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Metro Commute Partnerships

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EXECUTIVE SUMMARY

In October 2000, King County Metro Transit’s Commute Partnerships Program was honored as a winner of the prestigious Innovations in American Government Award from the Ford Foundation and the Kennedy School of Government at Harvard University. Innovations winners are recognized for their creativity and effectiveness at solving a problem of national significance. The award comes with a $100,000 Ford Foundation grant to create awareness of new approaches to public sector problems and to encourage replication. King County Metro’s Commute Partnerships program was one of 10 annual winners, from an initial field of over 1,300 projects from all levels and topics handled by governments. For more information about the Innovations competition, see: www.innovations.harvard.edu/2000/metro00.html

King County Metro Transit in Seattle succeeds in getting commuters out of their cars by working collaboratively with employers. Metro's Commute Partnerships program uses public transit funds to “seed” employers’ investments in their employees' alternative commutes. In 2000, the program used less than $500,000 in public funds to attract over $3.4 million from 425 employers toward subsidies for non-drive-alone commutes. Partnership funds support a body of transportation demand management policies and products developed over a decade. Those products typically reduce drive-alone commuting from 8 to 40 percent at a worksite. In the program’s first three years, use of transit, vanpools, carpools and non-motorized commutes rose from 4.7 million to 6.7 million trips collectively among the program’s partners.
Metro Commute Partnerships

King County Metro Transit, Seattle, Washington

A New Approach to Managing Transportation Demand

In 1996 the Market Development unit of King County Metro Transit, based in Seattle, Washington launched an aggressive strategy for addressing the region’s top quality of life complaint: traffic congestion and lack of mobility. King County Metro authorized funds normally used to run buses to attract private investment in getting commuters out of their cars. We call this innovation “commute partnerships.”

King County Metro designed the Commute Partnerships program as a system that:

• Helped establish policies at the state and local level that emphasized collaboration, not regulation, between the public and private sectors;

• Developed commute products and services that expanded options for commuters and that employers would willingly purchase to resolve their own transportation problems;

• Treated unused seating capacity in the transit system as an investment resource;

• Facilitated involvement of the state as a funding partner through a tax credit for employers that subsidized transit, vanpooling, and carpooling; and, finally

• Used regular transit operating funds to reduce the cost barrier to employers’ interest in subsidizing their employees’ alternative commuting.

We use the partnership approach to reduce the public’s risk in introducing new transit services and to provide seed money for increasing employers’ investment in alternative commuting. As of the end of 2000, our commute partnership model has engaged over 425 King County employers. The products and services we sell reduce drive-alone commuting between eight and forty percent at participating worksites.

These are astounding results that other governments may achieve as well. In fact, we have expanded our roster of partners beyond employers by using this model. As our experience has shown, a public agency can re-cast its role via cost-sharing partnerships by:

• Shifting the public’s role from service provider and revenue collector to financial partner and entrepreneur;

• Expanding its set of services beyond the traditional to any reasonable method that achieves the same outcome; and

• Helping bring customers to the table with innovative pricing, incentives for participation, and assistance with cost containment.

How it Started

King County Metro’s commute partnership program stems from an evolving body of policies to elevate transportation demand management, of products to support commuters, and of partnership funding
to engage employers. The current program was initiated in 1996 through King County’s 1996-2001 Six-Year Transit Development Plan. The plan allocated ten percent of new transit operating funds to leverage money from outside partners to pay for “non-traditional” products. However, the foundation of the system developed much earlier, as described below.

**Rearranging the environment.** Since the late 1970s local transportation professionals had been involved in influencing laws that inhibited the use of commute options. For example, some of the same staff who would later form Metro’s Market Development group had helped deregulate vanpools from state utilities rules and insurance limitations, which paved the way for what is now the largest public vanpool program in the United States.

In the mid 1980s we began to work with King County’s cities to use the State Environmental Policy Act (SEPA) review process. We introduced transportation demand management strategies as traffic mitigation conditions in *new* developments. But we also recognized the substantial trips generated by *existing* developments. So our group teamed with the Washington State Energy Office to craft the state’s 1991 Commute Trip Reduction law.

Market Development also sought changes in the economic environment affecting public transportation use. In 1993 we helped draft the state’s Rideshare Tax Credit to reward employers for subsidizing alternative commuting. We also worked through national transportation organizations to improve the treatment of commute subsidies in the federal income tax code.

