



Alameda-Contra Costa Transit District

January 13, 2021

Memo: Required farebox recovery ratios

Dear Directors,

To be eligible for certain state operating funds, transit agencies must meet some financial conditions. There are minimum farebox recovery ratios and some other financial metrics associated with TDA, STA, AB1107, and RM2.

In June of 2020 staff brought an item to the Board on what “free” fares might mean for the District and where else they have been implemented or proposed. In FY 2018-19 AC Transit collected about \$57 million in farebox revenue a year which was about 13% of our revenue budget. Another \$8.7 million in revenue is collected for EasyPass and contractual service arrangements. Not having to collect fares would reduce expenses about \$5 million. Fare collection also provides significant ridership data for service and operations planning, which would need to be gathered by other means.

Transportation Development Act (TDA)

AC Transit is required to achieve a farebox recovery ratio of at least 20% for bus service per PUC §99268 and at least 10% for paratransit service per §99275. *[Looking at bus farebox revenue alone, AC Transit has achieved a ratio of around 13% recently. Fortunately the law allows the District to use an alternate “Fares-Plus-Local-Funds” recovery ratio, which allows the District to include contract services (BART bridges, EasyPass, etc), auxiliary operating revenues (Advertising, etc), and taxes directly levied (parcel and property taxes). Including all these funds means the District has recently achieved a ratio of around 47%.]* On June 29, the Governor signed AB 90 into law which among other actions suspended the farebox ratio test for TDA fiscal years 19-20 and 20-21.

State Transit Assistance (STA)

The same farebox recovery ratio and local funds inclusion regulations apply to STA funding.

In addition, STA funds require the District to meet a cost efficiency test per PUC §99314. The District must keep the growth of its total operating cost per revenue service hour below that of the Consumer Price Index. *[The formulas allow for use of direct year to year comparison or comparison to a three-year average, and has certain exclusions allowed from operating costs. The District has always passed this test, although often with much less of a margin than the farebox ratio test.]* AB 90 also suspends the farebox ratio test and cost efficiency test for STA for fiscal years 19-20 and 20-21.

Assembly Bill 1107 (AB1107)

The combined expenses and farebox revenues of BART, SFMTA, and AC Transit are required to achieve a farebox recovery ratio of at least 33% for transit service per PUC §29142, and each agency individually is also required to achieve a ratio of at least 28%-33% as determined by MTC. *[Similarly to TDA/STA, there*



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are certain exclusions and exceptions to this requirement, and MTC allows the District to include local support funds when calculating its ratios. The resulting ratios are essentially the same as shown above for TDA.]

Regional Measure 2 and 3 (RM2/RM3)

RM2 and RM3 operating funds have farebox ratio requirements for the specific lines that they fund. For peak-time service it is 30%, all-day service is 20%, and for overnight service 10% per PUC §30914.

A handwritten signature in black ink that reads "Chris Andrichak".

Chris Andrichak
Acting Deputy Chief Financial Officer