



AGENDA ITEM #6

TO: Chairman Zimmerman and NVTC Commissioners
FROM: Rick Taube
DATE: June 25, 2009
SUBJECT: Status of GEORGE Bus Service

Arlington's ART is set to take over operation of Falls Church's GEORGE bus system on July 6th. An operating agreement will be signed between those two parties, and NVTC will be relieved of its responsibilities to take ownership of the buses even if Arlington ceases to operate them. On the advice of a Federal Transit Administration (FTA) official, supported by legal counsel, Arlington will now be responsible instead of NVTC. Arlington has agreed.

Based on this advice from FTA, NVTC's executive director wrote to WMATA to accomplish the transfer of the four buses directly from WMATA to Arlington. A copy of the letter is attached for your information. A description of the advice from FTA is also attached.

Effective July 6th the new fare for GEORGE will be \$1.00, up from 50-cents currently. Prior to this decision the Falls Church City Council requested additional information from NVTC staff on the likely customer response to higher fares. A copy of NVTC's staff paper on the subject is attached.





June 19, 2009

Chairman
Hon. Christopher Zimmerman

Vice Chairman
Hon. Catherine M. Hudgins

Secretary/Treasurer
Hon. William D. Euille

Commissioners:

City of Alexandria
Hon. William D. Euille
Hon. Paul Smedberg

Arlington County
Hon. Mary Hynes
Hon. Jay Fisette
Hon. Christopher Zimmerman

Fairfax County
Hon. Sharon Bulova
Hon. John Foust
Hon. Pat Herrity
Hon. Catherine M. Hudgins
Hon. Jeffrey McKay

City of Fairfax
Hon. Jeffrey C. Greenfield

City of Falls Church
Hon. Daniel Maller

Loudoun County
Hon. Kelly Burk

**Virginia Department of Rail
and Public Transportation**
Charles M. Badger

Virginia General Assembly
Sen. Mark Herring
Sen. Mary Margaret Whipple
Del. David B. Albo
Del. Adam P. Ebbin
Del. Joe T. May
Del. Thomas D. Rust

Executive Director
Richard K. Taube

Mr. Milo Victoria
Assistant General Manager—Bus Services
Washington Metropolitan Area Transit Authority
600 Fifth Street, NW
Washington DC 20001-2693

Dear Mr. Victoria:

The current WMATA operating agreement (expiring June 30, 2009) for GEORGE bus service in the city of Falls Church provides the Northern Virginia Transportation Commission with the right to repurchase the four buses used for this service from WMATA when the Authority ceases to operate them. It is my understanding that Falls Church does not intend to renew the current WMATA operating agreement when it expires and that the city intends to execute an operating agreement with Arlington County.

Based on advice from the Federal Transit Administration, NVTC wishes to facilitate the direct transfer of the title to the four GEORGE buses from WMATA to Arlington County. Accordingly, NVTC waives its rights in the current WMATA operating agreement to repurchase the buses and requests that WMATA sign over the title to the four buses directly to Arlington County in a manner that will permit continuous operation of GEORGE bus service within Falls Church as the operator of the service shifts to Arlington from WMATA.

Please feel free to contact me with any questions.

Sincerely,

Richard K. Taube
Executive Director

MEMORANDUM**TO:** Rick Taube**FROM:** Adam McGavock**DATE:** 6/19/2009**SUBJECT:** Permanent Transfer of GEORGE Buses to Arlington County

In 2003, NVTC purchased four Thomas Built buses for the City of Falls Church, using a combination of federal and state funds. These buses were used for the Falls Church GEORGE Bus service. Falls Church contracted with WMATA to provide the service, and as a part of the operating agreement between Falls Church, WMATA, and NVTC, the buses were titled to WMATA for a nominal fee of \$1. The agreement stipulated that, at the termination of the operating agreement, NVTC would have the right to buy the buses back from WMATA for the same nominal fee of \$1. This provision was included to permit NVTC to meet its obligation to the Federal Transit Administration to keep the buses in service during their useful lives.

