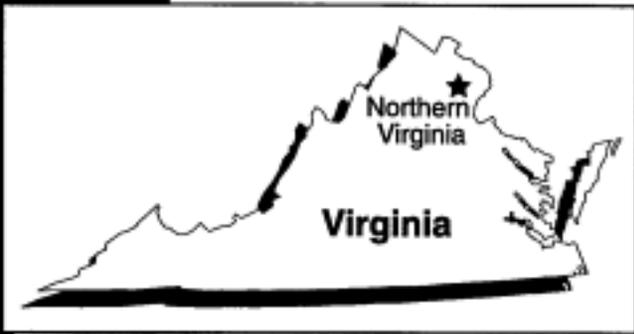


# **Cashless Fare Payment**

**Virginia Railway Express  
Springfield, Virginia**

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## Virginia Railway Express

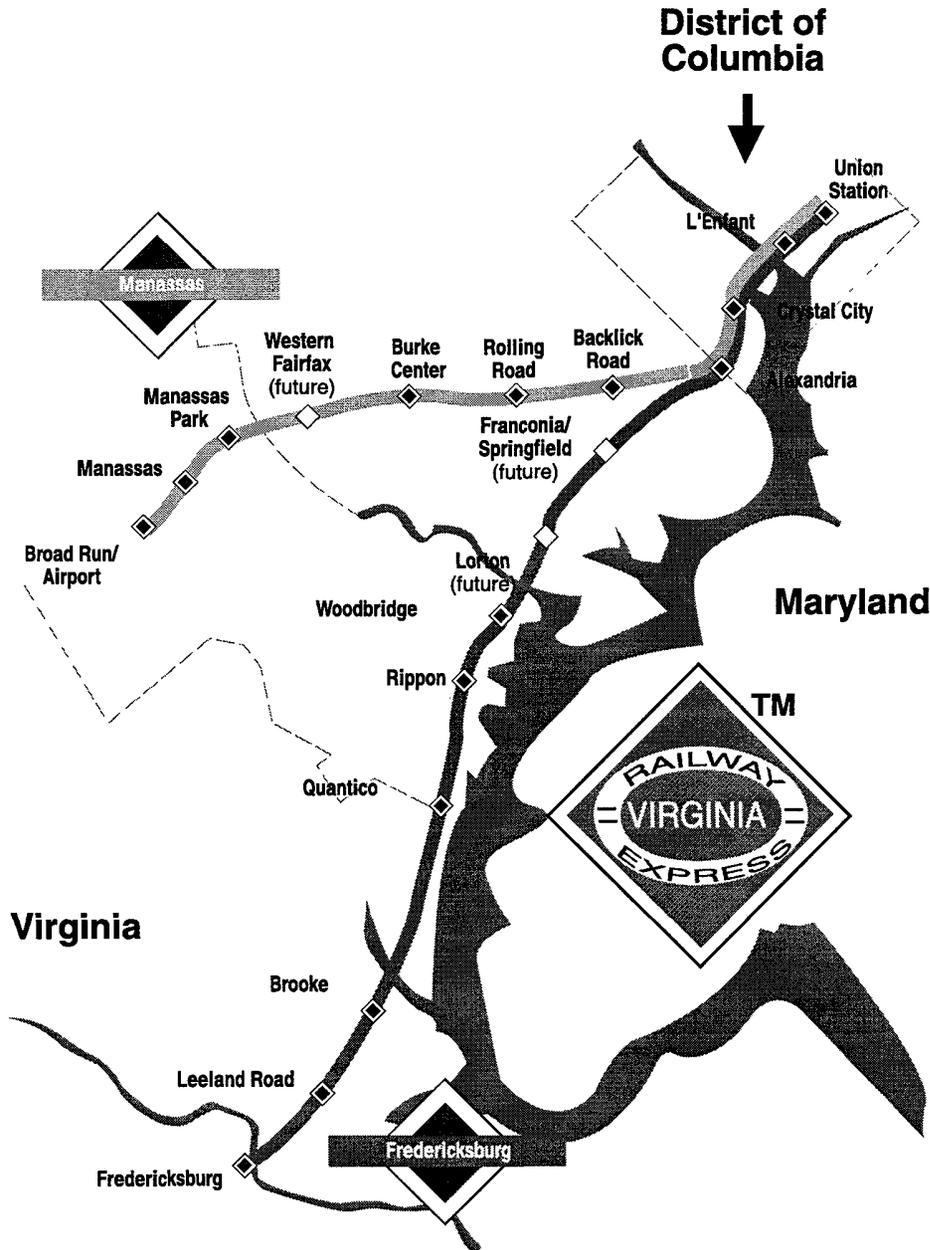
### Background

Processing cash from fare payments is one of the largest operating expenses for a transit agency. Convenient as it is for patrons to use cash, the costs for collection, security, and sorting are expensive. Agencies must sort the bills, purchase machinery to roll the coins, hire armored cars to transport the cash, and pay banks deposit fees for the large amounts of cash. By cutting down the use of cash for fares, payroll and other costs can be reduced. While for most transit systems, completely eliminating cash transactions would be impossible due the number of layoffs required and the fact that many riders lack an alternative method of fare payment, a transit agency can overlay non-cash fare payment schemes.

