Alameda-Contra Costa Transit District

STAFF REPORT

TO: Finance and Audit Committee
   AC Transit Board of Directors

FROM: David J. Armijo, General Manager

SUBJECT: Amended Report Concerning Fare Structure Revision

ACTION ITEM

RECOMMENDED ACTION(S):

Consider amending the parameters for the public hearing set for October 23, 2013 for revision of the fare structure to introduce a day pass and eliminate transfers, to create Clipper discounts on local cash fares, to reduce the price of 31 day adult local passes, and to increase the price of the youth/senior/disabled pass, effective July 1, 2014, as set forth in Attachment 1.

EXECUTIVE SUMMARY:

This report resubmits staff report 13-240 concerning fare structure revision, with the following amendments: 1. The Transbay thirty one day pass price is maintained at $151.20, rather than reduced to $150; 2. To recommend that Dumbarton Express fares and transfer regulations be adjusted in accordance with changes in AC Transit fares and transfers; and 3. To advise the Board that the proposed fare adjustments are exempt from the California Environmental Quality Act provided certain findings are made and incorporated into the public record.

This proposal is primarily designed to improve the efficiency and convenience of AC Transit’s fare payment system by eliminating transfers and instituting day passes. It also proposes action to create incentives for passengers to use Clipper, and proposes changes to local 31-day pass prices. These actions are a follow-up to the Board’s April 14, 2013 deferral of a fare increase that was scheduled for implementation on July 1, 2013 (Staff Report 13-099, Resolution 13-022, attached). At that time, staff proposed returning to the Board with a proposal that could include elimination of transfers and the introduction of a day pass. Both of these actions are in keeping with standard industry practice, as shown in the attached summary of fare products (Attachment 4). Few American transit agencies now use paid transfers. To passengers, transfer payments are an additional fare for trips which have the inconvenience of requiring two or more buses. For AC Transit, transfers are time consuming and costly to handle, fail to adequately compensate the District for rides, and have the potential for fraud. These fare structure changes will decrease boarding/dwell time for enhanced operations as well as encourage increased patronage.

BUDGETARY/FISCAL IMPACT:

This section of the report will discuss anticipated budgetary and fiscal impacts on AC Transit. Cost changes and impacts for passengers are discussed in the Background/Rationale section.
Switching from transfers to day passes will all but eliminate the District’s revenue from transfers, as well as reduce revenue from local cash fares. The day passes will represent a new source of revenue. Based on the experience of other transit agencies, staff anticipates that 15% of local adult fares would be paid with day passes, while 5% of youth and senior fares would be paid with day passes. However, in our financial calculation we have assumed a 10% take up rate, so as not to overestimate the impact of the passes. The lower youth/senior percentage would result from the fact that monthly passes for youth and seniors are priced so low, and therefore a higher percentage of youth/senior passengers would use monthly passes.

This analysis makes the conservative assumption that the number of passengers riding the system will not change. However, it is anticipated that the convenience and improved access provided by the day pass will attract additional passengers.

### FY15 Projected Farebox Revenue
**With Proposed Day Pass and Other Changes**

<table>
<thead>
<tr>
<th>Fare Category</th>
<th>Fare Type</th>
<th>Current Fares</th>
<th>FY13 Revenue (actual)</th>
<th>Proposed Fare</th>
<th>FY15 Projected Rev. with Day Pass (Eliminate Transfers)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Ride:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult - Local</td>
<td>2.10</td>
<td>30,006,729</td>
<td>2.10</td>
<td>24,005,383</td>
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<tr>
<td>Adult - Transbay</td>
<td>4.20</td>
<td>4,505,183</td>
<td>4.20</td>
<td>4,505,183</td>
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<tr>
<td>Youth/Senior/Disabled - Local</td>
<td>1.05</td>
<td>4,852,222</td>
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<td>4,367,000</td>
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<tr>
<td>Youth/Senior/Disabled - Transbay</td>
<td>2.10</td>
<td>135,155</td>
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<td>135,155</td>
<td></td>
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<tr>
<td><strong>Multi-Ride:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Local 31 Day Pass</td>
<td>80.00</td>
<td>4,179,990</td>
<td>75.00</td>
<td>3,918,741</td>
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<tr>
<td>Adult - Transbay 31 Day Pass</td>
<td>151.20</td>
<td>1,994,792</td>
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<tr>
<td>Senior/Disabled Monthly Pass</td>
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<td>2,551,112</td>
<td>23.00</td>
<td>2,933,779</td>
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<tr>
<td>Youth 31 Day Pass</td>
<td>20.00</td>
<td>2,284,987</td>
<td>23.00</td>
<td>2,627,045</td>
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<td><strong>Transfers:</strong></td>
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<tr>
<td>Transfers - Local</td>
<td>0.25</td>
<td>52,978</td>
<td>Eliminated</td>
<td>0</td>
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<tr>
<td><strong>Day Pass:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Adult Day Pass</td>
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<td></td>
<td>5.00</td>
<td>7,144,459</td>
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</tr>
<tr>
<td>Youth/Senior/Disabled - Local</td>
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<td></td>
<td>2.50</td>
<td>577,646</td>
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<tr>
<td><strong>Total from all fare categories</strong></td>
<td></td>
<td></td>
<td>50,562,547</td>
<td>52,209,182</td>
<td>3.26%</td>
</tr>
</tbody>
</table>

