by the RRFP Memorandum of Agreement (MOA) between 16 agencies in western Washington, including the seven ORCA agencies. Any change to the card fee policy for issuing RRFPs requires a majority vote by participating members.
- ORCA card fees cover about 22 percent of Metro's fare media sales cost. Each card costs Metro approximately \$8 in card, administration and processing costs<sup>1</sup>. Eliminating the \$5 card fee for adult and youth would reduce Metro's revenue by about \$1.67 million. Eliminating the \$3 processing for RRFPs is estimated to reduce Metro's revenue by about \$75,000.
- Card fees give customers an incentive to value ORCA cards rather than view them as disposable. Revenue losses might increase if customers began requesting more replacement cards. Administrative costs will increase as more cards are issued.
- Metro's research indicates that card fees do not present a significant barrier to ORCA use—in Metro's 2015 Rider/Nonrider survey, only two percent of riders who use cash identified the card fee as one of the reasons they do not use an ORCA card.

However, Metro regularly hears criticism about ORCA card fees and wants to minimize the burden of transit costs on those least able to pay. After examining the financial, operational, and equity impacts of eliminating or reducing card fees or of adding value equal to the card fees on new ORCA cards, this report recommends the following:

- Work with ORCA partners to reduce the fee for adult and youth ORCA cards from \$5 to \$3. Metro's initial conversations with partner agency staff have been positive.
- Eliminate the \$3 fee for processing RRFPs, issued by King County, pending final approval of a revised RRFP MOA by all 16 participating agencies. Metro has been working to renegotiate the RRFP MOA to provide agencies the flexibility to reduce or eliminate the administrative fee.
- Continue to provide ORCA cards to customers with no fee as part of planned promotions in 2017 and 2018, and track and report on ridership, program costs—including card costs and lost revenue—and grant funds used for these promotions.
- Build upon information Metro has gathered in community outreach that identified significant barriers to ORCA use, particularly in low-income and in immigrant communities, and identify strategies to reduce these barriers.

These recommendations could help reduce card fees as a barrier to ORCA use, especially among those least able to pay. It could provide a small benefit to off-peak riders who would pay more if Metro simplified fares and moved to a \$2.75 flat fare. These recommendations could help increase ORCA market share, while balancing the need to generate revenue and encourage customers to retain cards.

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<sup>1</sup> About \$2.50 in card cost, tax, credit card fees and the remainder in staff time to process the card and handle the sale.

## **Introduction**

This report responds to Ordinance 18409, Section 115, Proviso 2:

*Furthermore, of this appropriation, \$1,000,000 shall not be expended or encumbered until the executive transmits a report on options for either the county or all parties to the regional fare coordination system to implement one or more of the following: (1) eliminate the \$5 fee for individuals to purchase an ORCA card and the \$3 fee for a regional reduced fare permit; or (2) add \$5 of value to the ORCA card and \$3 of value to the Regional Reduced Fare Permit at the point of purchase, and a motion that approves the report and the motion is passed by the council. The motion shall reference the subject matter, the proviso's ordinance, ordinance section and proviso number in both the title and body of the motion.*

*The report shall include, but not be limited to:*

- A. A listing of King County Code provisions, ordinances, interlocal agreements, joint board policies and other policy documents that are implicated if there were a change to the policy of charging the \$5 ORCA card fee and the \$3 regional reduced fare permit fee;*
- B. An analysis of the objectives from charging for the card and permit, how results are measured and whether the objectives are being met;*
- C. An analysis of the financial impacts to the county of eliminating the \$5 and \$3 fees and adding equivalent value at the point of purchase, both for all purchases and for purchases solely by individuals;*
- D. An explanation of county operational procedures that would have to be changed to eliminate the \$5 and \$3 fees or to add the equivalent value at the point of purchase;*
- E. Identification of opportunities to amend the regional fare cooperation agreement to provide for all participating agencies to waive the fees or to provide the equivalent value at the point of purchase;*
- F. An estimate of the financial benefit on transit riders resulting from the elimination of the fees or adding the equivalent value at the point of purchase; and*
- G. An evaluation of the equity and social justice impacts of eliminating the fees or adding the equivalent value at the point of purchase.*