When the Virginia Railway Express (VRE), the commuter rail system serving the Virginia suburbs of the District of Columbia, began operation in 1991, management decided that it would not offer its customers the option of using cash to purchase farecards at the station. Customers can purchase tickets with credit or debit cards at the stations, by check through the mail, at merchants around the area<sup>1</sup>, or with credit cards by

Agency Profile	
Service Area	Northern Virginia jurisdictions, including Arlington, Alexandria, Fairfax, Prince William, Stafford, and Fredericksburg
Modes	Commuter Rail
FY96 Operating Budget	\$17.7 million
FY96 Capital Budget	\$17 million
Annual Ridership	
Commuter Rail	1.9 million
Revenue Vehicle Miles	
Commuter Rail	1.5 million
Fares	
Commuter Rail	\$6.70 (average)

phone. While this cashless system has worked well for the commuter railroad whose customers have a median income of \$70,000 and which has an average ticket purchase of \$40, the philosophy is not practical for most transit systems. Nevertheless, transit agencies can learn from VRE's example and may be able to implement parts of the program.



Service area

## Implementation

When VRE was created in 1991, its administrative staff decided to avoid cash fare payments and station attendants as a mechanism to decrease operating costs. Cash payment was expensive for the agency because the salaries of the personnel needed for secure transport and counting were too expensive. Collection of the cash would also have been unsafe because most of the stations are in relatively uninhabited, wooded areas.

Through marketing surveys, the railroad determined that most of its customers would be from families with incomes greater than \$70,000. Most would have credit cards or checking accounts with automated teller machine access (ATM). The average fare would be rather large because customers would commute from outlying areas to Washington, DC, and its inner suburbs. Thus eliminating cash as a payment option would not significantly burden potential customers.

VRE customers can purchase tickets in two primary ways:

- Automated Ticket Vending Machines on platforms that only accept debit and credit cards and
- Ticket Issuing Machines throughout the service area operated by vendors.

The Ticket Vending Machines are actually modified parking payment machines run by a 486 IBM-compatible computer using customized software. The up-front capital cost to equip all 17 stations with Ticket Vending Machines was fairly small: \$1.4 million for the machines and the hardware and software necessary to run them. The Ticket Issuing Machines cost \$3,500 per machine, with a total cost to VRE of \$500,000.

VRE issued one request for proposals to purchase the equipment and design software for the Ticket Vending Machine computer and another for a bank and Acquirers to perform the transaction for each type of credit card. MasterCard International helped VRE market the debit/credit payment option to VRE customers.

## Program Structure

Each station has several Ticket Vending Machines with one "talking" machine per station for the convenience of vision-impaired customers. The machines accept Visa, MasterCard, American Express, and Discover credit cards and Most, Plus, Honor, and Cirrus debit cards. Each machine has its own modem and dedicated phone line.

To purchase a ticket, a customer inserts a credit or debit card into the Ticket Vending Machine, the modem calls the transaction into VRE's administrative offices, and the Acquirer performs the credit card transaction (the customer's own bank performs the debit card transaction). At VRE headquarters, a 486 IBM-compatible computer enters the transaction data (card number, amount, time, ticket type, and denial reason if any) into a database from which VRE can generate future reports. If the call cannot reach VRE headquarters, the Ticket Vending Machine issues a ticket and stores the information for later transmission. To date,



out of every 10,000 transactions, only two have not been collected.

Because the Acquirer posts the sales into VRE's bank account the next day, for credit cards there is

essentially no float between the transaction and payment. For debit cards, the money is transferred from the customer's account to VRE's account as the transaction is processed. Because electronic transactions cannot be miscounted like cash

VRE's accounting department has no problem reconciling the finances.

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**"The Only Way to go is debit/credit - everything is posted tomorrow; everything is trackable."**

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— Dale Zehner, VRE

## Credit Cards 101

Four groups comprise the credit card industry:

- **Bankcard associations.** The two bankcard associations are MasterCard International and Visa International. For each of these two credit card brands, the associations administer the rules and regulations, advertise the bankcards, and run the settlement and authorization computer systems.
- **Issuers.** Issuers distribute credit cards to consumers, approve or decline transaction requests from merchants, and collect monthly payments from cardholders. For credit cards other than MasterCard and Visa, such as the Discover Card or Diner's Club, the Issuer is not a member of a bankcard association.
- **Acquirers.** Acquirers handle the communication between merchants and the credit card computer networks and reimburse merchants for credit card purchases. For credit cards other than MasterCard and Visa, the Acquirer is not a member of a bankcard association.
- **Member service providers.** These companies offer support to Acquirers through authorization, accounting, marketing acquirer services to merchants, customer service to merchants, and selling or leasing the hardware necessary for merchants to access the credit card networks.

### Authorization

In order to *authorize* a transaction, a merchant submits the customer's credit card number to its Issuer (via the merchant's acquirer) and the credit card brand's settlement and authorization system. The computer system then passes the authorization approval or denial from the customer's card's issuer to the merchant via the Acquirer.

