STAFF REPORT

MEETING DATE: 7/22/2026 **Staff Report No.** 26-319

TO: AC Transit Board of Directors

FROM: Salvador Llamas, General Manager/Chief Executive Officer

SUBJECT: Clipper Discount and Fare Policy

ACTION ITEM

AGENDA PLANNING REQUEST: ☒

RECOMMENDED ACTION(S):

Consider providing direction on whether to remove the Clipper discount and the parameters and timeline for the change along with the proposed Board Policy changes needed; and receive a report on fare policy analysis. [Requested by Director Syed - 12/10/2025]

Staff Contact:
Chris Andrichak, Chief Financial Officer

STRATEGIC IMPORTANCE:

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

Fare revenue represents the largest revenue source under the District's control. Accordingly, any changes to fare policy or fare levels require comprehensive analysis and thoughtful consideration of their impact to all riders.

BUDGETARY/FISCAL IMPACT:

Based on FY 25-26 fare revenues, staff estimates that removing the Clipper discount by increasing the Clipper fare to match the cash fare - from $2.75 to $3.00 - would increase fare revenues by approximately $2.3 million assuming no loss of ridership as a result of the fare increase. Alternatively, removing the Clipper discount by decreasing cash fares from $3.00 to $2.75 would reduce fare revenues by approximately $680,000, also assuming no change in ridership as a result of the fare change. The difference in the magnitude of the increase and the reduction is because Clipper accounts for a much larger share of fare revenue.

The original purpose of the Clipper discount was to incentivize Clipper use for various reasons. One significant reason is that it costs the District much less to collect fares through Clipper. In 2019 and again in 2022, staff analyzed the cost of fare collection. A preliminary update with forecasted FY 25-26 fare revenue shows that it costs the District 10 cents of every $1 collected through Clipper (10%), while it costs 50 cents for every $1 collected in cash via the farebox (50%). Clipper expenses have increased from $1.3 million in FY 21-22 to an expected $3.0 million in FY 26-27 with the move to Next Generation Clipper, but Clipper makes up 75% of fare revenue (~$26 million). The cost of cash collection has been more stable, but post-pandemic cash fare revenue peaked in FY 23-24 and has decreased approximately 16% since then (~$6.5 million).

BACKGROUND/RATIONALE:

This report responds to an agenda planning request submitted by Director Syed in December 2025, in addition to staff report follow-up requests from November 2025 and April 2026 regarding eliminating the Clipper discount. In Staff Report 26-082, presented to the Board in February 2026, staff stated an intent to bring a report on fare policy and equity issues including the Clipper discount in July 2026.

Given available staff resources and knowledge, the financial outlook of the District, and the current funding outlook and possibilities, this report responds with the following:

- Outline the process for removal of the Clipper discount and receive Board direction on proceeding with key parameters and timeline
- Show proposed changes to Board Policy 333 (Fare Policy Goals and Methodology) necessary to implement removal of the Clipper discount. Actual changing of the policy would be deferred until closer to implementation.
- Respond to as much of the agenda planning request as possible, while proposing consultant involvement for the more extensive analysis requested

Removing the Clipper Discount

The agenda planning request and report follow-up items all discuss or request removing the discount for Clipper use. The current policy has a $0.25 discount for use of Clipper against the base (cash) fare, which then affects other fare and pass costs. Staff recommends eliminating the current $0.25 Clipper fare discount in a single step by increasing the Clipper fare to match the cash fare. Staff further recommends deferring implementation until early 2027, after the outcome of the regional ballot measure is known and the District has greater clarity regarding its long-term financial outlook. This timing is recommended because initiating the required public outreach and equity analysis process before the November election could create confusion among riders and voters during a critical period.

Attachment 2 shows the changes in the current fare table that would result from removal of the full $0.25 discount from the Clipper fare, assuming ridership is not impacted by the elimination of the discount.

The primary rationale for removing the Clipper discount is to make fares more equitable for cash-paying customers. The District's Clipper discount was first introduced in 2010 along with the Translink/Clipper system as a way to incentivize Clipper use. Paying with Clipper on the bus is much faster than paying with cash. Quicker fare payment can reduce dwell times and increase on-time performance, enable all-door boarding, and as mentioned above, fares paid through Clipper cost the District less to collect than cash fares. Additionally, Clipper tags provide valuable, aggregated data on fare usage that cannot be replicated through cash fare payment. While the desire to move cash-paying customers to Clipper is still very real, the past few years have introduced other benefits to using Clipper that make the discount less necessary. These other Clipper benefits, such as the 50% discount available through the START program, and local and regional transfers can easily achieve larger savings for riders than the $0.25 discount.