**Expanding the options:** Policy efforts tend to be government-driven, and are not always embraced by employers or commuters. Therefore we also conceived new transportation options and ways of delivering them. We systematically sought federal grants for demonstrating new concepts, such as the products described in the Measuring Success section of this paper. Some of these products were adapted from similar programs in use elsewhere.

Market Development persuaded internal decision-makers to help “deliver” those products by investing transit resources up front in the form of unused seating capacity and delayed fare recovery. The approach was first fully realized in 1991 with the University of Washington *UPass*. Metro substantially increased bus service to the UW campus, splitting costs with the University. At the same time Metro permitted bus pass distribution to all 50,000 students, faculty and staff while charging the University only for existing bus trips. The remarkable success of the *UPass* in its first year – a 35 percent increase in transit use and 17 percent fewer parking permits requested -- allowed its adaptation for other employers as *FlexPass*.

**The Commute Partnerships era:** Metro’s Six-Year Transit Plan gave us an opportunity to institutionalize the partnership concept. We used the plan to propose “non-traditional” products and a set-aside of new resources to leverage private funds for such products.

**Commute Partner Market**

The partnership program targets employers as the conduit to commuters. King County Metro has concentrated on the commute as the most predicable trip-making pattern and the most demanding on the transportation network’s capacity. The workplace is the most efficient way to reach commuters with a consistent message. Although the commuter makes a personal choice, the employer influences that choice through its location and its policies.

Employers, too, face transportation challenges in providing customer parking, recruiting and retaining employees, and meeting conditions of new or expanded facilities.
Over the years, Metro has steadily grown an audience of employers receptive to our commute products. For example, Metro has offered a retail pass subsidy program for over 15 years. But relatively recent public policies further defined the best markets for Metro’s innovative products and partnerships.

We identify our primary market as the 433 employers in King County affected by the state’s Commute Trip Reduction (CTR) law. It is aimed at employers with at least 100 full-time day shift employees at a single location. By state law and local ordinances, these employers must take actions that make progress to reduce their employees’ drive-alone commuting. Our products make an employer’s compliance easier and more effective; our partnerships make it affordable.

More recently we broadened our markets to include:

- employers and social service agencies placing welfare-to-work employees, who often find suburban jobs unreachable by city residents without personal cars;
- developers subject to traffic mitigation conditions;
- employers affected by nearby construction activities;
- communities implementing growth management policies; and
- developers and cities involved in transit-oriented development.

The partnership program currently “serves” 425 employers as partners, about 250 of whom fall under the CTR law. This represents nearly 60 percent of the potential CTR employer market. Viewed more broadly, our potential reach may be the 15,000 employers in King County with more than ten employees.

<table>
<thead>
<tr>
<th>Employer Market Segment</th>
<th>Number of employers</th>
<th>% of CTR employers</th>
<th>% of the 15,000 employers in King County</th>
<th>Total employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTR employers with partnerships</td>
<td>251</td>
<td>58%</td>
<td>1.7%</td>
<td>190,000+</td>
</tr>
<tr>
<td>Total CTR employers*</td>
<td>433</td>
<td>100%</td>
<td>2.9%</td>
<td>293,000</td>
</tr>
</tbody>
</table>

* There are currently 596 CTR worksites in King County, but only 433 different employers, due to those with multiple worksites.

Why Partnerships Work

The most important achievement of the commute partnership program is the fundamental shift in how King County Metro chose to engage employers in affecting their employees’ commute choices. Our previous efforts to reduce drive-alone commuting had definitely made in-roads, but our partnerships began to make headlines from their remarkable outcomes.

By using public dollars to attract private resources we generate a chain of critical relationships:

- partnership funds draw in more employers for commute programs,
- employers then give more support to employees for commuting alternatives,
- more employees now leave their cars at home.
The shift in the public role occurred in two distinct phases, described earlier. First, Metro invested staff and federal grant resources to develop policies and products to improve commuters’ access to alternatives. Second, Metro dedicated operating funds to match employers’ investments in commuting. This meshed with employers’ needs to solve parking problems and to provide competitive employee benefits in a tight labor market. Identifying the public actions that would engage employers made it possible for our products to reach the end user more efficiently.