### Clearing and Settlement

Merchants are reimbursed through a process called *clearing and settlement*. In *draft capture*, a merchant sends copies of its credit card transactions to its Acquirer. The Acquirer credits the merchant's account for the purchases and then forwards the

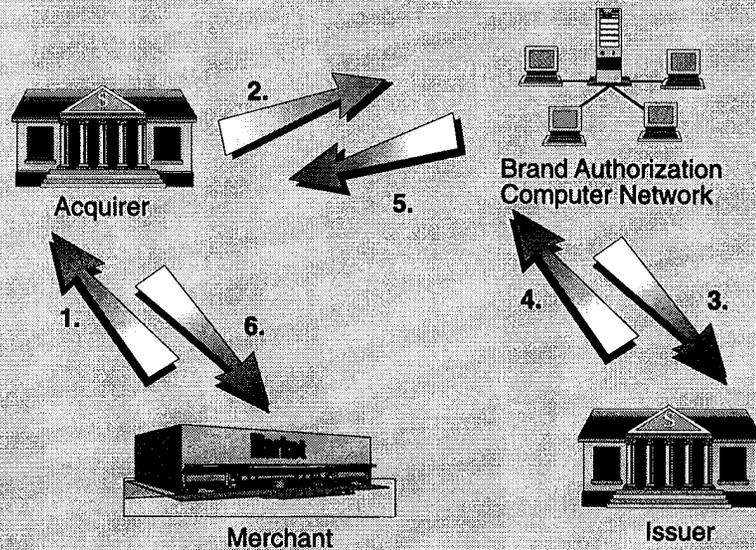


transactions to the brand's computerized settlement and authorization system. The system bills all the customers' Issuers and transfers this payment to the Acquirer. Finally, the Issuers bill their cardholders.

### Discount Rate

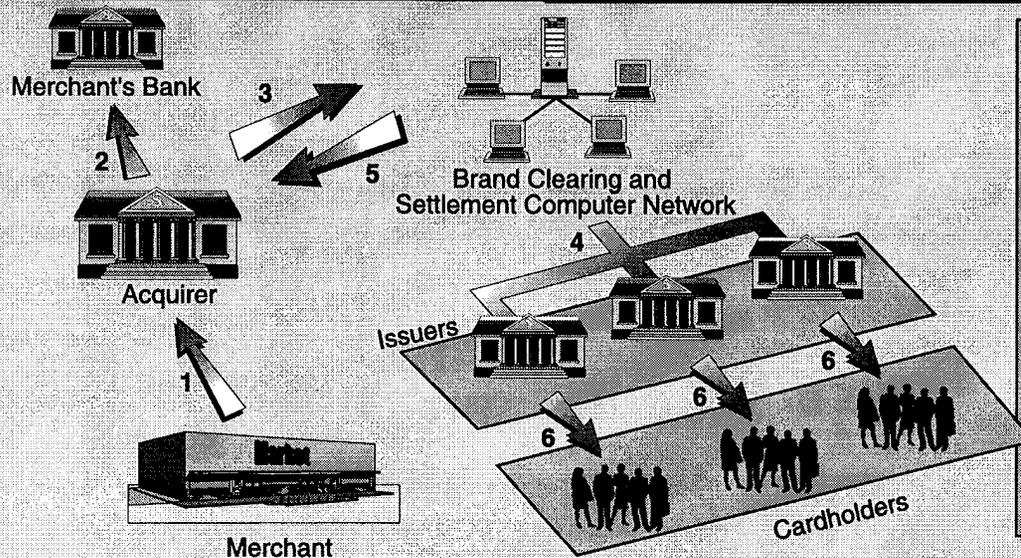
The Acquirer charges merchants a fee (called the *discount rate*) for its services for authorization, draft capture, settlement, administrative and operating expenses, and *interchange*. The interchange fee is paid to Issuers to cover the costs of operations, fraudulent card use, and carrying of cardholders charges from the purchase date until the cardholder's monthly bill is paid.

## The Authorization Process



1. Merchant provides customer's card number to Acquirer.
2. Customer's card number and other transaction data are transmitted through the Acquirer to Brand Computer Network.
3. Brand Computer Network transmits authorization request to Issuer.
4. Issuer approves the transaction and transmits approval message back to Brand Computer Network.
5. Brand Computer Network transmits approval message and authorization code to Acquirer.
6. Acquirer transmits approval message and authorization code to Merchant.

## The Settlement Process



1. Transaction data is transmitted to Acquirer.
2. Acquirer credits Merchant's bank account.
3. Acquirer sends transaction data to Brand Computer Network.
4. Brand Computer Network debits Issuers.
5. Brand Computer Network credits Acquirer.
6. Issuers charge individual cardholders.

For VRE tickets, 75% of the transactions are credit and 25% are debit. The standard for the credit/debit split in the sales industry is 95/5. VRE survey results show that the significant debit share results from the fact that transportation is a fixed cost for customers each month and most customers keep the money in their checking accounts to cover these fixed costs. Customers do not want to pay their credit card the interest on their rail fare.