In June of 2009, Falls Church decided to terminate the operating agreement with WMATA, choosing instead to have Arlington Transit operate the GEORGE bus service. Accordingly, NVTC planned to re-purchase the buses from WMATA and assign the titles for the four buses to Arlington County, again for a nominal fee of \$1. NVTC intended to include a provision in the operating agreement between Falls Church and Arlington County and NVTC to allow NVTC to re-purchase the buses for the same nominal fee in the event the operating agreement was terminated. Again, this was intended to satisfy NVTC's obligation to FTA.

On June 10th, I contacted Karen Roscher of FTA's Region 3 office to discuss the federal interest in these buses. She referred me to staff of FTA's Headquarters office.

On June 15th, I spoke with Brian Glenn of the FTA Headquarters Office about the GEORGE Bus transfer of ownership. Mr. Glenn stated that FTA would prefer that NVTC not be included in the new operating agreement, and that NVTC should title the buses to Arlington County with no provision for buying them back. Mr. Glenn felt that there was no reason for NVTC to be a part of the agreement. He stated that because NVTC did not operate transit service, and had no facilities to park or maintain vehicles, there was no reason for NVTC to ever take ownership of the vehicles. Because Arlington County is a designated recipient for federal transit funds, and because Arlington Transit had the facilities to park and maintain the

vehicles, Mr. Glenn felt that the GEORGE buses would be best served under Arlington's ownership.

On June 16th, I informed Arlington County staff of FTA's directive regarding the ownership of the GEORGE buses. Arlington County staff agreed to take full ownership of the GEORGE buses, and to report them as a federally funded asset. Arlington, Falls Church, and WMATA staff all agreed to remove NVTC from the operating agreements.

Adam McGavock

From: Adam McGavock
Sent: Wednesday, June 10, 2009 1:24 PM
To: Karen roscher
Subject: Falls Church GEORGE Buses

Karen,

You may remember that I contacted you a few weeks ago to ask about the disposal of the FTA-funded GEORGE buses in the event that Falls Church decided to discontinue the service. Falls Church has now elected to change contractors, switching from WMATA to Arlington Transit (ART). The GEORGE buses are currently titled to WMATA, according to the operating agreement signed by NVTC, WMATA, and the City of Falls Church. WMATA 'leased' the buses from NVTC for \$1. We would now like to transfer the title of the buses to Arlington Transit, to begin service under the new provider. I was wondering if there were specific actions we needed to take in order to satisfy FTA. I assume we need to send FTA an official letter, but is there anything else you need to see? BTW, Arlington is now a designated recipient of FTA funds, so they should (I hope) be an eligible owner of the vehicles.

Any guidance you can offer is much appreciated.

Adam McGavock

From: Adam McGavock
Sent: Tuesday, June 16, 2009 8:39 AM
To: Brian.Glenn@dot.gov
Subject: Falls Church Buses

Brian,

I spoke with Karen Roscher this morning, and she said you would be dealing with my questions about the Falls Church Bus project.

WMATA has been running the Falls Church GEORGE bus service for the last six years, using the four buses that NVTC purchased with FTA funds. As per the operating agreement between NVTC, Falls Church, and WMATA, these buses have been titled to WMATA for a nominal fee (\$1). Falls Church, for financial reasons, now intends to contract with Arlington Transit (ART) to run the GEORGE bus service. We are in the process of finalizing the new operating agreement between NVTC, Arlington, and Falls Church. I have two questions:

Can NVTC direct WMATA to sign over the titles directly to Arlington Transit? Or does WMATA have to sign the vehicles over to NVTC, and then NVTC has to title the vehicles and sign over the titles to Arlington Transit?

Is there any documentation or official notification that FTA needs to see regarding this transfer of ownership? NVTC will retain the right to 'buy back' the buses for \$1 under the new operating agreement.

If you would like to call, I will be at my desk this morning, but I have a dental appointment in the afternoon. Your input and guidance is much appreciated.

