

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 9/25/2019

**Staff Report No.** 19-262b

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**TO:** AC Transit Board of Directors  
**FROM:** Michael A. Hursh, General Manager  
**SUBJECT:** AC Transit EasyPass Proposed Pricing Changes

### ACTION ITEM

#### **RECOMMENDED ACTION(S):**

Consider the adoption of Resolution 19-033 approving the AC Transit EasyPass pricing schedule for FY2021-FY2029, approving the Title VI Equity Analysis, and directing staff to amend Board Policy 333 (Fare Policy: Goals and Methodology).

#### **BUDGETARY/FISCAL IMPACT:**

There would be a gross revenue increase for current and future EasyPass clients, if current clients remain in the program and there is continued growth from new clients. Revenue projections for current EasyPass clients show an estimated \$500,000 increase compared to current EasyPass pricing.

#### **BACKGROUND/RATIONALE:**

On August 7, 2019, the Board of Directors set a public hearing to receive public comment on proposed EasyPass pricing scenarios. The public hearing was held on September 11, 2019 at 6:00 p.m. at the AC Transit General Offices. Staff also implemented a public outreach and engagement plan to receive public comment from EasyPass current and prospective clients as well as other EasyPass stakeholder groups.

The recommended EasyPass pricing structure is guided by the revised EasyPass program goals:

1. Increase ridership;
2. Encourage a modal shift from single-occupancy vehicles to public transit, with the optimal outcome of EasyPass participants becoming life-long public transportation users and advocates;
3. Extend AC Transit's visibility by promotion of the EasyPass program and varying engagements with the AC Transit brand;
4. Grow the number of EasyPass clients in all client groups; and
5. Maintain fiscal responsibility by ensuring the overall EasyPass revenue-per-boarding does not fall below the District's average fare.

In addition to supporting the District's fare policy goals as outlined in Board Policy 333, the proposed EasyPass pricing schedule and methodology makes the following adjustments to the EasyPass section of Board Policy

333:

1. Pricing Guiding Principles:

- a. Pricing matrices are valid for a minimum of three-year increments
- b. Follow the local fare change model when possible
- c. Current client pricing should be considered when proposing future pricing adjustments
- d. EasyPass pricing adjustments are independent in timeline and implementation schedule from local and transbay fare changes
- e. Factor in a pricing adjustment for the size of a client's program participant pool
- f. Factor in a pricing adjustment for a client's level of transit service
- g. Factor costs for card production

2. Pricing methodology

- a. Base Price: The base price is derived from the current FY19-FY20 pricing matrices. The current matrices were selected as the base price for consistency, as pricing for most of the 31 EasyPass clients are deriving from these matrices. As such, it provides a transparent springboard from which to establish the base price. Additionally, since the volume discount and level of transit service pricing adjustments are already incorporated into the FY19 matrices, using these matrices as the base eliminates the need to create an additional pricing adjustment for the volume and transit service considerations.
- b. Price Adjustment: The percentage increase for the FY21-FY24 matrices is based on the average CPI-U from FY10-FY19 (2.73%) and applied to the valid years of the FY19 matrices (FY19 and compounded for FY20). Percentage increase based on the average CPI-U from FY10-FY19 is applied for the three years the previous matrices (effective July 1, 2020 and July 1, 2023) have been in effect to each cell of the previous matrices to create the effective July 1, 2023 and July 1, 2026 matrices.
- c. Using the historical average of CPI-U over the FY10-FY19 period incorporates a broad range of indexes, including the years that saw the residual negative effects from the 2007-2009 Great Recession as well as the effect of economic expansion following the Great Recession. Given the inability to predict the fluctuations in the CPI-U over the next nine years, using the historic average from the same timespan as the proposed matrices likely provides a more accurate estimate of the percentage change in CPI-U over the period the proposed matrices will be valid.
- d. Card Management: A \$1 card management fee is incorporated in each cell to cover a portion of the card production expenses. To address one difference between EasyPass clients and local and Transbay customers who pay for their Clipper cards, the card management fee provides payment for Clipper card and other related card production costs.

**Additional Pricing Factors:** Per Board Policy, promotional or temporary fare reductions of six months or less are not subject to a Public Hearing or Title VI analysis. As such, EasyPass staff may incorporate an adjustment of the EasyPass matrices pricing for all or selected clients, lasting no longer than six months.