### Financial Analysis

VRE allocates fixed costs of administration, monthly machine maintenance, software maintenance, debt service on the equipment, and the phone bill for local calls from machines to track transaction costs. Variable costs include ticket stock, an access fee to the financial network for debit cards, credit card fees, variable equipment maintenance, and long-distance calls from machines. Of the ticket price, 7.1% goes to fixed-price expenses. For debit card transactions, 1.1% pays for the variable costs; for credit card transactions, 2.8% of the ticket price is attributable to variable costs.

### Lessons Learned

Cashless fare payment can increase transit revenues by decreasing handling costs. Also, the money is available for use by the transit agency immediately with no collection or sorting time. The key benefits to cashless fare payment include

- reduced labor costs,
- low float, and
- improved customer service.

VRE suggests that if a transit agency is interested in setting up a pilot credit card program, it should install machines in one or two stations to monitor their use by patrons, operating costs, and potential value to the transit agency.



Ticket vending machines on VRE train platform

## Contact Information

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Dale Zehner and Howard Shock  
Virginia Railway Express  
703-642-3808

Margaret Toscano  
MasterCard International  
914-249-4709

## Endnotes

- 1 At local stores, customers purchase the fare cards using whatever mechanism the merchant allows for payment. The store transfers the proceeds from the ticket sales to VRE electronically.

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# **Eco Pass Program**

**Regional Transportation District  
Denver, Colorado**

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Denver ★  
Colorado

## Regional Transportation District

### Background

The most direct way for a transit agency to generate revenue is to increase ridership. A transit agency can market itself to attract new riders through television, print media, or even outdoor billboards. One of the less common ways to generate ridership, is to enlist the cooperation of local employers. One way that employers contribute to transit funding is by providing a \$65 per month pretax commuting benefit to employees. The employer can then deduct the cost of this benefit from its income taxes. The Regional Transportation District (RTD), the transit provider for the Denver/Boulder metropolitan area, has taken this idea a step farther with the Eco Pass.

RTD was established in 1969 to provide transit to the Denver/Boulder metropolitan area. The 2,046-square-mile service area contains 2 million potential riders. With 828 buses and 17 light rail vehicles, RTD operates local, regional, express, and airport shuttle bus service and light rail. In addition to utilizing the usual tax-free employee transit benefit, RTD's transit benefit program includes the innovative Eco Pass. Employers that participate in this program annually purchase photo-ID

### Agency Profile

Service Area	Metropolitan Denver
Modes	Bus, Light Rail
FY96 Operating Budget	\$183.3 million
FY96 Capital Budget	\$116.7 million
Annual Ridership	
Bus	52.3 million
Light Rail	4.1 million
Revenue Vehicle Miles	
Bus	23 million
Light Rail	525,452
Fares	
Bus	\$.75
Light Rail	\$.75

passes for every employee in the company. The passes are good for "free" travel anywhere in the system.

### Implementation

In August 1989, RTD and the City of Boulder, Colorado, jointly implemented the predecessor to the Eco Pass, the Mobility Pass program, to encourage commuters

to use alternatives to single-occupancy vehicle travel. The program was originally started to meet the requirements of Boulder's trip reduction ordinance. Employees in Boulder liked the employer-provided pass and discussed this new benefit with friends and colleagues. By 1991, at the urging of employees, businesses outside downtown Boulder began to request expansion of the Mobility Pass program.

In response to these increased requests for Mobility Passes by businesses located outside of Boulder, RTD realized that it needed to design a new program and pricing scheme. Prices were to be based on the level of service that each business location received from RTD and number of employees who were likely to use the pass.

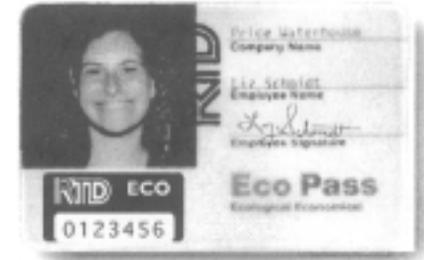
To develop the pricing plan, RTD surveyed employees to determine the transit ridership levels for businesses in the City of Boulder, Boulder County, City of Denver, and other counties in RTD's service area. RTD changed the pass name to Eco Pass and modeled the pricing policy on group insurance: any employer who participates in the program must purchase the Eco Pass for every employee, regardless of whether or not the employee will use the pass.

RTD's projections for ridership generated by the Eco Pass were quickly exceeded. The response was so overwhelming that the pricing had to be recalculated in order to recover revenue and cover the costs of serving this latent demand. For example, in companies in downtown Denver that have purchased Eco Passes, 9.4% of employees became new regular transit riders, 10% of previous transit riders increased the frequency of their transit commute trips each week, and 20% of

all employees with Eco Passes make non-commuting transit trips.<sup>1</sup>

RTD also learned that in order to avoid excessive costs of administering the program, a minimum contract size had to be established. The costs to administer the program, take pictures of employees at work, and process the monthly payments became prohibitively expensive for small contracts. The current minimum contract size is \$200, but RTD hopes to raise it in the future.

