

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 3/13/2019

Staff Report No. 18-199d

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Multi Year Proposed Fare Changes

ACTION ITEM

RECOMMENDED ACTION(S):

Consider the adoption of Resolution 19-008 approving the local fare schedule for FY 2019-20 through FY 2023-24, approving the Title VI Equity Analysis determining that the fare adjustment would not cause disproportionately adverse effects on people of color and low-income populations, and directing staff to amend Board Policy 333 (Fare Policy: Fares, Fare Structures, and Fare Increases).

BUDGETARY/FISCAL IMPACT:

The budgetary and fiscal impacts of the proposed fare changes and fare structure modifications are discussed under Background/Rationale. Total estimated weighted annualized increase in projected farebox revenue will be approximately 5% over the next five (5) years (see Attachment 3).

BACKGROUND/RATIONALE:

On December 12, 2018, the Board of Directors set public hearings on potential changes to AC Transit's fare structure.

Public hearings were held on February 13, 2019 at 2:00 p.m. and 5:00 p.m. at AC Transit General Offices. Staff also solicited public comments on the proposed fare changes at a series of public outreach meetings held from January 28 to January 30, 2019 throughout the AC Transit service area.

The proposed local fare changes have the following attributes:

- The proposed fare increase rate is based on an inflation index for the Bay Area cities, which is the urban Consumer Price Index (U-CPI), using historical U-CPI data and conservative staff projections for the next five years.
- Adult Single Local Fare increases would be in increments of 25 cents every other year through FY24.
- In order to bring the current Adult cash fare of \$2.35 to a level which supports 25 cent increments, the first increase would be 15 cents, bringing the fare to \$2.50 next fiscal year on July 1, 2019.
- Clipper incentives will be 25 cents for Adult single fare.
- A mobile ticketing application is to be implemented.

Recent fare change history

August 2011: Implemented a fare Increase.

July 1, 2014: New Fare Policy took effect. On December 11, 2013, the Board of Directors adopted Resolution No. 13-046 amending Board Policy 333 effective July 1, 2014 to implement a day pass, eliminate intra-agency transfers, lower local Adult 31-Day pass prices (from \$80 to \$75), provide Clipper e-cash discount of 10 cents on single rides, and defer scheduled local and Transbay cash fare increases to July 1, 2016.

February 24, 2016: Board adopted Resolution 16-009 to defer the fare increase (scheduled for 7/1/2016) for one year.

July 1, 2017: Scheduled fare increase (deferred twice from July 2014 and July 2016) took effect.

July 1, 2018: Final local fare increase in current Board Policy took effect, with the exception of the Transbay fare increase which took effect on 1/1/2019.

Proposed Fare Policy Modifications**I. Goals of the fare policy:**

Goals in the current policy include Simplicity, Appropriateness (good value), Equity, Transparency, Policy Support, and Affordability. Staff recommends that the Board consider the following changes:

- Revise the goal of “Simplicity” to include “fare payment methods”: Fares, the fare structure, and *fare payment methods* should be easy to use for passengers, and easy to operate for the District.
- Revise the goal of “Equity” to include “fare payment methods”: Fares, the fare structure and *fare payment methods* should be equitable for all passengers.
- Revise the goal of “Transparency” to include “fare payment methods”: Fares, the fare structure and *fare payment methods* should result in predictable cost and cost increases for passengers; and predictable revenue increases for the District.
- Revise the goal of “Policy Supportiveness” to include “fare payment methods”: Fares, the fare structure and *fare payment methods* should be supportive of other District goals - service, land use, fiscal and social goals - and compliant with other regulatory mandates.
- Add a goal related to fiscal responsibility: Fares should keep pace with inflation.

II. Fare increase methodology

This section of the report will discuss a proposed scenario and anticipated budgetary and fiscal impacts on AC Transit’s farebox revenue (excluding EasyPass, and other contract services). Transbay fares are based on the proposed Transbay fare schedule approved by the Board in September 2017. As noted,

the projections for local fare increases do not assume any drop in ridership due to fare elasticity effects - so any reductions in ridership even if temporary will minimally affect the overall revenue totals.

In order to create a more consistent, predictable, simple, and transparent fare increase mechanism, staff recommends biennial fare adjustments in 25 cent increments every other year, using historical inflation index data and conservative staff projections of future inflation in the Bay Area cities using the Bay Area Urban Consumer Price Index (U-CPI).

To simplify cash fare revenue collection and servicing processes it is prudent to reduce the amount of cash and coins currently received. For this reason, the proposed fare increases would be in increments of 25 cents.

The proposed fare structure changes, as discussed in detail later in this report, include changing multipliers for adult and discount passes, and using Clipper fares (instead of cash fares) as base fares for multipliers.

Ridership Assumptions: For local fares, this analysis makes the conservative assumption that the number of passengers riding the system will not change substantially over the next five (5) years. Given the ridership decreases seen over the past two years, staff feels that assuming flat ridership is realistic and conservative.

