## STAFF REPORT

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| **Agenda Item:** | 7 | **Name:** | Paul Carlson |
| **Proposed No**.: | 2016-0211 | **Date:** | May 31, 2016 |

**SUBJECT**

A motion accepting a report relating to the ORCA Replacement Project, a multi-agency project to replace the current ORCA card system.

**SUMMARY**

Proposed Motion 2016-0211 would accept a report on the ORCA Replacement Project required by a proviso in the 2015-2016 budget (Ordinance 17941, Section 129, Proviso P1). Approval of Proposed Motion 2016-0211 is necessary to release $250,000 in funding for the ORCA Replacement Project.

Today’s briefing will update Committee members on ORCA Replacement Project developments. Given the importance of this issue to the region in general and to Metro in particular, the Council has been following it closely. In addition to the budget proviso request, which was made in late 2014, the Council received a briefing on progress with the project earlier this year.[[1]](#footnote-1)

Today’s briefing will cover the transmitted report in response to the Council’s budget proviso, as well as information on potential next steps for the project, including a potential “Fare Forum” that may be convened in the late summer. The Fare Forum, as proposed, would include representatives of the region’s transit agency boards including the King County Council. The Fare Forum is expected to discuss potential revisions to individual agency fare policies that could affect the ORCA Replacement Project design; the project staff team believes that each agency would have to approve any changes by the end of 2017.

The staff report provides general background on regional fare coordination and the ORCA replacement, then discusses the County policies that could be affected by the Fare Forum discussion. The last part of the staff report is an overview of the Report’s responses to seven topics listed in the budget proviso.

**BACKGROUND**

**Regional Fare Coordination**

King County Metro is one of seven transit agencies participating in the Regional Fare Coordination System, along with Sound Transit, Community Transit (Snohomish County), Everett Transit, Kitsap Transit, Pierce Transit, and the Washington State Ferries. The System is governed by a Joint Board, with the Metro General Manager representing King County. Ordinance 16415, approved in March 2009, governs the ORCA system, which is operated and maintained under a 10-year “design, build, operate and maintain” contract. A replacement system needs to be in place by the end of 2021.

An ORCA card allows users to purchase electronic daily or monthly passes for unlimited rides, or load value on an E-purse that works like a debit card to deduct the cost of individual trips. The card is valid on ORCA agency transit services and allows for free transfers between services (except Washington State Ferries) within a two-hour window. Eligible ORCA users can obtain discounted fares through the Regional Reduced Fare Permit (RRFP) for seniors and disabled riders, the youth fare, and ORCA LIFT for low income riders. All agencies have RRFP rates and youth fare; the ORCA LIFT is honored by King County Metro, Kitsap Transit, the Seattle Streetcars (First Hill and South Lake Union Lines), and Sound Transit. ORCA 2 is expected to take advantage of technological advancements to improve the ease of ORCA use and customer satisfaction.

**ORCA Replacement Project Status**

The Council approved $748,000 for planning and preliminary design in the 2015-2016 biennial budget[[2]](#footnote-2) and included a proviso requiring submittal of a motion accepting a report on the ORCA Replacement Capital Project by March 31, 2016.[[3]](#footnote-3) The proviso reflects the Council’s longstanding interest in the ORCA system’s role in King County Metro finances, operations, and customer experience, as well as regional integration. The Committee was most recently briefed on the ORCA Replacement Project on January 19, 2016.

The agencies have formed a steering committee, staffed for King County by Metro Customer Communications and Services Manager Matt Hansen, and hired a project manager, Brittany Esdaile, who reports to the ORCA Joint Board. A consultant team has been hired to assist with ORCA 2 system design and vendor selection. Project planning is expected to be completed at the end of 2016, followed by vendor procurement and design through 2018, with the goal of ORCA 2 being fully implemented by the end of 2021.

**ANALYSIS**

**Fare Forum**

As suggested in the Executive’s transmittal letter (Attachment 2), the ORCA Joint Board has recommended convening a Fare Forum with representation from all seven agency boards. From what is known of the schedule at this time, it is likely that the Fare Forum would be convened in late summer or the fall. Initial plans are for the Fare Forum to meet three times with the goal of producing recommendations relating to agency transit fare policies for consideration by the boards. The late summer or fall dates would be later than the timeframe mentioned in the Report, which indicated that Agency Policy Board Workshops might take place in the May to mid-July 2016 period.

