

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 3/9/2022

Staff Report No. 22-187

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Transfers Overview

BRIEFING ITEM

RECOMMENDED ACTION(S):

Consider receiving a report on the history of transfers at AC Transit and considerations for possible changes to the current day-pass based system. [Requested by Director Walsh - 10/13/21 and Director Beckles - 2/9/22]

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency
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:

There is no fiscal impact from this informational report.

BACKGROUND/RATIONALE:

The Board of Directors has had many discussions about transfer policy over the years. Paid transfers were a fixture of District fare operations and are still implemented by some agencies, although a survey of fare structures shows that free transfers are becoming more common. The District had paid transfers until the Day Pass was introduced in July 2014.

Until 2014, paper ticket transfers were sold at customer service and by operators on the bus, costing 25 cents and valid for one use within two hours after the first ride. The Board had a transfer policy (#417) that was repealed in 2009 and the details incorporated into a re-write of the main fare policy. A survey of staff reports after 2005 shows the Board considered free transfers in 2005 along with a fare increase that was implemented. With the advent of the Clipper system in 2011, the Board again considered free transfers on Clipper only, but decided against it due to the possible impacts on protected populations under Title VI.

In 2013, staff did series of reports that led up to the Board approval in December 2013 of an amended fare policy that eliminated paid transfers and implemented the Day Pass starting July 1, 2014. The Day Pass allowed for unlimited travel in a day for slightly over the cost of two fares (one roundtrip). The Day Pass was designed

to “improve efficiency and convenience ... increase mobility by allowing unlimited number of trips per day.” Paid transfers were “time consuming and costly to handle, fail to adequately compensate the District for rides, and have the potential for fraud.”

Staff estimated a small 2.3% increase in fare revenue from the switch to the Day Pass. Day Pass implementation coincided with the purchase and installation of the current fareboxes that could produce magnetic (mag) strip passes with different products and costs. A significant marketing, communications, and outreach effort was implemented to inform internal and external audiences of this change. Tactics implemented included extensive internal training and communications for bus operators; bus interior promotion (fare box, posters, ad cards, car cards); web and electronic messages; at-stop signage; update of all signage and paper collateral; extensive in person-street team and stakeholder (community-based organization and elected official) outreach.

Currently, a cash Day Pass costs \$5.50 (50 cents or 10% more than two single cash rides). Clipper riders do not “purchase” a Day Pass, the Day Pass is an “accumulator” product where the Clipper system automatically limits the rider’s fare payment to the cost of a Day Pass with their third ride. The Day Pass “accumulator” on Clipper limits fares per day to \$5.00, 50 cents or 11% more than two single Clipper rides. Most Day Pass users are cash paying customers - roughly 45% of cash paying customers purchase a Day Pass instead of single tickets. The amount of riders using Clipper who reach the Day Pass limit is significantly lower.

More recently, the Board approved free transfers on All-Nighter service in August 2020. This action was recommended by staff specifically to reduce impact of transfers required by new Tempo service on All-Nighter riders who are primarily people of color and low-income. The fare revenue reduction was small due to the pandemic and was calculated to be less than \$171,000 based on pre-pandemic ridership.

Other Agencies

Attachment 1 is a sample of regional and national transit agency transfer costs and limitations. Free transfers with time limitations are relatively popular, although a few agencies implement them only on smart payment cards. Staff has begun to look at the Title VI analysis at these agencies to see what factors and mitigations (if any) were used. Sacramento is the only agency staff looked at that implements fully paid transfers. In addition to AC Transit, the Orange County Transit Authority (OCTA) and San Diego Metropolitan Transit System (MTS) have day passes instead of transfers.

Transfer Considerations

If the District were to re-implement transfers, there are a number of parameters that would need to be decided on for any further analysis:

- Free or paid?
- Clipper, mobile app, and cash or Clipper and/or mobile app only?
- One-way only (no round-trip transfer) or any direction?
- Time limit for use?
- Use limit? (once, twice, etc.)
- Cost (or additional cost) for local-Transbay transfer?
- How does this interact with the regional fare integration efforts?

Implementing transfers would mean they would be available from the farebox, on Clipper, and/or through the mobile app. Issuing paper transfers from the farebox for riders who do not use Clipper or the mobile app creates a number of issues that must be considered. If they were implemented via a mag strip (paper) ticket dispensed from the farebox, it would significantly increase the mag strip ticket use, thereby impeding the progress toward the regional objective of moving riders to Clipper. Also, this would require operator interaction for the rider to request (and possibly pay for) the mag strip ticket which could increase dwell time. A free or paid mag strip transfer ticket presents an opportunity for fraud, as the tickets can be transferred or sold to other riders. It is difficult to determine the extent to which any fraud would happen and what impact it would have on overall fare revenue.