*The executive should file the report and motion required by this proviso by February 28, 2017, in the form of a paper original and an electronic copy with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff and the lead staff for the transportation, economy and environment committee or its successor.*

## **Overview**

King County Metro participates in ORCA, the regional smart card transit fare payment system. Six public transit agencies and Washington State Ferries manage the ORCA system pursuant to a regional inter-local agreement (ORCA ILA), business rules adopted by the ORCA Joint Board (the governing body led by the executives of the participating agencies), and policy guidance from the King County Council. The \$5 fee for youth and adult ORCA cards was established by an ORCA business rule adopted by the Joint Board to offset the cost of the cards, recover some administrative costs, and act as an incentive for customers to avoid loss of their cards.



Pursuant to a separate Regional Reduced Fare Permit Memorandum of Agreement (RRFP MOA) and an ORCA Business Rule, Metro assesses a \$3 administrative fee to issue Regional Reduced Fare Permits (RRFPs) to eligible customers.

After evaluating the questions raised in this proviso, considering options for card fees, and evaluating the advantages, disadvantages, and revenue trade-offs of each option, Metro recommends moving forward to eliminate the \$3 RRFP fee, pending final approval of a revised RRFP MOA by all 16 participating agencies. We also plan to work with our regional ORCA partners to reduce the adult and youth ORCA card fees from \$5 to \$3 and have already begun those discussions at the staff level. Once agencies have agreed to proceed, it will be proposed as an action item to the ORCA joint board. Eliminating the RRFP fee would help those least able to pay. Reducing the youth and adult card fees would incentivize ORCA use and provide a small financial benefit to youth and adults, including full-fare adult riders who would experience an increase in off-peak fares as a result of fare simplification. Reduced card fees will also help promote ORCA use by individual riders, allowing them to take advantage of the ORCA transfer benefits between Metro, Sound Transit, the Seattle Streetcar and other ORCA transit agencies. This will also help promote employer pass partnerships with businesses by reducing the costs associated with these programs.

This report responds to each of the questions in the sections below and, at the conclusion of the report, to the expenditure restriction identified in the beginning of Proviso P2.

## **Responses to the Proviso's Questions**

*A. A listing of King County Code provisions, ordinances, interlocal agreements, joint board policies and other policy documents that are implicated if there were a change to the policy of charging the \$5 ORCA card fee and the \$3 regional reduced fare permit fee;*

### **1. King County Code provision regarding regional fare agreements**

#### **4A.700.350 Interagency trip agreements**

- A. The executive is authorized to execute agreements with other transit agencies either to establish a system of fare payment for passengers transferring between transportation systems or for issuing a combined fare payment medium. The agreements shall be subject to approval by the council to the extent the approval is required by the charter, ordinance or applicable state law, or any combination thereof.
- B. The agreements related to fare payment for passengers transferring between transportation systems shall provide that the county's share of the fares collected for trips involving transfers between transit agencies shall be the estimated revenue collected for the trips multiplied by the ratio of the revenue that would have been generated by application of the county's appropriate fares or prorated per trip pass prices due under other provisions of this chapter for the county portions of these interagency trips divided by the sum of the revenue that would have been generated by the application of each agency's appropriate fares or prorated per trip pass prices for all segments of the interagency trips.
- C. The agreements related to the issuance of a combined fare payment medium shall include terms that:
  - 1. Apportion the revenues from the sales of the combined fare payment medium between the county and the other transportation agency such that each party's share of the revenues shall be determined by multiplying:
    - a. the ratio of the cost of that party's discounted payment fare if it were sold separately to the human services agencies divided by the sum of all the parties' discounted payment fares if they were sold separately to human services agencies; by

- b. the revenues generated from the combined fare payment medium sales;
- 2. Identify the services, including service areas if appropriate, for which the other transportation agency's fare medium will be valid; and
- 3. If appropriate, provide for the reimbursement of the other transportation agency accepting discounted Metro bus tickets sold to human services agencies.

**2. King County Ordinance adopting ORCA ILA**

- i. **Ordinance 16415** – Authorized the executive to execute the Amended and Restated Interlocal Cooperation Agreement for Design, Implementation, Operation and Maintenance of the Regional Fare Coordination System, March 23, 2009 (ORCA ILA).