These newer programs also cannot feasibly be implemented for cash paying customers. Therefore, one significant action the District can take to help mitigate equity concerns for cash-paying customers is to remove the $0.25 Clipper discount. If approved, the District will join other larger regional operators who have removed their discount (see Attachment 3).

Removing the Clipper discount per staff recommendation would increase fares for all Clipper users, and per Board Policy 110 (Public Hearing Process for the Board of Directors) requires a public hearing along with a Title VI equity analysis. Staff estimates that the process for outreach, analysis, and public hearings could take nine months. In addition, Clipper requires 90-day notice to implement fare changes, which increases the timeline to 12 months. Starting the process in January or February of 2027 (depending on regional ballot measure outcome) would mean implementation could happen in January or February of 2028. The District has generally changed fares on January 1 or July 1, but there is no reason fare changes could not happen on other dates. The date of the fare change would be determined before the outreach and public hearing process begins.

Proposed Board Policy Changes

Attachment 4 is a redline of changes to Board Policy 333 - Fare Policy Goals and Methodology. The changes accomplish three aims:

- Updating the definition of Clipper to match the new account-based structure instead of the card-based stored value structure
- Removing the Clipper discount in the various places it appears
- Adding the ability for the General Manager to approve the free fare “Holiday Bus” separately from free fares on New Year’s Eve.

If the Board directs staff to proceed with the removal of the Clipper discount, staff will come back to the Board at a later date to request Board approval of the updated Policy. Staff will need to return to the Board with the equity analysis for adoption, which can be paired with the adoption of the updated Board Policy. Deferring approval of the policy changes also reduces the period of time in which the policy does not match current fare structure.

Agenda Planning Request

Director Syed’s agenda planning item (Attachment 1) includes a broad request for an analysis of fare policy with multiple goals:

- Increase ridership by reducing barriers to use, improving affordability, and supporting seamless travel across the region
- Increase revenue by encouraging additional trip-making, improving cost recovery, and stabilizing long-term financial performance
- Improve equity by ensuring that the benefits of any new fare structure are accessible to low-income riders, unbanked riders, and riders of color who are disproportionately affected by current payment systems.

The District does not have the internal expertise to answer these questions in a comprehensive way and would need to bring in consultant expertise to assist. The Santa Clara Valley Transportation Authority (VTA) currently has a consultant conducting a fare study with some similar parameters. Based on their cost and timeline, staff estimates the effort would require 12-18 months and cost and estimated $200,000 to $300,000. The cost would primarily depend on the amount of outreach conducted. The results of the VTA study should be informative for the District and may help reduce the scope of a similar study facilitated by the District.

The FY 2026-27 Operating budget does not include any funding for a fare policy consultant. If the Board directs staff to pursue this option the budget changes required would be proposed with the next planned budget modification (most likely at mid-year).

Staff is able to partially respond to some of the specific questions and/or ideas included in the agenda planning request. The responses and information are included in Attachment 5.

To recap, staff is seeking direction on the recommended parameters to proceed with the process to remove the Clipper discount and feedback on the proposed policy changes.

ADVANTAGES/DISADVANTAGES:

The primary advantages of eliminating the Clipper discount are improved fare structure equity for cash paying riders and simplified fare structure.

The primary disadvantages of eliminating the Clipper discount are an increase in fare cost for riders using Clipper, or if cash fare is reduced to match Clipper, a reduction in fare revenue. If this change is pursued prior to November 2026, there will also likely be confusion related to rider and public messaging.

ALTERNATIVES ANALYSIS:

The primary alternative is to not move forward with a plan to remove the Clipper discount. The Board could also choose to remove the discount in more than one step. The Board can also consider alternatives and provide staff with further direction.

Another alternative is to waive the public hearing requirement of Board Policy 110. Staff would still proceed with the federally required Title VI equity analysis and the outreach necessary to satisfy the “meaningful engagement” requirement. Not having a public hearing would reduce the timeline by two months. This means the 12 month total timeline given above would reduce to 10 months, including lead time for Clipper notification.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 26-082 - Fare Reports Timeline
SR 19-078 - Fare Revenue and Collection Analysis
SR 22-022 - Cashless fares and Collection Cost Update

ATTACHMENTS:

1. Agenda Planning Request - Director Syed

2. Fares without Clipper Discount
3. Regional Fare Info
4. Proposed changes to Board Policy 333 (redline)
5. Partial Responses to Agenda Planning Request

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