## **MEMO**



### (City Clerk)

To: Finance Committee and Common Council

From: Megan Dunneisen Date: November 20, 2025 Subject: Transit Fares

### Background

Watertown Transit is a shared-ride taxi service that began in 1994. The service is funded through fare revenues, state and federal grants, and the City's local share. It is operated by a third-party contractor, Passenger Transit Inc. The recent request for proposals and the resulting contract with Passenger Transit set forth the maximum number of hours per year and the annual rate. Detailed contract information for the upcoming year can be found in the previous agenda item.

The city sets fare amounts for the service, and increases are periodically required to help address funding gaps. Past increases were implemented in 2016, 2021, and 2023. Fares are based on ridership categories, including adult, children, children accompany, elderly/disabled, destinations 2 miles outside the city, and agency. What are agency fares? Agency fares are rates charged to local managed care organizations that use federal aid (typically Medicaid) to provide required transportation services.

#### **Budget/Financial Impact**

The 2026 Transit budget is recommended for adoption with a \$60,000 local share. As illustrated in the figures below, this amount is insufficient to fully fund the service. Therefore, operational or funding changes will be required to sustain the program moving forward. It is important to recognize that these are estimated amounts and will vary based on actual ridership.

Overall Transit Budget			System Ex	penses		
Operating Expenses	\$ 1,041,390.00		Hours	Rate	Total	
Passenger Revenue	\$ 345,000.00	Contracted Service	29,000	\$ 35.91	\$	1,041,390.00
Net Operating Deficit	\$ 696,390.00	Contra Expenses (parcel)				
			Total Expenses:			1,041,390.00
Fed+State Funding%	56.50%					
Federal Funding	\$ 348,195.00		System Revenue			
State Funding	\$ 240,190.35	Trips Rate Total				
Local Share Needed	\$ 108,004.65	Adult Fare Revenue	31,000	\$ 4.00	\$	124,000.00
		Senior/Disabled Fare	38,000	\$ 3.00	\$	114,000.00
		Student/Child Fares	17,000	\$ 3.00	\$	51,000.00
		Childen Accompany	500	\$ 2.00	\$	1,000.00
		Agency Fare Revenue	5,000	\$ 9.00	\$	45,000.00
		Out of Town	1,000	\$ 10.00	\$	10,000.00
		TOTAL	92,500		\$	345,000.00



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#### Recommendation

The Transit Commission recommends that the Finance Committee and Common Council approve an increase in **agency fares** from \$9.00 to \$12.00 and adult fares from \$4.00 to \$5.00.

Category	2016	2021	2023	2026
Adult	3.75	4.00	4.00	<mark>5.00</mark>
Children Accompany Adult (same destination)	1.75	2.00	2.00	2.00
Children under 18	2.75	3.00	3.00	3.00
Elderly/Disabled	2.50	2.75	3.00	3.00
2 miles outside City	8.00	8.50	10.00	10.00
Agency/MTM	9.00	9.00	9.00	<mark>12.00</mark>

Expanded Funding Calculate	or							
Overall Transit Budget			System Expenses					
Operating Expenses	\$	1,041,390.00		Hours	Rat	е	Total	
Passenger Revenue	\$	391,000.00	Contracted Service	29,000	\$	35.91	\$	1,041,390.00
Net Operating Deficit	\$	650,390.00	Contra Expenses (par					
				Total Expenses: \$			1,041,390.00	
Fed+State Funding%		56.50%						
Federal Funding	\$	333,244.80	System Revenue					
State Funding	\$	255,140.55		Trips	Rat	е	Total	
Local Share Needed	\$	62,004.65	Adult Fare Revenue	31,000	\$	5.00	\$	155,000.00
			Senior/Disabled Fare	38,000	\$	3.00	\$	114,000.00
			Student/Child Fares	17,000	\$	3.00	\$	51,000.00
			Childen Accompany	500	\$	2.00	\$	1,000.00
			Agency Fare Revenue	5,000	\$	12.00	\$	60,000.00
			Out of Town	1,000	\$	10.00	\$	10,000.00
			TOTAL	92,500			\$	391,000.00

This increase would reduce the City's estimated local share from \$108,004.65 to approximately \$62,004.65, an amount more in line with the proposed 2026 budget. It should be noted that an increase in adult fares could result in reduced ridership and lower revenue. Ridership statistics are reviewed by the Transit Commission on a quarterly basis

#### **Next Steps**

Individual fare increases require a public hearing before adoption. If the Finance Committee recommends proceeding with the adult fare increase, a public hearing will be posted and held within 21–30 days. Any comments received at the hearing will be returned to the Transit Commission for discussion. If no comments are received, a resolution adopting the increase will be presented to the Common Council.

Unlike individual fare increases, **agency fare** adjustments do not require a public hearing. If the Finance Committee recommends proceeding with the agency fare increase, the managed care organizations that use Watertown Transit will be contacted to begin discussions on implementing the new fare amount in early 2026. A resolution to adopt the increase will then be presented to the Common Council.