Thanks,

Adam

Adam T. McGavock
Director of Planning
Northern Virginia Transportation Commission
V: (703) 524-3322 – F: (703) 524-1756
<http://www.thinkoutsidethecar.org/>

Adam McGavock

From: Adam McGavock
Sent: Wednesday, June 17, 2009 10:31 AM
To: Brian.Glenn@dot.gov
Subject: Falls Church GEORGE Bus

Brian,

Thanks again for the call yesterday, your guidance was very helpful in getting this resolved.

Arlington, Falls Church, and WMATA have agreed to remove NVTC from the operating agreements. WMATA is assigning the title for the four buses to Arlington County, and Arlington has agreed to take full ownership of the vehicles, with no provision for transferring that ownership back to NVTC. Arlington will treat the buses as an FTA-funded asset, as if they themselves had purchased the buses six years ago.

During our conversation, you mentioned something about Arlington referencing the federal grants used to purchase the buses. I wanted to make sure I understood your point, could you please re-state what you were saying? Is this something that needs to be added to the operating agreement, or is this just something for Arlington to do as a part of their ongoing management processes?

Thanks,

Adam

Adam T. McGavock
Director of Planning
Northern Virginia Transportation Commission
V: (703) 524-3322 – F: (703) 524-1756
<http://www.thinkoutsidethecar.org/>

Adam McGavock

From: Brian.Glenn@dot.gov
Sent: Wednesday, June 17, 2009 2:58 PM
To: Adam McGavock
Cc: Karen.Roscher@dot.gov; Nancy.Greene@dot.gov
Subject: RE: Falls Church Buses

Adam,

Attached is the grant VA-03-0062-03 that originally funded the buses. Arlington County should reference it in its inventory records for these buses.

Brian

From: Adam McGavock [mailto:Adam@nvtc.org]
Sent: Tuesday, June 16, 2009 8:45 AM
To: Glenn, Brian (FTA)
Subject: Falls Church Buses

Brian,

I spoke with Karen Roscher this morning, and she said you would be dealing with my questions about the Falls Church Bus project.

WMATA has been running the Falls Church GEORGE bus service for the last six years, using the four buses that NVTC purchased with FTA funds. As per the operating agreement between NVTC, Falls Church, and WMATA, these buses have been titled to WMATA for a nominal fee (\$1). Falls Church, for financial reasons, now intends to contract with Arlington Transit (ART) to run the GEORGE bus service. We are in the process of finalizing the new operating agreement between NVTC, Arlington, and Falls Church. I have two questions:

Can NVTC direct WMATA to sign over the titles directly to Arlington Transit? Or does WMATA have to sign the vehicles over to NVTC, and then NVTC has to title the vehicles and sign over the titles to Arlington Transit?

Is there any documentation or official notification that FTA needs to see regarding this transfer of ownership? NVTC will retain the right to 'buy back' the buses for \$1 under the new operating agreement.

If you would like to call, I will be at my desk this morning, but I have a dental appointment in the afternoon. Your input and guidance is much appreciated.

Thanks,

Adam

.....

Adam T. McGavock

Director of Planning

Northern Virginia Transportation Commission

V: (703) 524-3322 -- F: (703) 524-1756

<http://www.thinkoutsidethecar.org/> <<http://www.thinkoutsidethecar.org/>>

Brian A. Glenn, PE
(202) 219-3562 office
(202) 219-3462 fax
(202) 306-0674 cell



CONSIDERATIONS IN DETERMINING
THE OPTIMAL FARE STRUCTURE FOR
THE GEORGE TRANSIT SYSTEM IN FALLS CHURCH, VIRGINIA

--JUNE 4, 2009--

Note: The views expressed in this paper are those of the staff of NVTC and have not been reviewed or approved by NVTC's board of directors.



4350 N. Fairfax Drive • Suite 720 • Arlington, Virginia 22203
Tel (703) 524-3322 • Fax (703) 524-1756 • TDD (800) 828-1120 • VA Relay Service
E-mail nvtdc.org • Website www.thinkoutsidethecar.org

Introduction

NVTC staff was invited by Falls Church staff to comment on GEORGE fare issues, at the request of the Falls Church City Council. Specifically, the question is what will happen to ridership on GEORGE if the fare is increased to \$1.35 (\$1.25 with a SmarTrip card), from its current level of 50-cents per trip. At the same time, off-peak service is likely to be eliminated.

