

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 3/12/2025

Staff Report No. 21-163d

TO: AC Transit Board of Directors
FROM: Kathleen Kelly, Interim General Manager/Chief Executive Officer
SUBJECT: Adopt Planned Fare Increase

ACTION ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Consider the adoption of Resolution 25-011 to implement on July 1, 2025, all previously postponed Local and Transbay fare increases that are scheduled to be effective on July 1, 2025, and July 1, 2026; and receive an update on a re-evaluation of fare pricing.

Staff Contact:

Chris Andrichak, Chief Financial Officer

Claudia Burgos, Interim Executive Director of External Affairs, Marketing and 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:

A fare increase is currently scheduled to take effect on July 1, 2025 for Transbay service (raising the base fare from \$6.00 to \$6.50) and Local service (base fare from \$2.50 to \$2.75), and together they are expected to generate \$4.1 m annually (\$0.3m in additional revenue from Transbay and \$3.8 million from local service). Staff's recommendation, which would also advance the second Local service fare increase that is planned for July 1, 2026, would increase the Local fare to \$3.00, and double the Local fare revenue associated with an increase of the local fare, bringing it to \$7.6 million, and, together with the Transbay increase, would raise the total to \$7.9 million annually. Pass prices are calculated using a multiplier of the base fare and will also increase accordingly. The additional revenue estimates above include all fares and passes.

The additional \$7.9 million in revenue will only partially reduce the \$45 million deficit that staff is projecting for FY 2025-26 (as presented to the Board at the February 26 meeting).

The single fare amounts stated above are the "base" cash fare. The District has a \$0.25 cent discount for

Clipper® fares for local service. Transbay Clipper and cash fares are the same. The District uses the “base” fare to calculate other fares, and page 4 of the presentation (Attachment 3) shows the entire fare structure, both current and what it would be if the staff recommendation is adopted.

BACKGROUND/RATIONALE:

The Board approved a five year program of incremental fare increases for local fares in 2018 and Transbay fares in 2019. However, because of the effects of the COVID-19 pandemic on ridership, the Board deferred planned fare increases on both Local and Transbay service five times since 2020. There are two remaining fare increases that have not been implemented from this plan: a Local and Transbay increase scheduled for July 1, 2025, and an additional increase to the Local fare, scheduled for July 1, 2026 (both described above under the Budgetary Impact).

This report presents the staff recommendation to implement all of the approved fare increases on July 1, 2025. The recommendation is made in response to the dire financial situation that the District is facing next year and in the future, which is worse than previously expected based on the revised sales tax revenue projections that were presented at the February 26th meeting (see page 2 of presentation). Additionally, like many transit agencies, the District has used all the emergency federal funding that supported operations over the past four years. While the District prudently increased reserves, anticipating that they would be needed as a bridge during the time when the federal funds were gone and before another source of external funds could be in place, they will not be sufficient to sustain the District for FY 26 and FY 27 under the new projections. Raising fares is just one part of an agency effort to reduce the deficit and minimize use of reserve funds. The estimated additional \$7.9 million in fare revenue is 18% of the projected FY 25-26 deficit and 11% of the projected FY 26-27 deficit and would make a meaningful reduction in the amount of reserves the District needs to use to make it through the next couple fiscal years.

Page 3 of the presentation shows a timeline of recent past fare change decisions, showing that the fare increases at issue were originally scheduled to go into effect in 2021 and 2023. The District’s last fare increases were July 1, 2019 for Local service and January 1, 2020 for Transbay service, meaning that by July 1, 2025, it will have been 5.5 years since the last increase.

Clipper and Other Approved Changes

In June 2024 the Board approved an update to Board Policy 333 - Fare Policy Goals and Methodology. The main purpose of that update was to approve the implementation of free intra-agency local bus transfers and adjust the policy to accommodate the transition to the next generation Clipper system that is expected to happen in 2025. While the change to free local bus transfers has been approved, it is pending the Clipper system transition. The Clipper system transition will also allow the region to start the regional free or discounted inter-agency transfer pilot programs. This will save riders transferring between agencies up to the cost of the applicable local fare.

The District previously reaffirmed its participation in the ongoing Clipper START pilot and increased the discount to 50% off for qualifying low-income participants. Almost all regional agencies in the START program offer a standard 50% discount as of January 2024, and applications to, and use of, the START program has increased significantly. The Board received an update on that program in September 2024. Recent reporting shows that START riders using AC Transit saved over \$136,000 from the 50% discount in just the final 3 months

of 2024.

