

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 3/27/2024

Staff Report No. 21-163c

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager/Chief Executive Officer
SUBJECT: Local and Transbay Fares and Update on Proposed Fare Policy Changes & Outreach

ACTION ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Consider the adoption of Resolution 24-009 selecting one of the following options for the planned local and Transbay fare increases:

1. implement the previously-deferred increases, to be effective on July 1, 2024 and July 1, 2025; or
2. further defer implementation of the previously-postponed local and Transbay fare increases by one additional year to July 1, 2025 and July 1, 2026, and allow for no further deferrals;

and receive an update on proposed changes to Board Policy 333: Fare Policy Goals and Methodology and the outreach planned to support the required Title VI analysis.

Staff Contact:
Chris Andrichak, Chief Financial Officer
Beverly Greene, Executive Director of External Affairs, Marketing & Communications

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency
Initiative - Financial Efficiency and Revenue Maximization

Fares are the District's main revenue source that it has direct control over and that can directly influence ridership.

BUDGETARY/FISCAL IMPACT:

Fare increases for both Transbay (raising the base fare from \$6.00 to \$6.50) and Local (base fare from \$2.50 to \$2.75) services are currently scheduled to take effect on July 1, 2024 and July 1, 2025. The increases are expected to generate \$480,000 in additional revenue from Transbay and \$3.1 million from local service for FY 2024-25 assuming no ridership is lost from the increase (no elasticity). The revenue impact of the second increase in the base Local fare (\$2.75 to \$3.00) is more difficult to estimate but can be safely assumed to be a similar or higher amount, mainly depending on ridership trends.

There is no budgetary or fiscal impact associated with the update being provided by staff on potential changes to Board Policy 333. However, future amendment of Board Policy 333, such as introduction of free transfers on Clipper® and the AC Transit mobile payment application, fare capping (a system also referred to as “fare accumulators”) and adopting monthly and weekly passes (instead of 31-day and 7-day passes) may result in financial impacts.

More specifically, in Staff Report 22-187a in mid-2022, staff estimated moving to free transfers on Clipper and the AC Transit mobile payment application would result in a loss of approximately 2% of total fare revenue. For the current FY 2023-24, with a budget of \$31.5 million in total fare revenue, 2% is \$630,000. Looking at the pre-pandemic fare revenue from FY 2018-19 of \$59.0 million, 2% is equal to \$future 1.2 million.

The other proposed changes - allowing fare capping to be used for all pass products, discontinuing 31-day 7-day passes in favor of monthly and weekly passes that are available both on Clipper and mobile - are expected to be cost neutral for riders, or possibly a reduction in cost depending on their riding pattern. The reduction would come for riders who before might have bought a pass but do not ride enough in the month (or week, or day) to reach the full pass value. Since they would no longer be paying the full cost up-front - but only for the rides they take, up to the fare cap - they would no longer be at risk of “losing” any value of a pass they do not fully utilize.

These changes would be likely to result in a slight reduction in fare revenue for the District. Currently, if a rider purchases a multi-ride pass and does not ride enough to reach the rate used for the multiplier during the pass period, the District keeps the excess value. Selling passes in advance (rather than via fare capping or fare accumulation) also allows for a small amount of interest income to the District. These gains would be eliminated as riders stop pre-paying for passes and utilize the fare caps.

BACKGROUND/RATIONALE:

Due to the effects of the COVID-19 pandemic on ridership, the Board has deferred planned fare increases on both Local and Transbay service a number of times over the past few years. This report asks whether to implement the fare increases planned to take effect on July 1, 2024 and 2025, or defer them another year.

The options for fare increases are mostly a repeat of what was presented last March: to implement increases as planned (on July 1, 2024 and 2025) or to defer all currently planned increases by another year. The District’s last fare increases were July 1, 2019 for Local service and January 1, 2020 for Transbay service, meaning that if the Board decides to implement the increases it will have been 4.5-5 years since the last increase. To discourage further deferrals of fare increases that were approved five years ago and in pursuit of revenue to help the District provide more service, the proposed resolution language associated with deferring the increases also specifies that there would be no further deferrals.

In addition to the fare deferral options to be considered by the Board, this report previews proposed changes to the District’s fare policy, as set forth in Board Policy 333, that would be necessary to implement free local transfers along with other changes to accommodate the impending implementation of the next generation Clipper system (C2) and further fare integration pilots resulting from the Fare Coordination and Integration

Study (FCIS).

Staff needs to give the Metropolitan Transportation Commission (MTC) 90 days of advance notice for fare and other policy changes for the Clipper system to be updated. Accordingly, the District must provide notice by April 1 on whether the planned July 1, 2024 fare increase will go forward. In addition, the District will need to inform the MTC by June 1 whether the proposed policy changes will be implemented.

The District can rely upon Title VI equity analyses conducted previously in determining whether to implement previously-approved fare increases. However, consideration of the potential policy changes must be preceded by additional public outreach and engagement, as described below, and completion of a new Title VI analysis, which will be presented for Board consideration in May to meet the June 1 deadline.

Policy Changes

Revisions to Board Policy 333 to give effect to the following high-level changes proposed will be presented to the Board for consideration with a follow up item in May:

- Implement free local transfers with a 120-minute window between AC Transit local routes on Clipper and mobile, while keeping the day pass as an element of the overall fare capping structure.
- Eliminate public purchase of 31-day and 7-day passes, substituting monthly and weekly passes which better match the fare capping system available in C2.