III. Fare Structure changes

1. **Clipper Incentives for adult single fare:**

Clipper fare collection is more efficient and greatly reduces bus dwell times. Shifting cash paying customers to Clipper would be beneficial for both passengers and AC Transit. This proposal would increase the incentive from the current 10 cents to 25 cents for Adult single fare. Current Cash and Clipper differential of 10 cents is not enough to incentivize cash customers to transition to Clipper.

2. **Use *Clipper* fare instead of *cash* fare to set 31-Day pass and monthly pass amounts:**

Board Policy 333 sets a target that passes should cost 36 times the applicable single-ride cash fare, however, the 31-Day pass has been a "Clipper only" fare option since FY11. Currently the 31-Day Adult Pass price on Clipper is 38 times the *Clipper* single-ride fare, which not only exceeds the ratio specified in Board Policy 333 but also makes it higher than the other Bay Area transit agencies. This discourages Clipper card utilization and customer loyalty among the District's regular customers. Under this proposal, the local adult 31-Day pass would cost thirty-six (36) times the applicable Clipper single-ride fare starting in FY20. Mag-strip 31-Day passes for social service agencies will still be available and would be priced the same as the Clipper Adult 31-Day Pass. New Clipper discounts would not be applied if they would result in a reduction to current fares.

3. **Senior/Disabled monthly pass and Youth 31-Day Pass will be 30 times Clipper Single fare:**

Current Board Policy 333 developed a schedule to gradually raise the Youth/Senior/Disabled pass prices to 36 times the single discount fare, in parallel with other passes. Currently the \$30 pass price is 27 times the single Discount fare. This proposal would cap the multiplier at 30 times the single

Discount Clipper fare, compared to 36 times single fare for Adult 31-day pass. This will ensure that discount passes, a critical component of transit affordability, will remain affordable at less than 50% of Adult passes.

4. Day Pass:

The Cash Day Pass would cost two (2) times single cash fare, plus 50 cents, rounded to the nearest 50 cents; Day Pass using Clipper, Day Pass Accumulator (DPA), will cost two (2) times single Clipper fare, plus 50 cents, rounded to the nearest 50 cents. Allowing a Clipper discount similar to Clipper single fare would incentivize the current cash Day Pass customers to move to Clipper Day Pass Accumulator. Discount Day Pass would be priced at 50% of the Adult Day Pass.

IV. New Fare Payment Technology/Mobile Ticketing Application

Staff proposes to implement new fare payment methods using new technology, because such methods provide more access for passengers to ride AC Transit. Also, because these new fare payment methods could reduce fare collection costs, staff proposes that new fare payment methods should carry the same discounts available to Clipper fare products, in order to incentivize passengers to use them.

Staff proposes to implement a mobile ticketing application and introduce two fare products that would be available through non-cash fare payment methods. These include:

1. Weekly/7-Day Pass

As part of the existing fare policy, the Board approved a Weekly/7-day Pass to provide a discount for people who may have difficulty paying for a full month's pass upfront or who use the system heavily but not for a full month. The pass was never implemented due to cost constraints to program into Clipper. Now that staff has identified an affordable process to implement the Weekly/7-day via a Mobile Ticketing Application, staff proposes to continue the same terms of the previous policy and set the multiplier at ten (10) times the single Clipper fare.

2. Accumulator Function

The accumulator function or "fare capping" is sometimes described as "earn as you ride," where individual fare purchases accumulate on a rider's Clipper card or in their mobile ticketing app, and automatically convert to a multi-use pass (day, 7-day or 31-day) once the equivalent amount is paid. This benefit is currently available on Clipper for the Day Pass only. Staff would like to include the function in the Mobile Ticketing Application for all multi-use passes. This function ensures that customers always pay the lowest possible fare cost based on their riding behavior, and also ensures that a low-income customer does not pay more to ride simply because they can't afford the upfront cost of a multi-use pass.

Outreach and Communications Process and Summary

AC Transit employed an extensive communications and outreach plan to inform the public of the proposed fare changes. The public was invited to submit comments in person at public hearings and also in advance of the hearings via letter, fax and email, and via telephone to separate voicemail boxes in English, Spanish and Chinese.

The communications and outreach plan included the following tactics:

- Trilingual brochure distributed on buses, in the Customer Service Center and in the BRT outreach center
- Brochure mailings to community organizations and community centers
- Brochure mailings to elected officials
- Information posted on website, including FAQs
- Posts on AC Transit social media channels
- Car cards
- Posters in the Customer Service Center, GO Lobby and BRT outreach center
- Multilingual Newspaper ads
- eNews articles
- Paid digital advertising
- Legal notice of public hearings
- Media release
- Community Meetings throughout the AC Transit service area
- Emails to elected officials and key stakeholders
- Distribution of information via third party newsletters and social media channels

The Board of Directors received a total of 200 comments via letters, comment forms, voice mail and e-mail up to the close of the public hearing. Comments received before the hearing were provided to the Board for review and were 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.