Another way to demonstrate this shift is to describe the pricing methods used in a commute product called the FlexPass. Under FlexPass, an employer pays Metro up front for a year’s worth of transit trips taken by its current bus-riding employees. In return Metro provides the employer with unlimited bus access for every employee. Metro offers its system capacity for that year, banking on the notion that the program will generate new users over time from whom we will recoup revenue in the future. Partnership funds provide first-year incentives.

Employees' transit use grows an average of about 90 percent in the first year of FlexPass. Because FlexPass is priced by trips taken, the employer's price for the following year can go up as much as ridership goes up. After early FlexPass employers felt sticker-shock from their success, Metro chose to graduate the employer's added costs over a three-year period. The chart below shows how FlexPass increases ridership and revenue, while providing a cost break to the employer to keep them engaged over time.

![FlexPass Renewal Pricing Basis](chart.png)

Measuring Success

The three most important measures of success for the commute partnership program are:

- Ridership on all non-drive-alone commute modes;
- Revenue from product sales; and
- The amount of product sales overall.
Product Sales & Ridership

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Ridership (Transit, vanpool, other)</th>
<th>Total Product Sales Revenue</th>
<th>Number of Product Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>4.76 million</td>
<td>$4.6 million</td>
<td>388</td>
</tr>
<tr>
<td>1998</td>
<td>5.47 million</td>
<td>$5.4 million</td>
<td>521</td>
</tr>
<tr>
<td>1999</td>
<td>6.72 million</td>
<td>$7.6 million</td>
<td>625</td>
</tr>
</tbody>
</table>

The outcome data shown above is the sum of sales of each of King County Metro’s employer commute products through 1999. Results for 2000 continue to support the growth trend. There is some overlap due to single employers buying multiple products. The products that generate increases in revenue and ridership include the following:

*FlexPass* is a comprehensive commute benefits package for all employees at a worksite. *FlexPass* features unlimited transit access, and may include vanpool and carpool subsidies, emergency rides home, and joint funding of additional transit service. Over 120 employers participate in *FlexPass*, covering 80,000 employees who took over 7 million transit trips in 2000. Employees’ transit use increases over 90 percent on average at a worksite in the first year of a *FlexPass* partnership. Over 2,300 vanpool riders receive an employer subsidy via their *FlexPass*.

*Commuter Bonus* vouchers are redeemable at six area transit agencies for transit, ferry, or vanpool fares. Employers find this a convenient method to subsidize employee commutes. Over 170 employers participate in Commuter Bonus, adding over 100,000 transit trips annually, and 440 vanpool riders since 1997.

*Commuter Bonus Plus* vouchers offer rewards related to carpooling, bicycling, walking, or telecommuting. Vouchers are redeemable at participating service stations, AAA, a recreational co-op, and YMCA. Over 160 employers participate, resulting in over 320,000 new carpool, bicycle, and pedestrian commute trips annually.

*Home Free Guarantee* provides emergency rides home by taxi for employees who commute by any alternative mode. Surveys consistently show that lacking guaranteed transportation in an emergency is the most significant barrier to alternative commuting. Over 200 employers participate in Home Free Guarantee.

**Leveraging Funds**

King County Metro’s commute partnerships have two primary funding sources: Metro operating funds and partner contributions. Partner contributions come mainly from employers, but may also come from local jurisdictions, developers, non-profits, and private service providers.

The table below shows private funds leveraged by public partnership funds each year since 1997. It does not represent total product sales as the Product Sales table (above) does. Figures for 2000 are estimates.

Partnership contracts from 1997 – 1999 highlight an unusual feature of the partnership program. Over time, Metro reduces its commitment in a partnership; costs are absorbed into our regular service budget or
the partner maintains funding. Thus, a smaller amount of Metro’s funds leverage an ever-increasing amount of partner funds.

The table below also shows the investment made by King County Metro in program staffing. Resources for staff come from regular King County operating funds and from federal grants, but now require less than one-third of the program cost.