Staff has detailed the rationale and effects of changing back to free transfers from the current day pass system in prior reports. The main reason that it has not yet been implemented is the ongoing transition to C2, and the lack of time and resources that MTC, which manages the Clipper system, and Cubic, the primary contractor, have had to work with the District on an implementation prior to C2 going live. Now that C2 has a declared go-live date of August 30, 2024, the District has the ability to build this change (and others) into the business rules that are effective on that date.

The change to local-to-local transfers with AC Transit service is also an important match to the regional free and reduced-cost transfer pilot that will also be introduced with C2. It would be confusing to riders to have an effectively free transfer from (for example) a VTA local route to an AC Transit local route, but not have a free transfer between AC Transit routes.

The change from 31-day and 7-day passes to monthly and weekly passes is proposed in conjunction with the rollout of fare capping for simplicity of both system implementation and rider understanding. While it is technically possible to implement fare caps on rolling window passes such as the 31-day pass, it is conceptually difficult since a rider would have to somehow identify when the 31-day window starts as they would no longer be purchasing a pass upfront. Every rider would then have a different and changing reset date for their 31-day window. It is far simpler for riders to track fare use/accumulation based on calendar periods. Also, the fare caps can be more simply marketed and understood as the maximum cost anyone will pay in a given day, week, or month.

The District (and other agencies) will still be able to have 31-day passes on Clipper, that are paid for up-front, where the fare cap is not applicable. In the District's case, these 31-day passes will be sold to institutional customers (and not to the general public) the same way the District currently sells mag-strip 31-day passes only to institutional customers.

Public Outreach and Engagement

According to District policy and its Title VI Program, AC Transit is required to provide equitable opportunities to all persons to participate in the planning and decision-making processes related to fare changes. For the proposed fare policy changes, staff propose to conduct outreach to capture as much input from the public and affected populations as possible. This input will then be used for the Title VI analysis and brought to the Board along with the decision to implement the policy changes. While Board Policy 110 on Public Hearings dictates that public hearings are not required for fare cost reductions, staff consider concerted outreach, including surveys, as the best approach to incorporating public feedback on proposed fare changes. In this case, the District plans to engage a consultant to gather feedback and input on the proposed fare changes. This will involve strategic planning, developing a survey or other outreach tools, data analysis, and delivering insights on the District's proposed fare changes. The methodology will prioritize inclusivity, aiming for meaningful participation from District riders and Title VI populations, specifically People of Color, as well as those with limited English proficiency within the Chinese and Spanish-speaking populations.

ADVANTAGES/DISADVANTAGES:

The advantage to implementing the prior deferred fare increases is that it will increase District revenue for service or other needs. The main disadvantage is that it will increase the cost of riding the bus.

The advantages and disadvantages of reinstating free transfers have been discussed in prior reports (22-187, 22-187a, 22-187b). The other proposed policy changes were discussed in report 22-543.

ALTERNATIVES ANALYSIS:

Staff considered repealing all planned/deferred fare increases and leaving the current fares in place until after the C2 transition is complete but decided to use the prior method and leave the deferral choice to the Board.

The alternative to implementing free transfers is to leave the current day-pass system in place. This is not recommended as AC Transit would then have a local fare policy that does not match with the regional transfer policy that will be piloted when C2 is rolled out and would likely be confusing for riders. The alternative to the other proposed fare policy changes is to leave the current policy items in place. This is not recommended as it would mean AC Transit has pass products that are different from what is likely to be most common in the region once C2 is rolled out.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 17-234e - Adoption of Resolution 18-012 approving the Transbay Fare Schedule effective July 1, 2018

SR 17-234f - Clarification of Transbay Fare Schedule

SR 18-199g - Adoption of Resolution 19-008 approving the local fare schedule for FY 2019-20 through FY 2023-24

SR 17-234g - Transbay Fare Increase Deferral

SR 21-163 - Scheduled Local Fare Increase Options

SR 21-163a - Local and Transbay Fare Increase Deferral

SR 21-163b - Planned Fare Increases

SR 22-010 - Report about contactless payments, including current and upcoming initiatives, mobile ticketing, Clipper START, and Clipper penetration

SR 22-022 - Next steps toward a cashless payment system, including whether the savings from going to a cashless system would offset the costs of free fares

SR 22-187 - Report on the history of transfers at AC Transit and considerations for possible changes to the current day-pass based system

SR 22-187a - Report regarding the implementation of 2-hour free transfers on AC Transit on Clipper and AC Transit mobile payment application only

SR 22-187b - Report on the status of implementing 2-hour free transfers on AC Transit

SR 22-543 - Report on the Board Policy 333 - Fare Policy Goals and Methodology

SR 23-206 - Consider approving amendments to Board Policy 333 - Fare Policy Goals and Methodology

SR 23-299 - Consider receiving an update on the implementation of free transfers

ATTACHMENTS:

1. Resolution 24-009

Prepared by:

Chris Andrichak, Chief Financial Officer

In Collaboration with:

Sue Lee, Director of Revenue Management

Michele Schurig, Marketing Project Manager II

Phillip Halley, Compliance Program Manager

Approved/Reviewed by:

Chris Andrichak, Chief Financial Officer

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

Nichele Laynes, Director of Marketing & Communications

Linda A. Nemeroff, Board Administrative Officer/District Secretary

Shayna van Hoften, Interim General Counsel/Chief Legal Officer