Other Agencies

For comparison, other agencies in the region have also been raising fares. Muni raised its Clipper base fare on January 1, 2025 from \$2.50 to \$2.75, with the cash base fare staying at \$3.00, where it has been since 2019. Their fare policy has another increase planned for July 1, 2025, which would further increase the Clipper base fare to \$2.85 with the cash base fare again staying at \$3.00. All related Clipper fares and passes would increase accordingly. Caltrain plans to increase its base fare on July 1, 2025, by \$0.25 from \$3.75 to \$4.00.

BART, which uses Clipper exclusively, raised fares by 5.5% on January 1, 2025. According to BART, this average fare will increase by \$0.25 from \$4.47 to \$4.72. While AC Transit Transbay fares are sometimes compared with BART fares, since they can be used for similar trips from the East Bay to downtown San Francisco, these comparisons miss the added costs needed by many to make the complete trip on BART. Unless one is within walking or biking distance of a BART station, there is the added cost of driving and parking or taking a taxi or rideshare vehicle which can more than double the cost of the trip. Taking a local bus to BART would be free under the planned regional transfer pilot program but adds to the length of a trip.

SamTrans currently charges \$2.25 for local trips and has a \$0.20 Clipper discount. VTA currently charges \$2.50 for local trips with no discount for Clipper.

Comparison to Price Index

When the current fare schedule was put into place in 2018 the District had only raised fares once in the prior decade (2009-2018), and the adopted multi-year fare schedule was an attempt to bring fares close to the CPI increases for the East Bay. Page 5 in presentation shows an updated comparison to CPI. Increasing local fares to \$3.00 will still keep fares below the CPI increases from a 2009 baseline year, because actual CPI increases have been at or above what staff projected in 2018.

Effect on Ridership (Elasticity)

Whenever fares are increased it is possible that ridership will decrease (or stop increasing) as riders decide that they do not want to pay the newly increased fare. When this happens, it is also possible that the decision is temporary until the need for transportation becomes greater and/or the higher fare is accepted as normal. This effect is known as elasticity. AC Transit staff has attempted to analyze the fare elasticity of our ridership, most recently in 2014. Prior District fare increases did not show consistent results in any particular direction, and there were often other factors that affected ridership happening at the same time, making it difficult to say what factor had what effect. A review of the academic research and a resulting model showed that a fare increase like the staff proposal could result in a 2%-5% ridership decrease, but that research is sparse and very specific to the time and place that was studied. Additionally, the pandemic had a significant effect on when and why people use public transit, so elasticity models developed pre-pandemic may well no longer be useful.

Future Fare Planning

Adopting the staff recommendation will complete the increases in the current approved fare schedule. The next step will be for staff to start considering options for future multi-year fare increase schedules. This next fare proposal will need to consider the ongoing and planned fare integration pilots and the delayed rollout of the Next Generation Clipper® system. The region is currently working through an extended pilot of the Clipper START low-income discount program and an extended pilot of the BayPass regional pass program. Both

programs are showing positive results but will require more analysis and long-term funding plans from MTC.

The rollout of the Next Generation Clipper system this year will be a big step towards more integration and flexibility in regional fares. Along with the benefits of the account-based system and open payments capabilities, the next-gen Clipper system will finally allow for previously Board-approved free transfers between AC Transit local routes, and the free or reduced fare regional transfer pilot. These pilots all have the promise of increasing ridership and recouping the reduced revenue, or even possibly increasing revenue. For this and other reasons, staff recommends waiting until after the next-gen Clipper upgrade to allow for experience with the District's free local transfers and the regional transfer pilot to start analyzing what the District's next fare increase strategy should be.

ADVANTAGES/DISADVANTAGES:

The advantage to implementing the fare increase is that it will increase District revenue for service or other needs. Increasing fares will also signal to state and local policymakers that the District is doing what it can to manage projected deficits. The main disadvantage is that it will increase the cost of riding the bus and could negatively affect ridership.

ALTERNATIVES ANALYSIS:

If the Board rejects the staff recommendation and does not approve an alternative action, then the Board action adopted in March 2024 will be implemented. That action means that on July 1, 2025, Local fares will increase from \$2.50 to \$2.75 and Transbay fares will increase from \$6.00 to \$6.50. The next Local fare increase from \$2.75 to \$3.00 would happen the following year on July 1, 2026. The expected revenue increase for FY 2025-26 would be \$4.4 million, roughly half of the proposed staff recommendation.

To further defer fare increases and maintain fares at the existing levels, the Board would need to propose and adopt a motion to that effect, or request staff to return at the next meeting with that option.

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

SR 21-163c - Local and Transbay Fares and Update on Proposed Fare Policy Changes & Outreach

ATTACHMENTS:

1. Resolution 25-011
2. Resolution 25-011 Exhibit A
3. Presentation

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