**3. Joint Board Business Rules**

- i. **Business Rule 103** - adopted by the ORCA Joint Board in March, 2008, established a \$5 ORCA card fee, and was amended in August 2008, to establish a reduced \$3 ORCA card fee for qualifying Human Services agencies.
- ii. **Business Rule 250** – adopted by the Joint Board May 12, 2008 to provide guidance on when the \$3 fee for RRFPs is assessed to customers when they use an ORCA card.

**4. King County Code references to RRFP administrative fee and agreement**

- i. **4A.700.510 Regional reduced fare permit administrative fee.** The administrative fee for the regional reduced fare permit for seniors and disabled persons shall be three dollars. (Ord. 12643 § 22, 1997. Formerly K.C.C. 4.150.510. Formerly K.C.C. 28.94.260).
- ii. **28.94.255 Regional reduced fare permit memorandum of understanding.** The executive is hereby authorized to execute and administer a regional reduced fare permit memorandum of understanding, substantially in the form of Exhibit A, attached to Ordinance 11640, with Puget Sound transit agencies and the Washington State Ferry System. (Ord. 12643 § 21, 1997).
- iii. **Regional Reduced Fare Permit Memorandum of Agreement (RRFP MOA)** “Memorandum of Agreement to Implement a Regional Reduced Fare Permit for Senior and Disabled Persons, 2015” Between ORCA agencies and King County Ferry District, Intercity Transit (Thurston County), Jefferson Transit, Mason Transit Authority, Skagit Transit and Whatcom Transportation Authority.

Section 5. Cost of Regional Reduced Fare Permit: The cost of a temporary or permanent Reduced Fare Permit shall be \$3. Replacement Regional Reduced Fare Permits may be issued for no more than \$3 (p.9).

***B. An analysis of the objectives from charging for the card and permit, how results are measured and whether the objectives are being met;***

The objective of the ORCA card fee and the RRFP administrative fee is to partially offset the cost of administering ORCA card sales (approximately \$8/card). These costs include the costs of issuing cards, the costs of the regional Mail Center staffed by Metro, card costs, bank card fees, and the costs of supporting the Customer Service Office and business account programs. The fee also gives customers an incentive to value their ORCA cards, instead of treating them as disposable. The \$5 ORCA card fee was established by the ORCA Joint Board to achieve these objectives.

As detailed in Table 1, Metro sold about 384,000 ORCA cards in 2016, nearly 70 percent of which were sold to employer accounts.

**Table 1: Metro 2016 ORCA Card Sales**

	<b>QTY</b>	<b>Percent</b>
Business Accounts (website)	61,055	16%
Business Accounts (Passport agreements)	203,539	53%
Call Center (website)	4,308	1%
Mobile Sales (ORCA To Go)	1,881	0%
ORCA Card Holder	25,212	7%
ORCA Mail Center	2,267	1%
Over the Counter (King Street & Westlake)	36,262	9%
Third-Party Retail Outlets	45,240	12%
Vending Machines on Metro Properties	4,244	1%
<b>2016 Total</b>	<b>384,008</b>	<b>100%</b>

As shown in Table 2, Metro’s share of ORCA card and RRF fee revenue was about \$1.67 million in 2016. This helped recover about 22 percent of Metro’s fare media sales cost, as shown in Table 3. This proportion of cost recovery includes card costs and bank card fees, and excludes costs associated with the ORCA LIFT program.