As explained below, NVTC staff believes that the impact on GEORGE ridership of increasing the fare to \$1.35/\$1.25 could be significant since in combination with service reductions, ridership is certain to drop, possibly by 40 percent or more initially. Because average fares will more than double, even if ridership drops by 50%, passenger revenue will increase. The impact of reduced ridership can be mitigated with open communication with existing customers about the future of GEORGE, enlightened and enthusiastic promotion of GEORGE, excellent customer service, and reduced price passes and coupons for GEORGE users who may be especially sensitive to higher fares (e.g. students).

Whether it is wise to adopt a fare policy that will reduce GEORGE ridership from its already low levels will depend on the objectives, both short and long term, of the city. If the city wishes ultimately to build GEORGE into a vital resource, raising fares and driving ridership lower to preserve passenger revenue of less than \$20,000 may not be the best course of action.

Current GEORGE Fare Structure

The current one-way fare (peak and off-peak) is 50-cents per trip. With a Metrorail transfer the fare is free. Consequently, many GEORGE customers pay 50-cents for a round trip.

With ridership of about 70,000 in FY 2008, GEORGE was credited with just over \$18,000 in passenger fare revenues, or about 25-cents per trip.

The original GEORGE fare was 25-cents per trip as of January, 2003, which increased to 50-cents as of FY 2005.

Currently GEORGE's fare is lower than all other transit systems in the region, except for the King Street Trolley in Alexandria which is free. All other systems charge at least \$1.35 per trip (or \$1.25 with a SmarTrip card).

Recent Experience with Fare Increases

CUE in the city of Fairfax was the latest in Northern Virginia to increase its fares to match the others. In January, 2009, CUE fares rose to \$1.35/\$1.25 from the previous level of 75-cents (GMU students and faculty continue to ride free). Following this sharp fare increase ridership immediately dropped. In December, 2008, the month before the

increase, CUE ridership rose 16% above the level of December, 2007. But in January, 2009, ridership fell 10% compared to the previous January and each month thereafter has fallen below the same month in the previous year by five to 10 percent.

For the first six months of FY 2009 (before the fare increase), CUE ridership rose six percent. In the four months after the fare increase, ridership fell 7.3 percent. In this case, a fare increase (for CUE riders except GMU students/faculty) of at least 67 percent is associated with an initial reduction of ridership of just over 7 percent. Since free GMU student and faculty riders comprise over a quarter of CUE patronage, the impact on paying riders is somewhat higher than the 7 percent ridership reduction indicates (above 9%).

Characteristics of Current GEORGE Riders

MWCOG's 2008 Regional Bus Survey included 241 responses from GEORGE riders. Compared to all other Northern Virginia bus systems, GEORGE riders have the highest percentage of transferring to Metrorail (72%). Two-thirds of GEORGE riders receive SmartBenefits, by far the highest percentage. A third of GEORGE riders do not have a vehicle available for their trip, which is the lowest percentage. For GEORGE riders, 46% had incomes of \$100,000 or more, again by far the highest. Another 16% of GEORGE riders had incomes of \$20,000 or less, also the lowest.

These data suggest that GEORGE riders would be less responsive than average to fare increases, other things being equal.

Objectives for GEORGE

The optimal fare structure for GEORGE will depend on Falls Church's objectives, both immediate and longer term. For example, if an objective is to demonstrate that GEORGE can serve more customers than in the past, lower fares would be called for to increase ridership. If an objective is to minimize the city's subsidy (irrespective of state aid earned through NVTC), a higher fare should be charged. Focusing on environmental benefits or community image, the more GEORGE riders the better so lower fares would be beneficial.

Will the next several months serve as a test of the future viability of GEORGE? If so, an innovative fare structure might provide data to help develop a business plan for a rejuvenated GEORGE system. On the other hand, if GEORGE is being placed on life support until it can more conveniently be eliminated in the next city budget, then experimental fares and intensive promotions would be wasted effort.

