

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: March 18, 2013

TO: Michael Mayo, Sr., Chairperson, Transportation, Public Works & Transit Committee

FROM: Brian Dranzik, Director, Department of Transportation

**SUBJECT: REPORT ON FEASIBILITY STUDY TO CREATE LOWER COST
SUBSIDIZED PASS FOR LOW-INCOME WORKING RIDERS AND
SUMMER LONG YOUTH PASS FOR TEENS**

POLICY

In November 2012, the County Board of Supervisors adopted budget amendment 1A 059, which directed the Milwaukee County Transit System (MCTS) to conduct a feasibility study on creating partnerships with businesses with the intent of creating a lower cost subsidized pass for low-income people. MCTS was also directed to study the feasibility of creating a summer long youth pass for teens who are employed and/or seeking employment. This report responds to those directives.

BACKGROUND

As a cost effective means of keeping the operational cost of handling and sorting cash as low as possible, the Milwaukee County Transit System offers discounted fares for patrons who purchase their fare product such as bus passes and tickets in advance. Discounted fares are also offered through a variety of other programs including the University Pass Program, Commuter Value Pass Program and Commuter Certificate Program. In addition, bus fare for seniors, persons with a disability and children are discounted at one-half the adult cash fare.

A critical question we attempted to answer in this study is the likelihood of success in creating two new discounted fare programs without adversely impacting revenue needed to operate the transit system, or the degree to which a new discounted program would add value to service effectiveness that will result in increased ridership. In order to make these determinations, we examined the existing discounted pass programs as a logical starting point to build upon or develop new programs.

With respect to whether it is a viable business idea to create partnerships with businesses with the intent of creating a lower cost subsidized pass for low-income individuals, we find that a program of this nature would be very similar to MCTS's existing Commuter Value Program and Commuter Certificate Program which offer discounted transit fares for workers through their employers. Consequently, we recommend that the transit system avoid creating programs with overlapping target markets resulting in added administrative costs but marginal gains in ridership as riders merely shift between competing programs. Nevertheless, MCTS will continue to explore how a subsidized pass for low-income riders could be incorporated into marketing strategy for future initiatives.

With respect to creation of a summer long youth bus pass for teens who are employed and/or seeking employment, we find that many community and social service programs provide transportation passes or tickets for youth as part of their summer programs. Since passes and tickets are already discounted to encourage use of these fare forms in lieu of cash, further analysis is needed to access how transit can partner with these and other programs to provide affordable transportation for youth without negatively impacted revenue needed to operate the transit system.

RECOMMENDATION

This report is informational only.

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FEASIBILITY STUDY TO CREATE LOWER COST SUBSIDIZED PASS FOR LOW-INCOME WORKING PEOPLE AND SUMMER LONG YOUTH PASS FOR TEENS

March 18, 2013

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II. Executive Summary

This study examines the viability of creating two discounted passes. One pass is aimed at lower-income working adults under a cost subsidized arrangement by businesses. The second pass would be made available during the summer months for teens who are employed or seeking employment. With this in mind, our approach to this study includes:

- **Market Analysis**- is there a demand for this product and if so, what is the target market.
- **Organizational Analysis** - what resources would it take to implement both of the passes.
- **Financial Analysis** – does it fit the goals of the transit system and can Milwaukee County afford to offer additional discounted passes.

In addition, when introducing a new discounted fare form, we considered questions such as:

- Is there a need in the community?
- What is the benefit to the transit system?
- Will it impact ridership especially to the level that additional bus service would need to be added? Will it compete with our other discounted programs?
- What resources will it take to make sure this is implemented cost effectively?
- What will be the financial cost to Milwaukee County?

III. Milwaukee County Transit System in Review

The Milwaukee County Transit System exists to provide reliable, convenient and safe public transportation services that effectively and efficiently meet the varied travel needs of the community and contribute to its quality of life. For more than 150 years, the transit system has assisted the community to get to work, school or other important places. It adds to the quality of life for everyone in the community whether they ride the bus or not. Several of the key benefits include improved air quality, reduced traffic congestion and affordable transportation.

There are 59 bus routes which include regular service, Freeway Flyers, UBUS and special event transportation to major festivals. Bus transportation is available every day of the year; however, weekend and evening bus service is less frequent than during the weekday.