**Table 2: Metro 2016 ORCA Card Fees Collected**

	<b>GROSS</b>	<b>Shared with ORCA Partners</b>	<b>Metro NET</b>
Business Accounts (website)	\$263,621		\$263,621
Business Accounts (Passport agreements)	\$1,017,695		\$1,017,695
Call Center (website)	\$12,540		\$12,540
Mobile Sales (ORCA To Go)	\$7,502		\$7,502
ORCA Card Holder (website)	\$126,060	(\$42,444)	\$83,616
ORCA Mail Center (order fulfillment)	\$11,335	(\$3,816)	\$7,519
Over the Counter (King Street & Westlake)	\$132,317		\$132,317
Third-Party Retail Outlets (discounted)	\$180,960	(\$54,761)	\$126,199
Vending Machines on Metro Properties	\$21,220		\$21,220
<b>Totals</b>	<b>\$1,773,250</b>	<b>(\$101,021)</b>	<b>\$1,672,229</b>

\* Per the regional agreement, card fees collected through the orcard.com (cardholder) website, through the ORCA mail center and through third party retail sites are shared with the ORCA partners. Card fees collected by other agencies by sales through their customer service offices are not included. The figures shown here account for an estimated 94% of the regional total.

**Table 3: Metro 2016 ORCA System Costs and Pass Sales Costs**

	<b>GROSS</b>	<b>ORCA Partner Reimbursement</b>	<b>Metro NET</b>
Blank ORCA card stock	\$701,507		\$701,507
Credit card fees from sales	\$1,233,206	(\$219,695)	\$1,013,511
Wages & Benefits – Mail Centers	\$369,702	(\$124,479)	\$245,223
Wages & Benefits – All Other Pass Sales and Admin	\$1,617,618		\$1,617,618
Supplies – Mail Center	\$22,993	(\$7,742)	\$15,251
Supplies All Other	\$69,923		\$69,923
Services	\$3,962,181	(\$37,219)	\$3,924,962
<b>Totals</b>	<b>\$7,977,130</b>	<b>(\$389,135)</b>	<b>\$7,587,995</b>

\* Services include fees paid to VIX Technology and Sound Transit for operation of the ORCA system, as well as printing, postage, and other costs. The information provided above does not include costs associated with the ORCA LIFT program.

Regarding measurement of results associated with managing card replacement, it is difficult to determine how much the \$5 fee affects the levels of lost cards and the number of replacement cards issued. Since the \$5 card fee went into effect in February 2010, about 175,000 ORCA replacement cards have been issued, compared to just over 3 million cards issued to date, for a replacement rate of about 6 percent. However, the primary objective of charging card fees is to recover the cost of providing service, as detailed above.

***C. An analysis of the financial impacts to the county of eliminating the \$5 and \$3 fees and adding equivalent value at the point of purchase, both for all purchases and for purchases solely by individuals***

***\$5 ORCA Card Fee***

Eliminating the \$5 ORCA card fee for new and replacement cards for all customers would reduce Metro’s revenue by about \$1.67 million, based on the 2016 figures shown in Table 2. This would also increase the risk that customers would view their cards as disposable, and could result in greater card turnover and greater costs. Loading cards with an equivalent value might not solve the problem of customers not valuing cards because customers still would perceive the card as free, and potentially disposable. Note that Metro’s experience with use of promotional ORCA cards with product loaded indicates that customers continue to use only about 24 percent of the cards distributed after the promotion ends.

If Metro were to load value to ORCA cards as E-purse, customers could use this for travel on all ORCA agencies, and only a portion of that value would return to Metro as fare revenue. (On average, Metro receives about 65 percent of regional ORCA transit revenue.)

Finally, many customers who received new cards with E-purse value loaded might want to apply that value toward the purchase of a monthly pass. To do so, customers would have to add value and purchase the pass at a Metro customer assistance office, an ORCA ticket vending machine, or a retail location. This would inconvenience the customer and increase workload for Metro staff and staff at retail sites.

Metro’s business accounts purchase the large majority of ORCA cards each year. As shown in Table 2, business accounts paid about \$1.28 million in card fees in 2016, and waiving card fees would lower costs for businesses providing employee pass programs. Metro could reduce the revenue loss from waiving card fees to about \$391,000 by excluding business accounts from the waiver of card fees. This

would raise the issue of fairness with business account customers. It could also result in some smaller business accounts shifting from business accounts to individual online cardholder accounts, where they would pay no card fee. While the number of business accounts that would shift to this method is likely small, it would allow business to avoid the card fees. It would also make it more difficult for Metro to identify and support business account customers.