Once companies sign up for the program, they rarely drop out, even after cost increases. Employers sign up because of environmental concerns, savings for employees, and parking shortages. Examples of some current participants include Amoco, Burger King, Manning-Berthold Architects, Norwest Banks, and the U.S. Department of Energy.



## Program Structure

Employers in the Denver area purchase the Eco Pass for all their full-time employees (an option exists for part-time employees too), regardless of the number of employees that actually use the pass. Under the federal transit benefit program, the cost of the pass is tax deductible for the employers and the passes are a pre-tax benefit for the employees. Companies use their participation in the program as a recruiting and

retention tool, as well as for public relations because of the reductions in air pollution, traffic congestion, and parking resulting from Eco Pass use.

### Program Goals

The program has three goals: increase transit ridership, decrease regional vehicle miles traveled (by reducing single-occupancy vehicle trips), and improve the quality of life in metropolitan Denver by improving air quality. The program has measured up to these goals better than RTD ever expected.

Transit ridership has grown. A survey of companies offering the Eco Pass in downtown Denver has shown that 52% of employees at Eco Pass companies commuted on transit prior to the Eco Pass program; 62% currently travel to work via transit.<sup>2</sup>

In 1993, the Eco Pass program resulted in 17,440 fewer vehicle miles of auto commute trips per day into downtown Denver. By reducing the number of commute trips in single-occupancy vehicles, Eco Pass improves Denver's air quality. "One person using mass transit for a year instead of driving to work saves our environment 18 pounds of hydrocarbons, 153 pounds of carbon monoxide, and 79 pounds of nitrous oxides." With over 35 thousand workers in the Eco Pass Program in 1997, Denver's air becomes cleaner every year.<sup>3</sup>

### Benefits to Employees

Employees like the Eco Pass because it provides a tax-free benefit and is good for unlimited rides on transit. The annually issued Eco Pass can also be used



as an alternative form of identification because the laminated pass includes a picture of the rider and a signature. In addition, the Eco Pass program enrolls each passholder in the guaranteed-ride-home program administered by Ride Arrangers, part of the Denver Regional Council of Governments. The guaranteed-ride-home program provides a taxi ride whenever a transit user needs to travel from work for a personal emergency or unexpectedly work late. The Eco Pass user just shows his/her Eco Pass to cover the taxi fare. The taxi company then charges Ride Arrangers for the price of the taxi ride.

### Pricing

RTD priced the program based on a business's number of employees and location. The pricing scheme works as follows. An average annual pass for unlimited ridership on RTD's transit system costs \$406. If the Eco Pass price were set at this level, purchased for each transit user in the company, and multiplied by the number of employees that currently commute on transit, the result would be RTD's total revenue for annual passes



per pass in the example) would then be added to the base price.

Next RTD adds 15% of the base price to Eco Pass cost to pay operating costs associated with the service expansion needed for the new riders. Another 10% of the base price is added to the Eco Pass cost to pay for the costs associated with the capital expansion necessary as a result of the increased ridership. RTD charges \$1.50 per pass for program administration and marketing and \$2 for the guaranteed-ride-home program. Thus, the sample company would pay \$174 per pass or \$8,700 for all 50 passes. A sample calculation appears below.

bought by workers in that company. For example, if a company has 50 employees of which 14 use transit, the revenue generated by their purchasing an annual pass would be 14 workers times \$406, or \$5,684. This calculation provides the base price per employee for an Eco Pass of \$114.

RTD wanted to capture half the cost of an annual pass for new riders. The transit agency estimated that for each company, the Eco Pass would increase the number of employees which commute on transit by 50%. For the company in the previous example, RTD would expect 7 new transit riders. To recover half the revenue that would be generated if these riders bought annual passes, multiply the company's base Eco Pass price (\$114) by 25%. The result (\$28

Sample Price Calculations per Eco Pass for Firm Located in Downtown Boulder with 50 employees		
Cost of an RTD Annual Unlimited Ride Pass	\$406	(a)
% of all employees in company using transit before Eco Pass introduction	28%	(b)
Base price per Eco Pass to employer	\$114	(a)•(b)=(c)
Revenue to be captured from ridership increase	\$28	(c)•25%=(d)
Operating expansion costs	\$17	(c)•15%=(e)
Capital expansion costs	\$11	(c)•10%=(f)
Marketing/administrative costs	\$1.50	(g)
Guaranteed Ride Home Program	\$2.00	(h)
<b>Total cost per pass</b>	<b>\$174</b>	<b>(c)+(d)+(e)+(f)+(g)+(h)</b>

## Lessons Learned

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RTD actively promotes its Eco Pass program, and more than 1,100 companies with over 35,000 employees participate in the Eco Pass program. Over the last 6 years, studies have shown that this program has successfully met its three goals:

- **Increase Ridership.** More people ride transit for work and non-work trips.
- **Decrease Single-Occupancy Vehicle Trips.** In 1993, the total vehicle miles of auto commute trips decreased by 17,440 miles per day into the Denver downtown area.
- **Improve Air Quality.** Fewer trip miles mean cleaner air.