To ride a bus, passengers can pay cash or purchase a discounted ticket or pass. Discounted fares are available to everyone through tickets or passes. Additionally, deep discounts are given to seniors (65 and over), disabled individuals and children (6 to 11). These individuals pay half the regular discounted fares.

MCTS offers a couple other discounted programs to assist the community who are working or enrolled at specific colleges. Businesses that participate in the Commuter Value Program can offer quarterly discounted bus passes to their employees. This bus pass is tax deductible and the employer can choose to pay a portion of the pass as an employee benefit.

U-PASS is another program which offers a heavily discounted bus pass to college and University students. Participating Universities offer a semester long pass for just \$45 so students can have affordable, reliable and convenient transportation.

IV. MCTS's fare forms:

REGULAR FARES	2013 Fare
Adult Cash	\$2.25
Adult Ticket	10/\$17.50
Premium Cash	\$3.25
Premium Ticket	10/\$23.50
DISCOUNTED FARES	
Half Fare Cash	\$1.10
Half Fare Ticket	10/\$11.00
Weekly Pass	\$17.50
Monthly Pass	\$64.00
Student Pass (MPS Special)	\$16.50
UPASS (Semester)	\$45.00
Commuter Value Pass (Quarterly)	\$201.00

It also should be mentioned that MCTS relies on several sources for funding since the passenger fares cover only a portion of the total cost of operating the system. As funding levels vary or change, the level of bus service available to the community may be adjusted upward or downward.

MCTS 2013 funding sources are:

- 40% State**
- 31% Passenger Fare & Other Revenue**
- 18% Federal**
- 11% Local**

V. Potential Market for the New Discounted Pass

To gauge the target market for the discounted passes, we considered the need or demand in the service area for a low-income pass for working adults and for a summer youth pass for working students. This includes a review of the current customer profile, MCTS's current employee-employer discount program, current programs in the community and similar programs at other transit systems.

A. Current Rider Profile

Twice a year MCTS conducts a telephone survey of 400 passengers to gather demographics on riders. Through this survey we get a glimpse of our riders' profile (see Table A, MCTS Current Ridership Profile). Riders on the Milwaukee County Transit System are very diverse in age, ethnicity and education. More than 50 percent are employed full or part time. Thirty percent have a household income level below \$14,000 annually; 27 percent are between 14,001 and 28,000; 28 are above \$28,001; 14 percent did not answer. To fully understand income levels, we also looked at how many individuals are in each household. Additionally, Census information tells us that 18% of Milwaukee County is at or below Poverty Level.

# Persons in Family	Total Household Income
1	\$10,840
2	\$14,710
3	\$18,530
4	\$22,350
5	\$26,170

B. Commuter Value Program / Commuter Value Certificate

It is important to point out that MCTS does offer a discounted bus pass for adult workers. Fifty-eight Milwaukee businesses participate in the Commuter Value Program (CVP) program and 3,300 employees participate. Annual revenue generated from this program is \$2,571,000. Most of these businesses pay for half of a quarterly bus pass, so the cost to the employee is \$33.50 a month for unlimited use on all of MCTS bus services. Additionally, the pass is tax deductible for the worker and employer.

Employers also have the opportunity to purchase Commuter Value Certificates (CVC) which cost \$17.50 and can be exchanged for a weekly pass, a strip of ten bus tickets or be used towards any other pre-purchased MCTS bus fare. The employer pays for the total cost of the certificates and determines on their own as to the quantity and dates of distribution.

Since businesses already sponsor the CVP passes and CVC certificates, we will need to be careful not to create another program that competes with these programs. By creating a separate initiative, it

will likely result in fewer resources going towards an already successful program. One option would be to target businesses that employ lower-income individuals.