The opening section of the Proviso Response Report summarizes key points in a February 2015 evaluation of strategic objectives for a next generation ORCA system. The February 2015 evaluation notes that the ORCA replacement must accommodate agency-specific needs as determined by each agency board. The February 2015 Report also recommends consideration of fare-simplification opportunities including:

* Elimination of King County Metro’s fare zones and peak/offpeak pricing
* Elimination of Sound Transit’s fare zones
* Elimination of agency-specific passes by King County Metro and other agencies

The Proviso Response Report notes that Council approval of such changes would be required and expresses King County Metro’s intent to evaluate fare policies and structures in 2016.

The Executive’s transmittal letter includes this statement:

“Work on the project to date suggests that further simplification of fares could potentially reduce capital and operating costs. Fare simplification could also benefit transit customers by making fare payment easier to understand, reducing interactions with transit operators, and speeding transit service by reducing the time it takes to pay fares. This report identifies the elimination of Metro's zone structure and peak-off-peak fare differential as fare structure changes that would help further simplify regional transit fares. Such changes would require King County Council action. Any proposal to simplify fares would have to assess the impacts on revenue, ridership and other adopted transit fare policies, including effects on equity and social justice.”

**County Fare Policy**

The Strategic Plan for Public Transportation 2011-2021, Strategy 6.3.2, is the primary source of policy direction for King County Metro fare policy. It is reprinted in its entirety in Attachment 3.

Metro's fare system should:

* Meet fare revenue targets and comply with the Fund Management Policies, including maintaining a target cost recovery ratio of 25 percent
* Be easy for customers to understand and use
* Align with regional transit partners
* Reduce costs
* Reflect the cost of service
* Enable all people in King County, including those with low incomes, to use public transportation
* lncrease ridership
* Comply with state and federal regulations

The Report notes, that these goals may be in conflict with each other and states that “Metro staff will analyze the fare policy tradeoffs of any recommended changes to simplify Metro's fare structure or increase the use of ORCA and other pre-paid fare media.”

**Cashless Fare Proviso**

Ordinance 17941, the 2015-2016 biennial budget, includes a proviso requiring transmittal of a report on a “cashless fare system,” under which King County Metro would no long accept cash fare payment or paper transfers.

The Report states (page 8) that differing agency policies concerning cashless fare payment and cash transfers “have no direct bearing on the design of the next generation of ORCA.” Nonetheless, the County Council may wish to consider the Cashless Fare System proviso response as part of any review of the fare system. This proviso did not contain a deadline and it is not certain when the response will be transmitted to the Council.

The 2017-2018 Executive budget request may also include fare-related proposals, details of which are not known at this time.

**The Report**

The Report includes an opening section followed by responses to each of seven topics listed in the proviso. Significantly the opening section suggests that it is likely that the next generation of ORCA would transition from the card-based system used today to an account-based system that would increase customer payment options and improve customer service. Today, customers have limited options for purchasing and loading value onto their ORCA cards, and those transactions take 24-72 hours to take effect; with an account-based system, customers would be able to “load value” almost instantaneously, such as using a smartphone while waiting at a bus stop, and might experience new options such as paying with their smart phone or contactless credit card.

**The Report Responses to Topics Listed in Proviso P1**

The following description of the Report’s responses to seven topics is offered as an initial overview.

1. **A work plan identifying how the County Council will be involved in the ORCA replacement process.**

The Report states that County Council involvement would include adoption of revisions to Metro fare policies and fare policy options that may be proposed by the Executive, potentially resulting in changes to the “business and functional requirements” for the replacement system. A draft timetable for the project is included (Table 1: ORCA Replacement Project Work Plan, page 6) but has become outdated since transmittal with respect to Agency Board Workshops and receipt of recommended changes.

The schedule included with the Proviso Report had anticipated decisions on fare simplification in time to shape the RFP. At this point, it is apparent it will not be possible to reach regional consensus and obtain board approval on fare simplification prior to issuing the RFP and vendor selection. Staff indicate that they are now looking to get agency board approval of fare simplification by the end of 2017, before moving to system design.