% change over FY13 Revenue

**Assumptions:**
1. No change in ridership
2. Local vs. Transbay ratio stays close to 1:2
3. No elasticity calculation due to no change in current fares for single rides
4. Day Pass usage is calculated at 10% of total Local Adult (reduce local adult rev for round trip) = total 20% reduction in Local Adult Fare Revenue
   *Day Pass usage is calculated at 5% of total Local YIS/D (reduce YIS/D rev for round trip) = total 10% reduction in Local YIS/D Fare Revenue

As of 6/2015
BACKGROUND/RATIONALE:

Process

Beginning in late summer of 2012, AC Transit staff embarked on an analysis of the fare structure. The analysis included:
- Assessing new fare strategies
- Charging a Fare per Boarding
- Eliminating Transfers
- Increasing Clipper Use
- Introducing a Day and a 7 Day Pass
- Expanding the Retail Sales Network
- Reducing the Cost of the 31 Day Pass

Additionally, the analysis attempted to determine potential financial impacts, ridership impacts, and potential Title VI implications. The AC Transit Board was briefed on the analysis at its retreat on March 13, 2013 and took action to defer a fare increase scheduled for July 1, 2013 at its April 14, 2013 meeting.

Since that time, staff has continued to evaluate and deliberate about how to best manage the fare structure in keeping with the goals of the fare policy (Simplicity, Appropriateness, Equity, Transparency, Policy Supportiveness, and Affordability). Attention was focused especially on a fare per boarding, elimination of transfers, introducing a day pass, and increasing Clipper use.

Changes in fares would also be applicable to the Dumbarton Express, which was unintentionally omitted from the initial Staff Report.

Transfers and Day Passes

This fare structure change centers on shifting from a fare and transfer system to a day pass system for local fares. It represents a shift in longstanding AC Transit practice, but it is a shift which numerous transit agencies have made. These include Santa Clara Valley Transportation Authority (VTA), San Mateo County Transit District (SamTrans), Regional Transit (Sacramento), Metro (Los Angeles), Orange County Transportation Authority (OCTA), Metropolitan Transportation System (San Diego), and Regional Transportation Commission (Las Vegas), among others.

Shifting from transfers to day passes is beneficial for both passengers and AC Transit. Passengers gain a single convenient fare instrument which is valid for a whole day, not simply two hours. With a day pass, passengers can take additional trips beyond their daily commute at no additional charge. The day pass eliminates the uncertainty (and sometimes conflict) about whether a transfer is valid for a given trip. As a convenient to use, conveniently priced fare product, the potential for marketing the day pass is strong. At the same time, passengers who only take one or two bus riders per day can continue to pay cash fares at no additional cost (although some may opt for day passes simply for convenience).
Day passes would be available from the farebox. They would be paper media with a magnetic strip and on Clipper. On Clipper, passengers using a day pass would be charged $2.00 for their first ride, $2.00 for the second ride, $1.00 for their third ride, and any subsequent rides would be free. This is known as an accumulator. The goal is to transition passengers from buying day passes at the farebox to buying them through Clipper. To make this a convenient option will require an expanded network of Clipper vendors and/or mechanisms for Clipper users without credit cards to autoload the card.

The change from transfers to day passes has numerous advantages to AC Transit. There will be fewer transactions at the farebox, where one purchase of a day pass can easily replace four transactions. Dwell times will be reduced and travel times speeded up. The District will have fewer coins and fewer materials to handle. An entire class of potential disputes between drivers and passengers will be eliminated. Issuing transfers through the Trim unit has reduced fraud, eliminating transfers should result in a further reduction of fraud.