VI. Table A - MCTS Current Ridership Profile

MCTS Ridership Profile
April 2012 - October 2012

Gender	
59%	Female
41%	Male

Age	
15.00%	18 to 24
14.40%	25 to 34
14.80%	35 to 44
21.90%	45 to 54
19.50%	55 to 64
14.30%	65 <
0.30%	Refuse
49.3% are 18-44	

Ethnicity	
45.10%	White
43.60%	Black
6.50%	Hispanic
2.30%	Other
2.50%	Refuse

Education	
1.00%	Grade school or less
11.60%	Some high school
36.60%	High school
3.40%	Some tech
5.20%	Tech degree
21.40%	Some college
14.60%	College degree
6.10%	Post grad
0.40%	Refuse
50.7% Have more than high school degree	

Employment	
29.60%	Employed full-time
39.90%	Not employed
17.90%	Part-time
12.10%	Student
0.50%	Refuse
47.5% Employed	

Household Income	
30.40%	Less than \$14,000
11.80%	\$14,001 - \$18,000
5.80%	\$18,001 - \$21,000
4.80%	\$21,001 - \$24,000
5.10%	\$24,001 - \$28,000
3.80%	\$28,001 - \$32,000
3.80%	\$32,001 - \$36,000
20.80%	\$36,001 or more
14.30%	Don't know/refused

Alternative Transportation Availability	
17.30%	Rarely have choices
21.50%	Some choices
17.50%	Choices half the time
16.30%	Choices most of time
24.10%	Always have choices
3.30%	Not sure

Primary Reason to Ride	
36.80%	Work
16.10%	Recreational
12.90%	Shopping
16.50%	Medical
11.90%	School
5.80%	Others

Years Riding the Bus	
53.50%	15 years or more
8.80%	10-14 years
9.40%	6-9 years
15.50%	3-5 years
12.40%	2 years or less
0.40%	Don't know

How Fare is Paid	
41.10%	Pay cash
4.30%	Monthly pass
13.50%	Weekly pass
16.30%	Full fare tickets
10.50%	Half fare tickets
7.50%	U-PASS
3.90%	CVP
2.90%	Other

A. Social Agencies that Offer Employment Assistance

In order to determine the need in the community for a subsidized pass for low-income adult workers and student workers during the summer, MCTS conducted interviews with the following agencies:

1. YWCA, Maximus, UMOS and Ross Innovative Employment

MCTS met with YWCA which is one of four agencies in Milwaukee that are part of the state of Wisconsin's "Wisconsin Works" (W-2) program. The other agencies are Maximus, UMOS, and Ross Innovative Employment. These agencies are contracted and funded by the state to provide lower income clients with job search education programs, job interview guidance and job opportunities with potential employers. Through these programs, individuals receive public transportation assistance. In 2012, over \$2.2 million in transit fares were purchased by these agencies to provide transit services to their clients.

Wisconsin Works (W-2) Overview

W-2 is based on work participation and personal responsibility. The program provides employment preparation services, case management and cash assistance to eligible families.

Under W-2, there is no entitlement to assistance. The program is available to low-income parents with minor children who meet eligibility requirements and who are willing to work to their ability. Each W-2 eligible participant meets with a Financial and Employment Planner (FEP), who helps the individual develop an employability plan.

Transportation Component

Reliable, affordable and convenient transportation is critical to participant self-sufficiency and the overall success of W-2.

W-2 agencies, along with their Job Center partners, work with job seekers and employers to assist access to transportation reimburse for transportation costs; or provide transportation assistance for participants.

Client program eligibility is for 60 months as long as weekly job search requirements are met. All W-2 agencies are required to offer transportation assistance to program participants; clients can receive weekly bus pass or tickets to help with job search efforts.

YWCA purchases Commuter Value Certificates which are funded through the W-2 program. In turn, participants can purchase a weekly bus pass or tickets for unlimited bus transportation. This equates to nearly 1,000 certificates distributed each week.

The YWCA has roughly 5 staff persons to assist the 3,000 clients they assist with this W-2 program. Additionally they stated the need in the community for this program has remained relatively flat for the last few years.

2. YMCA, Workforce Program - Youth Skills for Success Program

Skills for Success program is roughly a four week summer program for high school age students primarily for females. Students meet at YWCA to learn job seeking skills such as creating a resume, writing cover letters and how to interview. However, job placement is not part of the program and it is limited to 10-20 students. The Skills for Success is a program that is funded by United Way. YWCA provides bus tickets for student transportation to attend the classes.

B. Other Transit System's Discounted Pass Programs

Researching other transit systems and their discount programs can assist us in evaluating our own needs. We contacted 20 transit systems (see Table B) and asked if they currently have a low income pass or a summer youth pass.

Reviewing the adult low income pass, only 25 percent had this type of program. The cost ranged from free to \$27.50 a month. Most agencies provide the discounted passes through other social service programs, instead of administering the passes themselves.