RTD's pricing scheme is a key factor in the program's success. For instance, RTD performed surveys and commissioned studies to determine the current bus and rail usage by residents in the different service areas. This step was necessary because the transit agency did not want to lose revenue from people who converted from passes or fares to the Eco Pass. RTD also made sure that the pass price recovered all administrative and marketing costs and provided for future expansion necessitated by the increased ridership from the program.

## Contact Information

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Fay Lewis and John Pung  
Regional Transportation District  
303-628-9000

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**"More than 1,100 companies with over 35,000 employees participate in the Eco Pass program."**

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## Endnotes

- 1 "Eco Pass Effectiveness Study" for the Regional Air Quality Council, prepared by the Howell Research Group in November 1993.
- 2 *Ibid.*
- 3 *Ibid.*

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# **Partnerships with the Community**

**Pullman Transit  
Pullman, Washington**

**Citibus  
Lubbock, Texas**

**Iowa City Transit  
Iowa City, Iowa**

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## Partnerships with the Community

Transit adds value to a community by moving people. Often private business or public entities will purchase bus or rail services from public transit systems. These partnerships are beneficial both to transit agencies and the population served, but the Federal Transit Act prohibits transit agencies that receive federal subsidies from competing with private transportation providers. Thus, public transit agencies must give first priority to any non-subsidized operator who wishes to provide service.

In this case study, we examine three examples of partnerships between transit operators

and their communities. In Pullman, Washington, the school district pays Pullman Transit to provide service for children traveling to school. In Lubbock, Texas, Texas Tech's student body pays Citibus to transport students around the campus. In Iowa City, Iowa, the downtown businesses pay for customers' bus trips home because they recognize the value that transit brings to the community in

dealing with the downtown parking problem. In addition, a mall on the outskirts of the city pays for customers to ride home free in order to attract students from The University of Iowa.

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**"Often private businesses or other public entities will purchase bus or rail services from transit systems."**

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## Pullman Transit and the Local School District

### Background

In the 1970s, with the gas shortage in full swing, there was no transit system in Pullman, Washington, and the citizens became concerned with mobility. At the same time, there was a parking shortage, especially in the Washington State University area. In response to these issues, the City of Pullman started a transit system in March 1979.

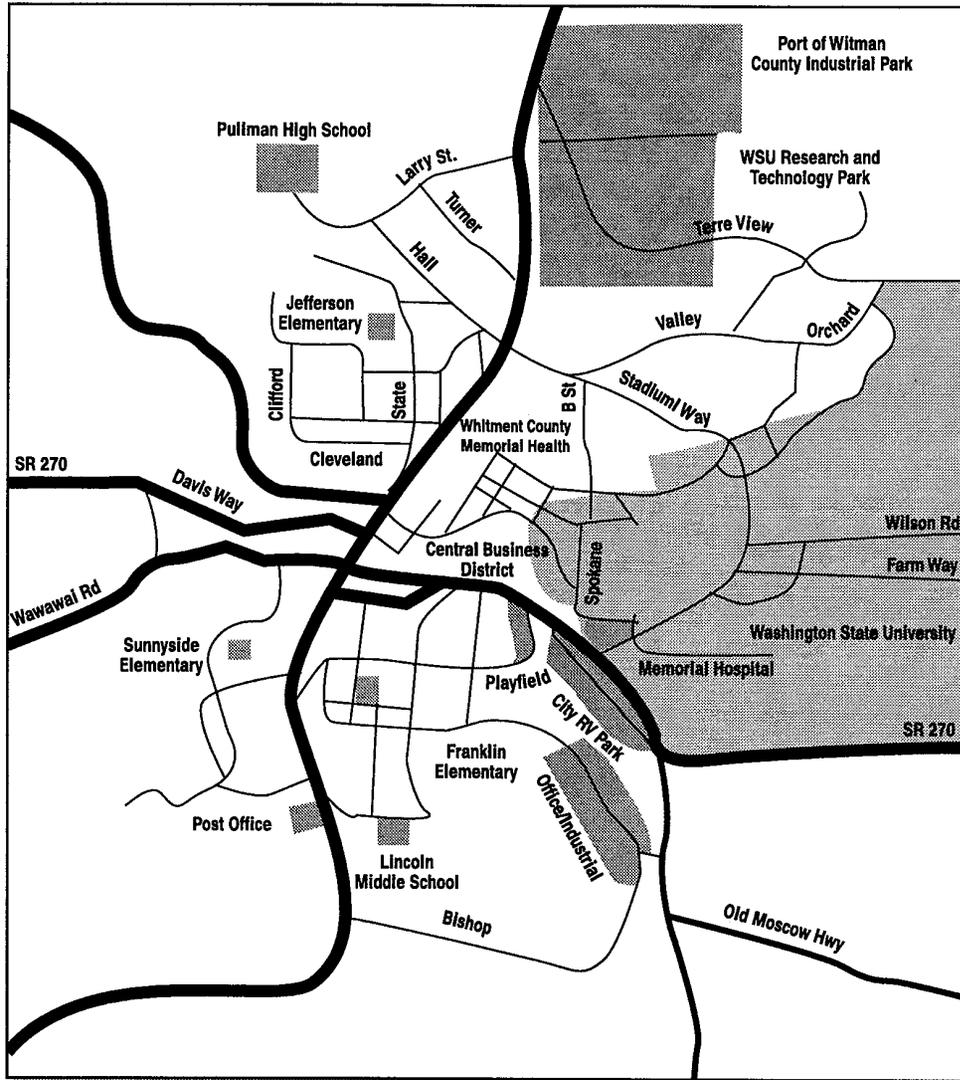
Pullman Transit, a department of the City of Pullman, Washington, operates a 14-vehicle, fixed-route and paratransit service which accommodates school trips for university, high school, and junior high school students in addition to work and other trips.