If the adult and youth card fee is changed, there will be a one-time cost to change all the sales channels to automatically charge a reduced fee or no fee. Although the technical change is not a significant piece of new work, that change must be applied to all the sales devices used at customer service offices, for mobile outreach sales, at retail stores, at ticket vending machines, and on three websites. In addition static text on all the devices and websites will need to be changed to reflect the new fee, and all the print materials for customer information will need to be revised and reprinted. The effort to make consistent changes across all these devices and conduct thorough testing is significant.

### ***\$3 RRFP Administration Fee***

Metro issued 19,419 Regional Reduced Fare Permits in 2016, broken out as:

- 8,975 seniors
- 6,827 permanent disabled
- 3,538 temporary disabled
- 79 personal care attendants

In total, ORCA agencies charged for about 25,000 ORCA RRFPs issued in 2016. The total number of RRFPs issued by non-ORCA participants in the RRFP Memorandum of Agreement is not known. Eliminating the administrative fee, and/or loading \$3 of E-purse on the RRFP card in lieu of the fee, would result in an annual revenue loss to Metro of about \$75,000. The total revenue loss for the other 15 agencies participating in this MOA is not known.

### ***D. An explanation of county operational procedures that would have to be changed to eliminate the \$5 and \$3 fees or to add the equivalent value at the point of purchase;***

ORCA cards are sold through several channels, including: 1) business accounts; 2) ticket vending machines (TVMs); 3) the ORCA cardholder website; 4) third-party retail merchants; 5) the ORCA call center, and 6) agency customer service offices, including Metro's.

Metro's operational procedures related to card fees are determined by current ORCA system capabilities, the ORCA ILA, and the RRFP MOA. Table 4 summarizes system and operational changes that would be necessary. King County could choose to waive card fees or add value to new cards at the sales channels it controls without regional approval or Joint Board action. That would include sales at the two customer service offices and over the phone. If the intent is that any card issued through any sales channel would not be charged the \$5 card fee system-wide that would require approval by all seven ORCA partners. This includes card sales through the orccard.com website, which serves a regional function and is not a King County controlled or managed system. King County pays 66 percent of the cost of regional system changes, with the balance shared by the other partners.

Adding value to cards would require significantly greater changes to the ORCA system, ORCA TVMs, business processes and cardholder agreements than would waiving or reducing card/administrative fees.. This strategy would require significant system changes and development of new functionality that would be costly and require significant lead time from the ORCA system and TVM vendors.

The first step in pursuing any system changes is to submit a request to the ORCA system vendor for an estimate of the time and cost to make such changes. It can often take some time and multiple communications before the vendor is sufficiently certain about proposed changes to be able to provide an estimate of cost and development time. Changes to the ORCA TVMs would need to be coordinated through Sound Transit, since they have the contractual relationship with the TVM vendor.

The ORCA vendor currently has a long list of outstanding work previously agreed upon as high priority by the ORCA agencies. This includes projects designed to eliminate several high risks that are essential for PCI compliance, and development of new equipment needed to support service growth in the next 5 years. The system development needed to change the card fee would compete for limited ORCA vendor resources and the priority level would have to be evaluated in concert with other ORCA partner agencies.

**Table 4: System and Business Process Impacts of Waiving ORCA Card Fees**

	<b>Waiving Fees</b>	<b>Adding Value</b>
<b>ORCA system</b>	Minor, but extensive	New system functionality
<b>ORCA TVM</b>	Minor development work	New system functionality
<b>Business processes</b>	Significant impact	Significant impact

***E. Identification of opportunities to amend the regional fare cooperation agreement to provide for all participating agencies to waive the fees or to provide the equivalent value at the point of purchase;***

Amending the Joint Board Business Rules relating to the ORCA card or adding the equivalent value to cards would require unanimous approval by the ORCA Joint Board, representing each of the ORCA partner agencies. The opportunity for agreement on an amendment depends upon the amount of revenue loss; the nature, cost, and time required to develop ORCA system changes; and the additional staff time needed to administer any changes in business processes. It also depends on the potential benefit to customers. Metro’s ORCA agency partners have indicated a willingness to reduce the ORCA card fee to \$3, and to provide Metro with the flexibility to waive the RRFp administrative fee, pending final approval of a revised RRFp MOA by all 16 participating agencies. If King County chooses to waive the permit fee for the RRFp there will most likely not be regional consistency. Not all (potentially not any) ORCA partners are willing to waive that fee.