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of</strong></td>
<td>382</td>
<td>450</td>
<td>645</td>
<td>700</td>
</tr>
<tr>
<td><strong>Partnerships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Partner Contribution</strong></td>
<td>$564,600</td>
<td>$3.624 M</td>
<td>$3.367 M</td>
<td>$3.379 M</td>
</tr>
<tr>
<td><strong>Metro Contribution</strong></td>
<td>$441,100</td>
<td>$945,400</td>
<td>$600,296</td>
<td>$489,000</td>
</tr>
<tr>
<td><strong>Regular Operating Staff</strong></td>
<td>$796,600</td>
<td>$848,600</td>
<td>$839,400</td>
<td>$796,600</td>
</tr>
<tr>
<td><strong>Federal Grant Staff</strong></td>
<td>$519,000</td>
<td>$552,700</td>
<td>$523,800</td>
<td>$640,000</td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td>$2.321 M</td>
<td>$5.971 M</td>
<td>$5.330 M</td>
<td>$5.304 M</td>
</tr>
</tbody>
</table>

**Shortcomings and Challenges**

The most significant shortcoming of the commute partnership program is that it is not reaching as many employers as it could. We are reaching nearly 60 percent of major employers, the program’s original target market. However, there is a great, untapped reservoir of other employers and institutions that could benefit from access to King County Metro’s partnership resources and commute products.

There are two main reasons we feel we are not reaching as many employers and commuters as we could:

- **Revenue concerns.** Like other public agencies, King County Metro dedicates a lot of energy to reducing financial risk. However, one of the partnership program’s tenets is adoption of some risk for the potential of higher future ridership and revenues. Due to limits for financial exposure, we frequently have access only to tightly defined markets.

- **Complexity.** Market Development as a group is prone to shaping and shifting products on a case-by-case basis in order to make a deal work. Many of our early product applications were tailored to the employer partner. This approach made it difficult to maintain and grow a customer base because it is very staff and data intensive. It is also difficult to communicate a complex message to a potential customer. We are currently overcoming this issue by standardizing our commute products.
Metro’s experience in Bellevue, a major suburban city and employment center, highlights both the success and the shortcomings of the commute partnership program.

Bellevue has been one of our best markets for selling commute products since 1993. This is odd because the cultural image of Bellevue is one of luxury sedans and shiny SUVs. But over the years we have achieved the following results among major employers in Bellevue:

<table>
<thead>
<tr>
<th>Commute Mode</th>
<th>1990 Baseline</th>
<th>1993</th>
<th>1995</th>
<th>1997</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drive Alone</td>
<td>81%</td>
<td>68%</td>
<td>71%</td>
<td>66%</td>
<td>57%</td>
</tr>
<tr>
<td>Transit</td>
<td>N/A</td>
<td>13%</td>
<td>10%</td>
<td>13%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Much (though not all) of the shift from driving alone to use of transit among downtown Bellevue employees can be attributed to FlexPass. Partnership funds underwrote many of these agreements. Eight of fourteen major employers in this area have a FlexPass. Some of these employers have as many as 45 percent of their employees riding the bus to work. These are astounding results, yet traffic gets worse in Bellevue every year. Clearly, we are not reaching every potential customer. Our response has been to standardize our products and to make them available to a wider audience than just major employers. And, now seeing FlexPass as a proven, safe product, our agency supports this expansion. Success will depend on our ability to shift from a “boutique” model to a more standardized approach in order to reach our potential market.

A Model for a TDM System

Other areas can emulate King County Metro’s commute partnership program as a TDM model. We developed this model through three overlapping stages – policies, products, partnerships – over the span of a decade. Just as we moved through this progression, we believe others can. If a government can identify excess capacity within its system, then it may decide to use that spare capacity as a resource to shape the environment and serve more customers.

Our partnership model goes a step further than finding new ways to think about managing transportation resources. The decision to devote operating dollars to fund partnerships required a leap of faith. It required King County to authorize resources intended for transit service hours – something most people want and easily understand – and risk investing them to bring more customers to the system. What it takes to make the total effort successful is to:

- Work on the big picture (shape the environment);
- Identify an overlap of interests between government and its customers; and
- Make it easy to meet customers’ needs (expand the options).

By following this model, we already have had success replicating our program outside of the private employer/commuter realm. First, we joined with local and state agencies, non-profits, and employers to fund transportation for welfare-to-work applicants. Second, we recently helped launch an innovative car-sharing program in Seattle, in which public funds underwrote some initial costs for a private venture working with individual clients.
The partnership approach requires leadership from the public sector and tolerance of some risk. However, taking that risk provides any organization with an opportunity to achieve its basic mission and fill service gaps in a more cost-effective manner. For King County, the approach has enabled us to apply TDM strategies to help achieve public goals while also helping employers meet their own transportation challenges.