Response to Comments

A total of 200 public comments were received before and at the public hearings. A majority of the comments expressed general opposition to the fare increases, particularly the Youth/Senior/Disabled fare products. There were also a number of public comments that tied their opposition to the fare modifications with poor service quality. Some comments referenced perceived service decreases as a result of AC Go, while others referenced poor reliability and cancellation of service as reasons to not support the fare adjustments.

In response to the references to AC Go, this service plan increased service by 13% in Alameda County. The service was also significantly restructured per the guiding principles of the plan. Part of the restructuring included the shortening of long routes to improve reliability. Such was the case in the splitting of Line 18 and the breaking of Line 1 and 1R. Both accomplished the goal of improving reliability on these routes, but some riders were impacted with a forced transfer to complete their trips. While AC Go was a service improvement

for most riders, some were definitely impacted as service was rerouted away from old destinations to more popular new ones. Therefore, it is not surprising that some passengers who opposed the fare proposal referred to the negative impacts of AC Go on their travel experience.

There were a number of comments favoring the 50 cent Clipper discount. Some comments favored the 25 cents Clipper discount, while some comments from non-Clipper users were opposed to Clipper discount. Staff addresses the rationale for not recommending the 50 cent Clipper discount in the Alternatives Analysis section below.

Included as Attachment 5 is the summary report of all public comments received.

Title VI

The Board is required under Federal Transit Administration regulations and the District's Title VI program to consider and approve a fare equity analysis before the District can implement any fare changes. This is to ensure that the proposed changes will not result in any discriminatory impacts on populations protected by Title VI of the Civil Rights Act, including people of color and low-income populations. Staff conducted the Title VI analysis and found that the recommended changes would not result in disparate impacts on populations of color or disproportionate burdens on low-income populations. The complete fare equity analysis report is included as Attachment 3.

ADVANTAGES/DISADVANTAGES:

The advantage of the proposed changes to the fare structure and fares is that it is supportive of a more simple, appropriate, fair, and transparent fare policy and establishes a local fare schedule for the next five (5) fiscal years. Implementation of the Mobile Ticketing Application will promote easier and more accessible fare payment for a vast majority of our riding population.

The disadvantage is that it is inevitable that some passengers will be unhappy with any fare increase. Although the proposed increases are relatively small (e.g., no increase to Clipper adult single fare until 7/1/2021), it may result in some decrease in ridership at least initially due to fare elasticity. However, prior fare increases have shown that the immediate ridership decrease generally dissipates and permanent ridership losses due to fare elasticity are minimal.

ALTERNATIVES ANALYSIS:

One alternative fare increase methodology is to increase fares based on the rate of operating cost increase, which can fluctuate from year to year. This is not recommended because this method would make the fare structure less predictable, and it would require staff to return to the Board and conduct a Public Hearing each time a fare increase is proposed.

With regard to Clipper incentives, increasing the Clipper discount up to 50 cents may seem like an attractive alternative. However, this is not recommended because this level of discount will affect a disproportionately large share of District's fares. As a result, it would not meet our fare policy goal of "fiscal responsibility" and would thereby compromise District's ability to fund a quality service.

PRIOR RELEVANT BOARD ACTION/POLICIES:

Board Policy 333 - Fare Policy - Staff Report No. 13-240d, December 11, 2013

Staff Report 18-199 - Fare Policy 333 and Fare Changes

Staff Report 18-199a - Consider setting public hearings regarding proposed local fare changes

Staff Report 18-199b - Set Public Hearings for Proposed Adjustments to Local Fare

Staff Report 18-199c - Public Hearing for Proposed Adjustments to Local Fares

ATTACHMENTS:

1. Resolution 19-008, A Resolution Approving the Multi-Year Local Fare Schedule FY 2020-FY2024 and Approving the Title VI Fare Equity Analysis
2. Resolution 19-008 - Exhibit A, Proposed Local Fares
3. Resolution 19-008 - Exhibit B, Title VI Evaluation of 2019 Fare Proposals
4. Scheduled Fare Changes - Budgetary Impact
5. Local Fare Change Proposal - Summary of Outreach and Public Comments

Approved by:

Claudia L. Allen, Chief Financial Officer

Reviewed by:

Denise C. Standridge, General Counsel

Beverly Greene, Executive Director of External Affairs, Marketing & Communications

Robert Del Rosario, Director of Services Development and Planning

Chris Andrichak, Director of Management and Budget

Michele Joseph, Director of Marketing and Communications

Sally Goodman, Title VI Program Administrator

Claudia Burgos, Director of Legislative Affairs and Community Relations

Linda A. Nemeroff, District Secretary

Prepared by:

Sue Lee, Director of Revenue Management