

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

**MEETING DATE:** 6/12/2024

**Staff Report No. 24-255**

**TO:** AC Transit Board of Directors  
**FROM:** Michael A. Hursh, General Manager/Chief Executive Officer  
**SUBJECT:** Board Policy 333 Changes

### ACTION ITEM

**AGENDA PLANNING REQUEST:**

**RECOMMENDED ACTION(S):**

Consider approving amendments to Board Policy 333 - Fare Policy Goals and Methodology.

Staff Contact:

Chris Andrichak, Chief Financial Officer

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

**STRATEGIC IMPORTANCE:**

Goal - Convenient and Reliable Service

Initiative - Financial Efficiency and Revenue Maximization

The structure and implementation of the District's fare policies have direct effects on ridership, ease of system use, and revenues.

**BUDGETARY/FISCAL IMPACT:**

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 Fiscal Year (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 \$1.2 million.

The other proposed changes - allowing fare capping to be used for all pass products, and 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 reduction their costs, depending on their riding patterns. 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 - passengers 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, also known as 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:**

On March 27, 2024, staff brought an item to the Board describing proposed changes to Board Policy 333 - Fare Policy Goals and Methodology. The changes are 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). In addition, staff has gone through an outreach effort and prepared a Title VI equity analysis for the proposed changes (Attachment 2).

The main changes to BP 333 are:

- 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.

Attachment 1 is the current BP with the proposed changes. There are also a few minor grammatical edits and a clarification about All-Nighter transfers.

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.

If approved, the proposed changes will go into effect with the rollout of C2, which was initially expected to happen at the end of August. The rollout has since been delayed and a new schedule is supposed to be presented in September.

**Title VI Analysis**

According to Federal Transit Administration (FTA) regulations and Board Policy 518, the Board must receive and approve a Title VI analysis to determine if any of the proposed fare policy changes would result in disproportionately high and adverse effects on communities protected by the Civil Rights Act of 1964, or associated FTA regulations, prior to implementation. The purpose of such an analysis is to determine prior to permanent implementation, or within six months of initiating a promotional or temporary fare program, whether the proposed changes would have a disparate impact on the basis of race, color, or national origin, or if low-income populations would bear a disproportionate burden of the changes. The analysis found no disparate impacts on people of color nor disproportionate burdens on low-income populations.

Still, it should be noted that the proposed fare changes provide the most benefit to customers who frequently utilize District bus service and use Clipper and the AC Transit mobile app to pay for multi-use passes. Cash-only customers will not benefit from the proposed changes. As such, staff recommend the District explore further opportunities to include customers who pay for their fares with cash, and those who do not ride frequently enough to benefit from fare accumulator products. Efforts to bring eligible customers into the Clipper START program is one approach to increasing ridership and ensuring that more riders are able to participate in fare policy changes at AC Transit.

**ADVANTAGES/DISADVANTAGES:**

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 reports 22-543 and 21-163c.

**ALTERNATIVES ANALYSIS:**

The proposed changes to BP 333 have been discussed in the various prior reports listed below. In summary, 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 the regional transfer policy that will be piloted when C2 is rolled out, which likely would 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 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

SR 22-187c - Local and Transbay Fares and Update on Proposed Fare Policy Changes & Outreach

**ATTACHMENTS:**

1. Board Policy 333 (redline)
2. Title VI Analysis

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