An example of one of these programs that is independent of a social service program is Madison Metro. They stated that the passes are distributed to a limited number on a first come, first serve basis at the beginning of the month. Individuals have to fill out an income form, but there is no verification process. Each month they turn away individuals and there is usually a line waiting for the passes each month.

We identified nine transit systems that offer a Summer Youth Pass. The cost ranged from \$10 to \$62 for a three month period. In the majority of the cases, the pass is distributed directly through the transit system.

VII.

VII. Implementation Components

To implement a new fare form, several items need to be reviewed including the following:

- **Implementation**
 - How would the passes be given to the public?
 - Who would decide who qualifies for the pass?
 - How would we verify a student's age, employment status or income?
 - How would we verify the person is employed or looking for a job?
 - How would we track if the person remains at the job or continues looking for a job?
 - What MCTS personnel needs are required?
 - Timeframe for the project
- **The Pass**
 - Physical components of the pass – material, designs and production- are very important to ensure that the pass cannot be duplicated and protection added to provide protection against fare fraud.
 - Any additional equipment needed
- **Overall Positives and Negatives**
 - How will this product affect other fare forms?
 - What risks are there?

A. Implementation

To ensure the program is administered fairly to citizens in need, the program would need to be quite extensive. We reviewed what would be needed to create and administer a new discounted pass program:

How would the passes be made available to the public? – It would seem the most secure and cost effective way would be if the individuals would purchase the pass at MCTS main administration building.

Who would qualify for the pass? – One solution would be to distribute the pass to lower-income working adults based on the poverty levels as defined by US Department of Labor. It would likely be necessary to create a system or method for verifying work status and income level, since many people would want a discounted fare.

Details of the program – To set up a successful program, various work items would need to be accomplished such as establish the program basics, personnel changes, any technical requirements to add a new fare form to our overall system, set policies, train employees, communicate to public, define a timeline, etc.

One way to eliminate all these complicated steps would be to collaborate with social service agencies that already assist this population.

B. The Pass

If the discounted passes are implemented after the new automated fare system is in place, it will be much easier to produce from several points of view. For the Adult Low Income Pass and for the Summer Youth Pass, the pass could be in the form of a Smart Card, it is much easier to manage. Since it is an electronic card, it can be monitored for activity, activated, credit added and many other components of use. This gives MCTS more control and easier to provide quality oversight and fight fare fraud and counterfeit passes.

However, if the discounted passes were to be implemented before the new fare system is up and operational, the new pass would require additional funds and efforts. Two drawbacks would be: two new fare forms that the operator would need to recognize in addition to many others, and the cost of this pass would be greater to ensure it cannot be duplicated.

C. Positives and Negatives

The purpose of creating a lower income subsidized pass would be to alleviate some financial burden of current customers while not putting additional burden on Milwaukee County. Reviewing the two new passes, we looked at how they would affect our current fare forms.

a) Low-Income Bus Pass

If we create a new low-income pass for working adults, it could put us in competition with other W-2 programs and our own CVP pass. This could result in receiving less overall revenue. This would have a financial impact on MCTS. This would need to be carefully reviewed before implementing a program so as not to cause a financial hardship on transit operations.

It appears there are at least three social service agencies which receive subsidized funds for transportation costs to assist these individuals. Roughly \$2.2 million in transit fares are purchased each year through these programs.

Additionally, to ensure that the program is offered fairly to the community, numerous resources would be required to make this program materialize. This would include additional employees required to handle the extra work load of verifying employment status and income levels.

b) Youth Summer Employment Pass

A summer youth pass for working teenagers is more preeminent amongst other transit systems. If MCTS could collaborate with a reputable and established work program, it may reduce costs of implementation.

VIII.

VIII. Review of a Sample Youth Summer Pass Program Initiative

To delve into how a summer youth pass program might operate, we created a model and explored the costs and resources to implement.

Basic Outline

1. Objective:

Create a partnership with businesses with the intent of creating a lower cost subsidized pass for low-income working youths who are employed and/or seeking employment.

2. Pilot Program Options:

Work with already established Summer Youth Work Program. Research would need to be done to find out which organizations assist youth in Milwaukee to find jobs for the summer. MCTS would partner with this organization by supplying the students with a summer bus pass. The bus pass would be paid for by sponsors who would receive numerous advertising benefits outlined below.