1. **Identification of changes to the King County Code, regional fare coordination agreement, and other agreements among agencies.**

The Report notes that the current ILA reserves to each agency’s Board the power to set fares and fare structures, and any recommended changes to fare structures would be up to each Board to approve. For King County, fare changes are accomplished by amending the code by ordinance.

The Report suggests that the multi-agency regional fare agreement would not need to be amended, and does not anticipate changes to regional passes, regional transfer credits, or regional revenue apportionment.

1. **Policy issues that could affect the replacement system, such as fare simplification or the possible movement to a cashless system.**

The Report describes fare simplification “as an issue with possible implications for the cost of the ORCA replacement system” and states that fare simplification would make it easier to provide customers with an option called “fare capping.” Fare capping would allow individuals to load their ORCA cards with small amounts knowing that no additional payments would be required once the cost of a monthly pass was reached.

1. **An updated Benefit Achievement Plan (BAP) for the ORCA Replacement capital project.**

The updated BAP is included in the Report as Appendix A. The only change from the BAP that was submitted as part of Proposed Motion 2016-0241 (the required transmittal of BAPs for all proposed and ongoing technology projects) is a correction to reflect that the replacement needs to be in place by 2021 rather than 2020. Otherwise the BAP included in this Report is identical to the originally transmitted BAP. It outlines the required attributes of the new ORCA system and stresses the importance of King County involvement in the planning process to ensure that King County requirements are met. The BAP is likely to be further revised as the multi-agency planning process moves ahead.

1. **Impacts on other technology projects.**

The Report states that ORCA Replacement “dependencies” include On-Board Infrastructure, the 4.9 MegaHerz Network Replacement, and the Mobile Access Routers Project. The Report adds that there are “no technical impacts or immediate dependencies” between the ORCA Replacement Project and the Mobile Ticketing Pilot Project.

The Report states that the ORCA Replacement must accommodate highly integrated systems on King County Metro vehicles including the Driver Display Unit (DDU) that will likely be replaced as part of the project. A policy decision to transition from a card-based system to an account-based system would change the process by which card transaction information is transferred into ORCA cards and from buses to a central clearinghouse. The account-based system could allow payments to be credited immediately instead of having to wait 24-72 hours. This means the next generation wireless communications system, implemented through the 4.9 Megaherz Network and Mobile Access Router IT projects, would need to be coordinated with the ORCA Replacement Project.

1. **Equity and social justice impacts.**

The Report states that the replacement project will enable Metro to continue provided discounted fares for youth, seniors and people with disabilities, and the ORCA LIFT low-income fare available to adults aged 18 through 64 with household incomes of 200 percent or less of the federal poverty level (adjusted for household size). The Regional Reduced Fare Permit (RRFP), for seniors and people with disabilities, is contained in an ORCA card and entitles the owner to pay discounted fares on all participating agencies.

The Report cites the concept of fare capping as a potential benefit to low-income riders (including ORCA LIFT cardholders) because they could receive the benefit of a monthly pass without having to pay the entire $54 monthly pass price all at once. Though not explicitly mentioned, low-income riders would also benefit from being able to add value to their ORCA cards instantly, instead of having to deal with a 24-to-72 hour delay as is presently the case.

1. **Network and electronic payment security issues.**

The Report states that a Security Committee with representation from each transit agency is working to align procedures with a National Institute of Standards and Technology (NIST) Cybersecurity Framework and reducing security burdens by reducing Payment Card Information (PCI) storage and processing on agency networks or equipment.

**ATTACHMENTS**

1. Proposed Motion 2016-0211 and Attachment
2. Transmittal Letter
3. Strategy 6.3.2 (Fare structure and fare level policy)
4. Ordinance 17941, Section 113, Proviso P7 (Cashless fare system)

**INVITED**

* Matt Hansen, Manager Customer Communications and Services, King County Transit Division
1. Briefing 2016-B0009 was presented on January 19, 2016. [↑](#footnote-ref-1)
2. Ordinance 17941 CIP Fund 3641, Project 1124456. An initial ballpark estimate of King County’s cost for the ORCA replacement project is $29.86 million. [↑](#footnote-ref-2)
3. Ordinance 17941 Section 129 Proviso P1. [↑](#footnote-ref-3)