**Cost of Using the Day Pass**

Depending on their riding pattern, passengers should experience little or no cost increase from this change. A small number will experience a decrease. The 2012 MTC survey of AC Transit passengers found that 56% do not transfer on their trip, 36% transfer once, and 9% transfer two or more times. (The numbers cannot be precisely equated to the use of two or three buses because they include out of system transfers, staff is researching bus-specific transfers.) Passengers using two buses each way on their commute (and not already using a pass) now pay $4.70 per day, $2.10 fare +25 cents for a transfer each way. These passengers will experience a fare increase of 30 cents per day, or 6% of their existing fare. If the 2011 fare recommendation of $2.25 fare and 25 cents transfer had been implemented, these passengers would be paying exactly $5.00. Passengers using one bus each way will presumably not buy a day pass, unless they wanted to take additional rides on a given day.

**Youth/Senior/Disabled Day Pass**

To assure that fare products are available to the widest range of passengers, we propose creation of youth/senior/disabled day pass costing $2.50 per day. We expect less usage of this pass, because the price of the monthly youth/senior/disabled pass is so low. Some agencies which offer day passes do not offer a reduced price youth or senior/disabled day pass.

**Transfer Products Retained**

Interagency transfers, primarily to BART and on the Dumbarton Express, will be retained under this proposal, as there is not a unified regional fare instrument. Similarly, in the absence of a Transbay day pass, free Transbay to local transfers, used by only a few dozen people per weekday, will be retained.
Cash Fares and Clipper Incentives

This proposal maintains cash fares at their current levels, neither raising nor reducing them. This approach should help maintain our fare revenues. At the same time, we seek to move cash paying passengers onto Clipper. Clipper fare collection is cheaper for the district and greatly reduces bus dwell times while passengers pay their fares. In order to provide an incentive for cash payers to switch to Clipper, we propose a 5% discount on the local adult and youth/senior/disabled fare, including Dumbarton Express fares. The local adult fare with Clipper would be $2.00, the local youth/senior/disabled fare would be $1.00. A number of transit agencies provide discounts on fare products on their smart cards as an incentive to use the smart card.

Increasing Clipper use is an objective that the District will also pursue through marketing campaigns and any other avenues that may be appropriate. Staff anticipates returning to the Board in the future to propose potential additional financial incentives to passengers opting to use Clipper. Until the Clipper network is expanded in the East Bay, the District’s ability to move passengers to Clipper will be constrained. Staff will continue to work with MTC on an ongoing basis to increase Clipper vendor coverage in the East Bay.

Local and Transbay Pass Prices

This proposal would make modest changes in some pass prices. Policy 328 sets a target that passes should cost 36 times the applicable cash fare. The 36 figure was the national average, and provides a discount for a monthly user. Under this proposal, the local adult monthly pass would drop from $80—a price grandfathered in to the 2011 policy—to $75, which is 36 times the $2.10 cash fare. The Transbay pass price, which is already at 36 times the cash fare of $4.20, would remain at $151.20

Youth/Senior/Disabled Pass

Staff recognizes that the price of the youth/senior/disabled pass has attracted passionate concern. It has been a focus of discussions of transit affordability. At the same time, staff feels that if the price of that pass is too low, it reduces revenue to the District, constraining our ability to provide service to everyone (including youth). If the youth pass price is disproportionately low, it also raises questions of equity among our passengers. The disparity is also an incentive to fraud.

This proposal would raise the youth/senior/disabled pass to $23 per month. Policy 328 developed a multiyear schedule to gradually raise the youth/senior/disabled pass price to 36 times the youth cash fare, in parallel with other passes. Currently the $20 pass price, among the lowest in the country, is only 19 times the fare. Under that policy, the price of the pass would go to $26 this year. This proposal is half as large an increase. At 36 times the cash fare, the youth pass price would be $36 per month. Staff believes the $23 figure moderates the impact of the increase while still moving towards the District’s fare structure goals. At $23, AC Transit would still have one of the cheapest monthly youth passes in the country.
Seven Day Pass
The 2011 fare policy included the creation of a seven day pass, which a number of systems nationally have. The seven day pass was intended to be a more affordable multi-ride pass for passengers unable to pay the full cost of a monthly pass at one time. The implementation of a seven day pass was determined to not be appropriate at this time. After a meeting in May between the General Manager and the Executive Director of MTC, it was agreed that, if implemented, AC Transit would be the only agency in the Bay Area with such a fare instrument which would cause additional programming time and costs with the Clipper contractor. Since the seven day pass is already in the policy and has been through the public hearing process, it is recommended that it remain a potential future fare media product.