**Public Hearing Outreach and Engagement Plan Summary:** The public hearing outreach and engagement plan was designed to ensure notification of proposed pricing to members of the public including riders, community

members, traditionally underrepresented groups, current and anticipated EasyPass clients, and key stakeholder groups. The plan implementation began August 12, 2019, ended September 11, 2019 and included the following outreach tactics:

- Posted public hearing notices within the requisite timeframes to identified newspapers and the AC Transit website
- Posted notification about the public hearing and information on the pricing proposal in English, Spanish, and Chinese on AC Transit's homepage and internal webpages
- Emailed information about public hearing and pricing proposal in English, Chinese, and Spanish to AC Transit eNews subscribers including any EasyPass subscribers
- Posted information about public hearing on AC Transit's Facebook page and Twitter feed
- Contacted current and prospective EasyPass clients, transportation advocate groups, planning departments, Chambers of Commerce, stakeholders in communication with housing developments, and other stakeholders as recommended by the Legislative Affairs and Community Relations team via phone, email, or in-person meetings to provide information about the public hearing and pricing proposal in English, Spanish, and Chinese, solicit feedback, and answer any questions
- Communicated with EasyPass college program clients and participants via phone, email, or in-person communication to provide information about the public hearing and pricing proposal in English, Spanish, and Chinese, solicit feedback, and answer any questions
- Captured comments on the pricing proposal via phone, email, fax, and mail in English, Spanish, and Chinese

The Board of Directors received 36 comments via email, voicemail, and verbal communication by the close of the public hearing. Comments received before the hearing were provided to the Board for review and placed in a binder by the District Secretary's Office for viewing at the hearing. Comments received during the hearing along with a written transcript of the testimony given at the hearing were provided to the Board for review and consideration.

#### **Responses to comments:**

A total of 36 public comments were received by the close of the public hearing. A majority of the comments came from university students who pay for the EasyPass program through their student fees. This population expressed concern over the increases and requested that the price per participant for two- and four-year colleges be lower than employers with the same participant pool size. Of the other comments received, most expressed support for Scenario 1.

In response to the comments, the EasyPass proposed pricing is about 30% less than what students would pay comparably in local cash fare. Additional pass production administration expenses are accounted for in two-and-four-year college program pricing because passes are loaded (and payment is invoiced) on a semester or quarter basis for college programs as well as from the increased percentage of replacement passes versus employer and residential programs.

**Title VI Analysis:** The Board is required-under Federal Transit Administration (FTA) regulations and Board Policies 110 and 518-to consider and approve a fare equity analysis before the District can implement any changes to the fare to ensure proposed changes will not result in discriminatory impacts on populations protected by Title VI of the Civil Rights Act. The equity analysis was conducted, and the analysis indicates that

there is likely not a discriminatory impact of the EasyPass program on protected Title VI populations. A full report is included as an attachment.

**ADVANTAGES/DISADVANTAGES:**

The advantage of the proposed change is that it would provide predictability and transparency for EasyPass clients and better enable the District to offer multi-year EasyPass agreements by confirming future EasyPass pricing changes. Another advantage is that as local and Transbay riders see fare increases, EasyPass clients would also be expected to see increases in the EasyPass pricing matrices. A disadvantage is that current clients will see an increase in their annual participant EasyPass prices, and it is possible that some current and prospective clients may not continue or join the program as a result.

**ALTERNATIVES ANALYSIS:**

An alternative could be to extend the current EasyPass pricing into FY 21 and beyond. However, this is not recommended. An entirely new pricing model can be presented in lieu of the recommended methodology, but that would delay the ability to sign multi-year agreements with new and current clients.

**PRIOR RELEVANT BOARD ACTION/POLICIES:**

Staff Report 19-262a - Hold Public Hearing for EasyPass Pricing

Staff Report 19-262 - Set Public Hearing for Proposed Adjustments to EasyPass Pricing

Staff Report 19-141 - EasyPass Update

Board Policy 333 - Fare Policy: Goals and Methodology

Board Policy 110 - Public Hearing Processes for the Board of Directors

**ATTACHMENTS:**

1. Resolution 19-033 Approving EasyPass Pricing Methodology & Related Exhibits:
  - Exhibit A - Proposed EasyPass Pricing Matrices
  - Exhibit B - Title VI Equity Analysis Evaluation
2. Summary of Outreach for Public Hearing and Public Comments
3. Original Proposed EasyPass Pricing Matrices: Scenarios 1 & 2

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