Over the past few months, Metro has worked with the other 15 agencies participating in the RRFp MOA to approve a change to the agreement that would allow an agency to reduce or waive the permit fee. This change, would read “The cost of a temporary or permanent Reduced Fare Permit shall be *no more than* \$3.” (Emphasis added.) This has been agreed to by the other agencies participating in the agreement. Metro anticipates the Transit Operators Committee of the Puget Sound Regional Council will formally approve this at their August 30th meeting. This will allow Metro to waive the RRFp fee. The Executive’s proposed package of fares legislation includes a code amendment that will enable Metro to waive the RRFp administration fee. As mentioned above, we have begun conversations with ORCA partners at the staff level about reducing the adult and youth card fee from \$5 to \$3. Once agencies have agreed to proceed, it will be proposed as an action item to the ORCA joint board.

***F. An estimate of the financial benefit on transit riders resulting from the elimination of the fees or adding the equivalent value at the point of purchase; and***

Based on analysis of 2016 card fee revenue, eliminating the card/administrative fee or providing the equivalent value at point of purchase would provide the estimated financial benefits to transit riders as follows:

- Business Accounts would benefit by about \$1.28 million per year in eliminated card fees, though those benefits would not directly accrue to transit riders.
- Individual cardholders throughout the region would save an estimated \$320,000 per year on new or replacement cards, excluding the RRFP fees. The bulk of this benefit would go to full fare adult riders and youth whose parents have not signed up for the ORCA LIFT program.
- Approximately 25,000 customers throughout the region that pay for ORCA RRFPs each year would see an overall annual benefit of about \$75,000.

***G. An evaluation of the equity and social justice impacts of eliminating the fees or adding the equivalent value at the point of purchase.***

The following summarizes the equity and social justice impacts of waiving the ORCA card or RRFP administrative fee, or of adding equivalent value at the point of purchase:

- Since Metro already waives the ORCA card fee for ORCA LIFT customers and for their children who are under age 19 and since Metro is working to eliminate the \$3 administrative fee for RRFP cards, about 77 percent of the benefit of waiving card fees would go to employer accounts, with the bulk of the remainder going to full-fare adult or youth riders whose families do not participate in the ORCA LIFT program.
- Metro’s research indicates that the ORCA card fee is not a significant barrier for most riders. However, to the extent that waiving the card fee could encourage customers to get an ORCA card, these customers would enjoy the following benefits:
  - Improved access to the regional transit system and intersystem transfers, especially for occasional riders.
  - Improved convenience for customers who do not want to carry cash.
- From March through June 2017, Metro collected and analyzed data to identify barriers to ORCA use among low-income riders, youth, seniors, riders with disabilities, and immigrant communities. Metro contracted with the White Center Community Development Agency, Hopelink, and World Relief to conduct this outreach and collect input on other proposed fare changes. Metro also attended more than 20 community fairs and events, primarily in immigrant communities, to gain a better understanding of barriers to using transit and ORCA. This outreach revealed that for many people in these communities, the main barriers to using ORCA are the complexity of the electronic fare payment system, the lack of utility of cash if it is stored as E-purse value, and the need to reload cards at specific locations, online, or via the phone. In response, we are updating our education and outreach materials to help cash-paying customers with limited English learn about and adopt ORCA to pay their transit fares.
- As mentioned above, waiving ORCA card and RRFP fees or adding equivalent value would reduce Metro revenue by about \$1.67 million per year. A revenue reduction would mean Metro would have less revenue to provide service, which could particularly impact those riders dependent on transit. A revenue reduction of about \$1.67 million would otherwise fund about 16,500 hours of service annually. This would be the equivalent of eliminating the Route 27 or the Route 31.

As noted earlier, nearly 70 percent of Metro’s card sales in 2016 were for employer accounts. For individual customers, Metro already provides the fare discounts and card fee waivers listed below in support of King County’s equity and social justice goals.

