

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 11/10/2021

Staff Report No. 17-234g

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Transbay Fare Increase Deferral

ACTION ITEM

RECOMMENDED ACTION(S):

Consider adopting Resolution No. 21-044 to defer the implementation of the January 1, 2022 scheduled Transbay fare increase by six months to July 1, 2022.

STRATEGIC IMPORTANCE:

Goal - Strong Public and Policymaker Support
Initiative - Financial Efficiency and Revenue Maximization

Biennial fare increases were planned as part of the five-year Transbay fare schedule adopted by the Board in 2019, but the pandemic has severely affected Transbay service making a fare increase infeasible in January.

BUDGETARY/FISCAL IMPACT:

The current estimated Transbay fare revenue for FY 2021-22 including the fare increase is \$1,688,000. Deferring the fare increase by six months is estimated to reduce fare revenue by \$77,000 (4.5%).

BACKGROUND/RATIONALE:

In February of 2018, the Board adopted Resolution 18-021 which contained a Transbay fare schedule effective on July 1, 2018. The new fare schedule decoupled Transbay fares from local fares in acknowledgement of the cost of Transbay service, the introduction of double-deckers into the Transbay fleet, and the opening of the Salesforce Transit Center (STC) and the District's financial commitments to it. The Board stipulated that the first fare increase should not happen until after the delayed opening of the STC, which delayed the first fare increase (to \$5.50) by six months until January 1, 2019, with delays to the following scheduled fare increases by the same amount. The following Transbay fare increase to \$6.00 was on January 1, 2020. The next planned fare increase to \$6.50 is scheduled for January 1, 2022.

The COVID-19 pandemic has significantly reduced Transbay ridership, falling below 1% of prior levels early in the pandemic. Transbay ridership has grown recently (along with local ridership) but remains low relative to local ridership at only 9% of prior levels as of September 2021. Return-to-office schedules for businesses located in downtown San Francisco continue to be delayed by the evolving pandemic. Transbay ridership is also likely to be permanently affected by continued work-from-home hybrid schedules even after the

pandemic subsidies. Staff has increased Transbay service a small amount, mainly where it is easily and efficiently hooked into other runs but is reluctant to significantly restore additional Transbay service until it looks like there will be enough ridership to justify the expense.

In response to this situation, staff is recommending a deferral of the scheduled Transbay fare increase for six months to July 1, 2022. This will give staff and the public more time to transition to a “new normal” and see where Transbay service is needed. It also aligns the Transbay fare increase with the previously deferred local fare increase. This will allow the Board to consider whether to implement the schedule fare increases for both local and Transbay fares at one time in the early spring of 2022. Additionally, staff prefers not to have fare increases take effect on January 1, as it means fare change communications need to happen during the busy holiday season.

ADVANTAGES/DISADVANTAGES:

The main disadvantage of deferring Transbay fares is the reduction in fare revenue, but this is mitigated by the relatively low Transbay ridership so that the estimated fare revenue decrease is only 4.5% of total Transbay fares.

The main advantage of not raising fares is to not further discourage riders from returning to Transbay service. The six-month deferral also benefits staff workload and scheduling efficiencies as described above.

ALTERNATIVES ANALYSIS:

The Board could take no action and allow the fare increase to take effect on January 1, 2022. Staff believes that this would not help in regaining Transbay ridership. The Board could also choose to defer the fare increase for a longer period of time. Staff prefers to go with the six-month deferral to have the local and Transbay fare change schedules match as originally planned. The Board can then consider further fare change deferrals at one time in the early spring when more is known about the evolving pandemic situation.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 17-234e - Transbay Fare Decision

SR 17-234f - Clarification of Board action taken on the Transbay Fare Schedule

ATTACHMENTS:

1. Resolution 21-044

Prepared by:

Chris Andrichak, Chief Financial Officer

Approved/Reviewed by:

Beverly Greene, Executive Director of External Affairs, Marketing & Communications

Robert del Rosario, Director of Service Development and Planning