In the State of Washington, all students who live more than one mile from school must be offered transportation by bus. The school district itself used to provide the transportation because there were no private bus operators in Pullman. Eventually the Pullman School District decided that it was duplicating the efforts of the transit system: both agencies did not need to run buses to the same places, especially since at the time, many transit bus routes had very low ridership. In order to fill

### Agency Profile

Service Area	Pullman, Washington
Modes	Bus, Demand Response
FY96 Operating Budget	\$1.4 million
FY96 Capital Budget	\$729,000
Annual Ridership	
Bus	1 million
Demand Response	11,090
Revenue Vehicle Miles	
Bus	155,505
Demand Response	34,192
Fares	
Bus	\$0.35
Demand Response	\$0.40

the transit buses and decrease the capital expenditures of the school district, the two parties reached an agreement in 1982, whereby the school district would pay Pullman Transit to bus all students from sixth grade through high school.



Service area

### Travel Peaks

Group	AM Peak	PM Peak
Workers	8am	4-6pm
School	8:30am	3-4pm
University	9am	none

### Program Structure

The school district issues ID cards to all its students, and Pullman Transit gives the school district stickers to adhere to the IDs of students who ride the buses. For the bus service, the school district pays Pullman Transit a monthly fee that is negotiated each year. For the 1996-1997 school year, this payment totaled nearly \$40,000 or 3% of the transit system's operating budget. The students can use the buses throughout the entire service day (6:50am-6:50pm).

**"The students' parents really like the program."**

**—Rod Thornton, Pullman Transit**

Since the school district does not have a great deal of money, it is limited in what it can pay the transit agency for the service. Pullman Transit receives about \$40,000 to provide the students with bus service, but the costs of the program are nearly \$60,000. The program costs include additional scheduling needs, part-time drivers to cover the peak school periods, and administrative work for the program.

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## Community Effects

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The community is extremely pleased with the program. When the school district bused the students itself, the students could only ride buses twice a day: to school in the morning and home in the afternoon. Now students can stay late at school for sports or clubs, but still take the buses home; consequently, parents do not need to shuttle their children back and forth. Another benefit to the parents is that if children want to go out after school, the parents do not have to drive them.

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## Problems

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Serving diverse populations of both workers and school children spreads out Pullman Transit's peak periods. The school peak is slightly later than the commuter peak in the morning and slightly earlier in the afternoon. This peak spread creates logistics difficulties for the small system in coordinating drivers with bus routes. The longer peak also increases costs of transit operation because Pullman Transit needs more equipment and part-time drivers.

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## Citibus and the State University

### Background

Citibus was created in December 1976 to provide transit service to the City of Lubbock. Today the system, which is operated by a contractor, has 23 local routes and 5 routes to serve the Texas Tech University campus. Citibus also provides paratransit to qualified customers.

In 1968, the Texas Tech Student Association first contracted with Citibus to provide shuttle bus service on campus. Today the university is experiencing significant growth, yet the campus is closed to vehicular traffic, there is limited nearby parking, and the commuter lots for students are full. In order to serve the transit-dependent students and solve the parking problem, the University's student government contracted with Citibus to provide bus service. The service, which operates daily every 5 to 7 minutes until 3pm and every 15 minutes thereafter, is currently provided during fall, spring, and summer semesters. Since 1968, the service has experienced a slow and steady increase in ridership as the University has grown.

### Agency Profile

Service Area	Lubbock, TX
Modes	Bus, Demand Response
FY96 Operating Budget	\$4 million
FY96 Capital Budget	\$854,000
Annual Ridership	
Bus	485,361
Demand Response	4,291
Revenue Vehicle Miles	
Bus	1.2 million
Demand Response	296,586
Fares	
Bus	\$1.00
Demand Response	\$2.00