3. Specifics of Pilot Project:

For the first year, it is suggested that a Pilot Project test the viability of the program being self-sustaining.

Group: Provide pass for a limited 200 youth as a pilot project. Children ages range roughly between 14-17 that are looking for summer employment or already have a job.

Bus pass: Similar to a regular monthly pass, good on all regular bus service. It will be issued to teens from June 10 through August 31, 2013. A new pass would need to be designed. Or, to quicken the implementation process, monthly passes (current fare form) could be utilized.

4. Collaborative Businesses or Non-Profit Organization:

Key Component: Work with an area teen summer employment program which already has an established, reputable program to disseminate the summer bus passes. This is a key component to the entire program for numerous reasons:

- The organization will have the knowledge and experience in working with this group.
- They will also have the appropriate time required to manage since their program is already established.
- They can verify a group of lower-income working teens.
- Ability to monitor who will correctly use the card and needs the card.

Potential Organizations with Summer Youth Program: MIWA, YWCA or Boys & Girls Club

Business Sponsors:

- Potential business sponsors:
- Roundy's (Pick and Save)
- Lena's Market

- Local banks – Guaranty, Park State Bank
- Boston Store
- Time Warner Cable
- El Rey Mexican products
- Cousins Subs – corporate is local
- Dunkin Donuts
- YMCA or YWCA
- Milwaukee Public Schools
- All Universities – Alverno, Concordia, MIAD, UWM, Marquette, MSOE, MATC
- Burger King – local franchiser VJ Holding (minority owned)
- Milwaukee Journal Sentinel

Program Costs:

This program will require roughly \$45,900 to cover all the costs:

- Summer youth pass cost for 3 months - \$192 per student X 200 students equals \$38,400
- Cost for design and production of promotion materials estimate \$7,500 (this does not include newsletter, Rider Insider or ad shelter production. Those costs we would just absorb in other project costs)
- Note the personnel time needed to build and coordinate this program is not included. Additionally, the many hours to find business sponsors are also not included.

Option - MCTS could be a partner in this program and pay for the production and design of materials (\$7,500) which would lower the overall costs to \$38,400.

Advertising Package for Sponsors:

Costs to partners:

- 1 main sponsor at \$8,500
- 10 sponsors at \$3,000 each for a total of \$30,000
- MCTS sponsors materials at \$7,500 and personnel time and efforts

What Sponsors will receive:

Business will be mentioned on the following materials:

- Advertising space on 12 buses – two side King Ads and one Tale Ad
- Shelter Advertising space on 50 bus shelters – size 11 X 17
- At least one direct message to the more than 22,000 MCTS Rider Insider members
- Presence on MCTS website, RideMCTS.com, which 175,000 visit each month
- News releases to promote the campaign
- Customer newsletter, Bus Lines, distribution of 35,000
- As the Main Sponsor’s logo would appear on an MCTS pass, and whenever their logo is used it will be placed in a larger format and best positioning.

IX.

IX. Financial Impact Predictions

Before moving forward with either of these two new discounted passes, many questions need to be answered. When a discounted fare is introduced, it will have a direct impact in lowering your overall revenues. Specifics as to how many individuals will be impacted needs to be defined before the direct correlation is determined.

Another component is if social agencies are receiving funds from another source to purchase bus fares. We should avoid competing with other established programs that provide some level of subsidized bus fare. As stated earlier, the three top social agencies provide more than \$2 million in funds to the transit system.

Lastly, we should avoid creating programs that compete with our current fare structure. CVP program brings in \$2.5 million in revenue. We need to make sure a new pass would not adversely affect this successful program. If it is set up as a competitor, we could lose additional funds.

X. Recommendation

After reviewing all of this information, MCTS recommends the following:

- 1) In lieu of creating a subsidized discount pass program for low-income workers, continue to offer the Commuter Value Program to Milwaukee County businesses. Work to encourage other businesses to participate in the program by providing an affordable fringe transportation benefit for their employees.
- 2) For the Summer Youth Pass Program, explore how MCTS can partner with existing summer youth employment programs to provide a reduced summer youth pass. Consider a pilot program to commence in the summer of 2014. Review the impact after the first year and decide whether to continue and expand the program.