The District has made efforts to reduce the dwell time that buses spend at stops, most recently via the all-door boarding pilot. Promoting Clipper or mobile app use is another way to reduce dwell time, as rider interaction with the farebox is a significant part of that time. Implementing mag strip transfers would increase the farebox interaction points for cash paying riders.

One possible alternative to re-implementing transfers is to reduce the cost of the Day Pass to be equal to the cost of two trips. In this scenario, roundtrip travel with unlimited transfers in any direction would cost no more than the cost of two trips or one round trip. This would reduce costs to the rider and possibly increase total trips taken as more day passes are sold because riders are likely to take advantage of free rides subsequent to their roundtrip, while accommodating the vast majority of riders. The Title VI Report produced for the change to Day Pass in November 2013 showed that 98% of riders use the bus for roundtrip travel.

A final consideration is the ongoing regional Fare Integration effort. Phase 2 of the implementation plan would implement free or reduced cost local to regional transfers. While the fare integration plan does not address local to local transfers, staff would caution against making fare system changes too often as it can confuse riders. Since AC Transit operates both local and regional service, the fare integration efforts will necessitate changes to the District's fare policies. Staff is particularly concerned about different transfer policy changes ending up happening in succession and the repeated implementation, outreach, and marketing efforts required for each.

Process for Changes

There are several steps that have to happen for the District to re-introduce transfers. First, staff would need to bring a report to the Board with all the relevant parameters for a decision to make a change (or not). Staff would need some time to analyze possible ridership and fare revenue effects. Assuming a decision to implement, staff would need to come back to the Board to set a public hearing for the changes which would also be incorporated into Board Policy 333 - Fare Policy Goals and Methodology. A Title VI analysis would need to be done based on the parameters chosen and approved by the Board along with the final motion. Staff estimates the initial report, Title VI analysis, and public hearing process could take up to 5 months.

Once the change is approved staff would initiate the change process with Clipper. Transfers with various parameters are existing "products" in the current Clipper system, so the change would likely only require change the District's fare rules and not any new programming. The ongoing transition to Clipper 2 could affect how long any changes take, but the general rule is that fare changes take 90 days to implement.

The District would need to do an extensive outreach and marketing campaign to inform riders of the changes,

similar to the scope that precipitated the move from transfers to Day Pass in 2014. Staff estimates a campaign could take two-three months to develop and should be “in market” for 4-8 weeks. This could coincide with the time needed to make the Clipper system changes.

The Board would also need to decide when the changes are to be effective. A major change like re-introducing transfers would normally happen on the same timing of a fare increase, which are generally July 1st for local fares. Given the above timing information, a change on July 1st would require a final public hearing and decision in January or possibly February at the latest.

Ridership and Revenue

Staff has not yet been able to do the in-depth analysis of ridership and revenue changes that might happen if transfers were re-implemented. The impact that was expected in 2014 with the switch to day pass could be informative. At the time, staff estimated only a 2.3% revenue increase and an increase in ridership (amount unspecified) with the switch from a 25 cent transfer to the Day Pass. There was an initial drop in ridership which is not uncommon when fare increases are implemented, although these drops generally reverse themselves within several months. The ultimate change in fare revenue and ridership were not identified as they are difficult to isolate from other factors in the long run.

It is particularly difficult to forecast ridership and revenue changes now given the still evolving ridership patterns of the pandemic. Staff has little doubt that switching to free transfers would reduce fare revenue as it would diminish day pass sales. Staff is already expecting a permanently reduced fare recovery ratio going forward due to the pandemic and other factors. If the District were to implement free transfers the reduced fare revenue would need to be replaced or else cuts would need to happen elsewhere in the budget.

ADVANTAGES/DISADVANTAGES:

This is an informational report and the advantages or disadvantages of possible actions are discussed in the background section.

ALTERNATIVES ANALYSIS:

This is an information report and the possible alternatives and factors are discussed in the background section.

PRIOR RELEVANT BOARD ACTION/POLICIES:

GM 09-144b - Identifying in one place all fares, repeal BP 417 and BP 328

SR 13-240 through 13-240d - Reports to introduce day pass, eliminate transfers, Title VI report, and other actions

SR 20-285 - Consider granting free transfers for All-Nighter service

ATTACHMENTS:

1. Other Agency Transfer Provisions

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