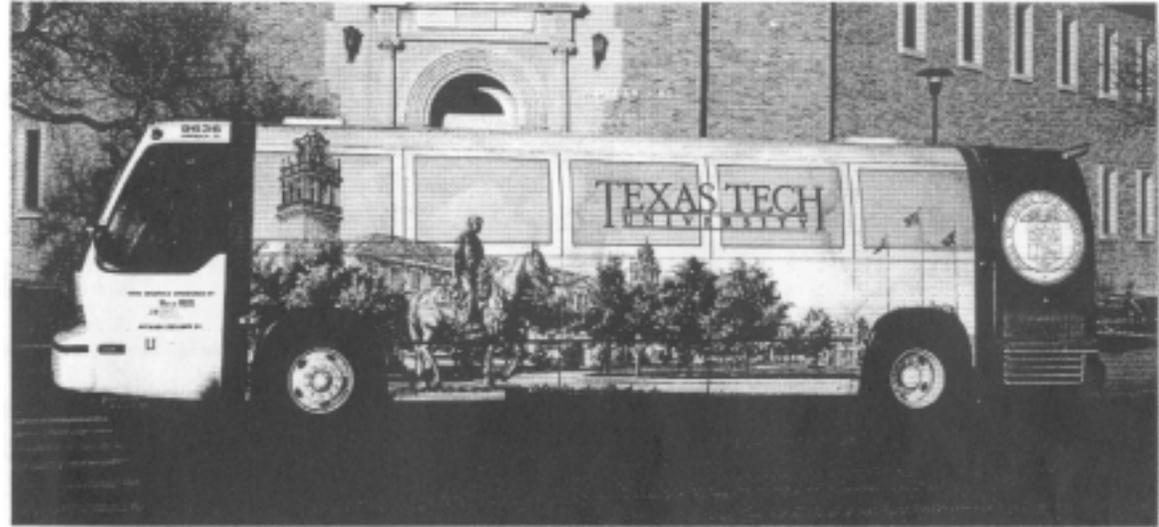
### Program Structure

Until 1996, the student body funded the shuttle service which was provided free to students and community residents. Last year, the students paid \$500,000 for the operation of this 13-bus service; the payment covers the complete cost of the service:

operations as well as publishing schedules and maps. No federal, state, or local funds subsidize this service. As an added bonus for Citibus, the \$500,000 payment from the school can be used as a local match for federal assistance.

Over the last year, Citibus has negotiated with the students and the university administration to provide more service to meet the university's 20-year plan for growth. Currently, Texas Tech is the second largest American university by acreage (it covers 1,839 acres). The university's buildings are widely dispersed around the property.

Through conversations with the university, Citibus encouraged the administration to develop the space more densely, that is, fill in the empty space rather than expand to outlying areas. Citibus also offered to provide additional bus routes to transport the growing student body so that new parking lots will not be necessary. As a trial, Citibus is providing additional service with four express buses to serve off-campus housing directly. The University recently tore down a parking lot to build a new stadium, and the shuttle service carries the displaced parkers to campus from off-campus housing and satellite parking lots. Because the construction costs



of the new stadium are partially paid out of student activity fees, the administration has agreed to contribute money for the additional bus service. Citibus now receives \$700,000 to provide bus service for Texas Tech; the service is operated completely with those funds — no subsidy is used.



## Iowa City Transit and the Private Sector

### Background

Iowa City Transit operates fixed-route and paratransit service to Iowa City, a suburb (University Heights), and outlying university sites. Two other transit systems also operate in the Iowa City metropolitan area: Coralville Transit, which provides service to the suburb of Coralville, and Cambus which provides service to the main campus areas of The University of Iowa.

Iowa City residents have trouble finding parking in the downtown area. Iowa City Transit provides an alternative to driving for shoppers, employees, and university students traveling downtown to shop, work, or attend school. The service also brings transit-dependent residents from the community and university to outlying shopping areas, including Sycamore Mall.

### Program Structure

The downtown businesses participate in a Park and Shop and a Bus and Shop program. With a \$15 qualifying purchase, customers either receive parking validation or a voucher for a free transit ride that is good at any time. A similar program has been put into place by Sycamore Mall. While this outlying mall has free

Agency Profile	
Service Area	Iowa City, IA
Modes	Bus
FY96 Operating Budget	\$2.4 million
FY96 Capital Budget	\$1.1 million
Annual Ridership	
Bus	1.5 million
Revenue Vehicle Miles	
Bus	601,871 million
Fares	
Bus	\$0.75

parking, it participates in the Bus and Shop program in order to attract university students.

The Bus and Shop fare is collected in the following manner. Riders give the Bus and Shop passes to the bus drivers who turn them in to Iowa City Transit's Administration. Iowa City Transit then collects the necessary fares from the participating merchants. Total receipts provide \$15,000 annually for the \$2.4 million operating budget. The merchants also pay for the marketing of the program on the buses and other locations around town.

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## Lessons Learned

Only in cases where there is no private operator interest can public agencies provide contracted services to other public or private entities. This case study has shown us that contracted partnerships between transit and the community can provide

- a revenue source for transit agency,
- a match for federal grant funds, and
- a flexible transportation option for the transportation disadvantaged.

The revenue the transit agency receives for the service will at most cover the transit agency's cost to provide the service. The service also fosters goodwill between the transit agency, the private sector, and other public sector agencies and the people these agencies serve. This type of partnership gives local businesses and other public agencies and their clients a vested interest in the health and well-being of the local transit system.

### Contact Information

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