### **Fare discounts for the following rider groups:**

- ORCA LIFT adult riders with household income no more than 200 percent of the federal poverty level
- Youth ages 6 through 18 (children under 6 ride for free)
- Seniors and riders with disabilities
- Tickets sold to human services agencies at a 90 percent discount for very-low-income or homeless clients, with a \$3.6 million annual cap on this discount. The amount was increased in 2017 pursuant to County Council action in 2016.
- During the summer of 2017, Metro and Sound Transit have implemented a reduced Summer ORCA Youth Fare demonstration. Youth riding with ORCA cards enjoy a \$0.50 fare on Metro services and a \$1 fare on Sound Transit services. The program will be evaluated in fall 2017 to determine the impact on youth ORCA ridership and market share.

### **ORCA card fee waivers for:**

- ORCA LIFT adult customers
- Children or youth under 19 who are dependents of ORCA LIFT customers
- Youth cards provided as part of the 2017 reduced summer ORCA youth fare demonstration.

### **Conclusion: Planned Activities and Options for Further Development**

Proviso P2 includes an expenditure restriction that states:

*Of this appropriation, \$1,000,000 shall be reserved solely for the costs of adding \$5 value to new ORCA card purchases and \$3 value to new regional reduced fare permit purchases administered by King County, or waiving these fees. Value shall be added to cards and permits processed at Metro customer service offices, ORCA-to-Go, mailed in orders processed at King County point of sale devices, business accounts administered by King County, and any other county-sponsored programs. Expenditures may include, but are not limited to, the cost of the added value or waived fee, payments required by the interlocal cooperation agreement for design, implementation, operation and maintenance of the regional fare coordination system, and additional staff and supplies as needed to process increased numbers of transactions.*

Metro proposes the following steps to improve access to public transportation and to assist those least able to pay:

- **Metro will work with the other ORCA agencies with the goal of reaching agreement to reduce card fees for adult and youth passengers from \$5 to \$3, with a \$3 replacement cost.** If the ORCA agencies agree to this change, Metro expects to see a reduction in revenue of approximately \$700,000.
- **Metro is working with the agencies participating in the RRFPP program to amend the RRFPP agreement to allow agencies the flexibility to charge no more than a \$3 fee for processing an RRFPP application.** The County Executive's proposed fare ordinance would change the King County Code to allow Metro to waive the \$3 fee for seniors and persons with disabilities. Pending final approval of a revised RRFPP MOA by all 16 participating agencies, Metro proposes waiving that fee. Metro anticipates a revenue loss of \$75,000 as a result of this proposed change.
- Metro will continue to provide ORCA cards with value loaded as a key element of neighborhood or route promotion efforts. Card costs and value associated with these promotions are often paid from grant funds. Metro will build upon lessons learned in recent outreach to improve and



expand efforts to work with low-income, immigrant communities and English language learners to address the full range of barriers to ORCA and help ensure customers are getting the right products.

In addition, Metro and regional partners have a number of activities and promotions planned for 2017 and 2018 that will make free ORCA cards, some with value loaded, available to customers. Table 5 shows planned activities that will result in customers receiving a free ORCA card.

**Table 5: Planned Projects That Include Waiving ORCA Card Fees in 2017 and 2018**

Program	Cards/Permits with Fees Waived			Monetary Value of Total
	2017	2018	Total	
ORCA LIFT Renewals	20,000	15,000	35,000	\$175,000
ORCA LIFT New Customers	13,000	10,000	23,000	\$115,000
LIFT Kids	5,000	5,000	10,000	\$50,000
Regional Reduced Fare Permits	25,000	25,000	50,000	\$150,000
Summer ORCA Youth Demo	5,000		5,000	\$25,000
Regional TDM Project*	20,000	20,000	40,000	\$200,000
Just One Trip Promotion*	2,000		2,000	\$10,000
In-Motion Program*	2,000	2,000	4,000	\$20,000
<b>Totals</b>	<b>94,017</b>	<b>79,018</b>	<b>169,000</b>	<b>\$745,000</b>

\* In addition to waived card fees, these programs will involve value loaded to cards, staff time and other costs.

Metro will track these activities and costs. Overall, these proposals would reduce barriers to ORCA and transit use and reduce affordability barriers for customers.