Other Mitigating Factors

Wherever possible, it is desirable to cushion the impact of higher fares with corresponding improvements, such as introducing new buses, increasing service frequency, extending a route or initiating a major capital improvement program. This

gives riders the impression that they are receiving greater value for their increased fares. In the case of GEORGE, at least for the next year, higher fares would be accompanied by sharp service reductions. These two simultaneous negative actions could magnify the negative effect on ridership.

If GEORGE riders were given a clear picture of improvements that could be provided in the future, especially if riders showed loyalty to GEORGE, this could cushion the blow. Falls Church may wish to let riders know about the planned evaluation of GEORGE's future and announce that ridership in the meantime could be a determining factor.

An ongoing, inexpensive promotional campaign could inform all city residents and employers about the benefits of GEORGE.

Other customer amenities could include real-time bus arrival information available by cell-phone. NVTC successfully tested such a system, known as "MARTHA," on the GEORGE system earlier and is prepared to manage a full-scale implementation. ART also offers a web-based system known as "Connexionz Real Time" that could be implemented as an alternative to "MARTHA."

Published Research on Impacts of Fare Changes

The traditional Simpson-Curtin rule states that a one percent increase in transit fares will reduce ridership by 0.3 percent. This is an average and applies to relatively small changes. The elasticity value is -0.3 .

With an elasticity value less than 1.0, revenue will increase as fares are increased, because the additional revenue from each remaining passenger will outweigh the lost revenue from those passengers no longer riding because of the higher fare.

Applying this rule of thumb (incorrectly) to GEORGE one would predict a ridership reduction of 45 percent in response to the proposed fare increase of 150 percent (from 50-cents to \$1.25). The traditional rule of thumb cannot be applied to such a large fare increase, however.

Examining other relevant factors, users of GEORGE would be expected to be less responsive to a higher fare if they are: commuting to work versus shopping; traveling during peak hours versus off-peak; traveling on weekdays versus weekends; enjoying a higher family income; not possessing any alternative means of travel or having only relatively high cost substitute means of travel; attaching a high value to using GEORGE (e.g. to save fuel, improve air quality or reduce greenhouse gas emissions); paying a higher price of parking at the ultimate destination; perceiving a higher quality of GEORGE service (clean and quiet buses, friendly drivers, on-time performance); measuring the response in the short term (before an opportunity exists to find other alternatives); and if the initial fare is low.

Because most GEORGE users are transferring to Metrorail to complete their trips, factors related to Metrorail access also influence the sensitivity of GEORGE riders to GEORGE fares including parking availability and price at Metrorail access points.

For detailed empirical research results documenting these influences, please go to www.vtpi.org/tdm/tdm11.htm and www.vtpi.org/elasticities.pdf for an explanation of the relationship of transit ridership to factors such as fares.

Conclusion: Effects on Ridership of a Higher GEORGE Fare of \$1.35/\$1.25

In light of the considerations described above, it is most likely that the proposed fare of \$1.35/\$1.25 will have a negative impact on GEORGE ridership in the next year, possibly as little as a negative 20 percent (on top of at least a 20% reduction due to discontinued service). This is because most GEORGE riders have high incomes and use SmartBenefits. So, even though they mostly would be able to switch modes in response to a higher price, the economic impact will be minimal for many riders. On the other hand, service will be cut back considerably so ridership will be lost from that change as well.

To make it even more likely that ridership losses due to the fare increase will be contained, Falls Church could emphasize the impact of current ridership on the future of the GEORGE system, to motivate current and new riders to use the system or risk losing it altogether. The city should also initiate a well-thought out yet inexpensive marketing campaign to promote GEORGE, using “green” themes. Finally, to link the business and educational communities more closely to GEORGE, free or reduced fare coupons and passes should be provided to merchants and schools so that their customers and students could take advantage of GEORGE, especially during summer months. This could serve to mitigate the impact of higher fares, especially for groups more sensitive to price.

Another potential customer amenity for GEORGE is implementation of a real-time bus arrival technique. On the MARTHA system, customers can use their cell-phones to learn the arrival time of the next GEORGE bus at their bus stop. An alternative is ART’s web-based Connexionz service. These amenities would add some value to the service and help to justify an increase in the fare.