Public Outreach Plan

Staff will develop and coordinate outreach to riders and the general public about the proposed changes. Community meetings have been scheduled for the October 7, 2013 to October 18, 2013 time frame in Richmond, Berkeley, Downtown Oakland, Fruitvale, Hayward, and Fremont. Staff will also meet with several rider committees and groups, including the Accessibility Advisory Committee, the Transbay Taskforce, and the Alliance of Californians for Community Empowerment (ACCE). Printed materials will include on-board car cards and multi-language brochures, the latter being stocked on all buses and sent to community organizations and public sites. All information will be posted to the website and will include an online comment form. A range of electronic communications—eNews messages, e-mails to community contacts and elected officials, social media posts, and public access television calendar listings—will direct the public to the website and publicize the meetings. Display ads will run in selected newspapers, including Spanish- and Chinese-language publications. Required legal notices will be published in the appropriate newspapers, and press coverage in advance of the public hearing will be cultivated. Holding the Public Hearing on October 23 will meet the 28 day notice requirement of Board Policy 163.

Title VI
Under AC Transit policies which implement federal guidelines, all fare changes must undergo Title VI review. This review is to make sure that the changes do not impose disparate impacts or disproportionate burdens on low income and minority populations. Staff will undertake Title VI analysis and will solicit input on Title VI issues as part of overall outreach on the proposal, and report back to the Board.

California Environmental Quality Act (CEQA) Compliance
Section 21080(b)(8) of the Public Resources Code and Section 15273 of the CEQA Guidelines exempt from the provisions of CEQA the proposed fare changes provided the District makes the required written findings justifying the use of the funds, as outlined in these sections, and the written findings are incorporated into the record. The exempt purposes for exempting a fare adjustment include: meeting operating expenses, including employee wage rates and fringe benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve
needs and requirements; obtaining funds for capital projects, necessary to maintain service within existing service areas; or obtaining funds necessary to maintain such intra-city transfers as are authorized by city charter. A draft resolution authorizing the fare changes will be prepared for the Board’s consideration for the October 23rd meeting and it will include the required written findings which are applicable to the District.

**Longer Term Fare Policy**

If the Board ultimately wishes to approve these changes, it would need to decide how to treat Policy 328, which set out a long term schedule of fare increases. The Board could link the approval of this proposal to repeal of the policy. On the other hand, the Board could treat approval of this proposal as simply responding to the planned 2013 step of those fare increases, not necessarily affecting future fare increases. This decision does not need to be made at this time.

**ADVANTAGES/DISADVANTAGES:**

The advantage of the proposed fare structure is that it provides a simple, appropriate, fair, transparent policy, both supportive and affordable in accordance with the Board Policy 328 goals as identified above. The elimination of transfers and focusing on prepaid fare media including day passes will speed up boarding and reduce fare payment conflicts.

The disadvantage is that the current fare structure, especially with the use of transfers, is a long standing practice and it may be difficult for passengers to adjust and gain familiarity with the new structure. While the proposal is designed to minimize impacts on passengers, it is inevitable that a small group of passengers will experience cost increases, most of them small (e.g., from $4.70 per day to $5.00 per day). An extensive community outreach and education program will help mitigate this to some extent and some leniency during the implementation period should be considered.

**ALTERNATIVES ANALYSIS:**

Staff considered proposals concerning fare policy which we do not recommend. One such alternative was seeking to implement the fare and pass price increases set forth under the 2011 policy. However, such an action would have seemed contradictory to the Board’s April action. Implementing that increase would not have dealt with transfer issues nor reduced the high local adult pass price. For these reasons, staff does not recommend this course of action.

Another alternative would be leaving all fares and pass prices as is. Again, this (in)action would not have dealt with transfer issues, nor responded to pass prices that are currently at inappropriate levels. For these reasons, staff does not recommend this course of action.
PRIOR RELEVANT BOARD ACTIONS/POLICIES:

Board Policy No. 328 – Fare Policy: Fares, Fare Structure, and Fare Increases: Adopted 6/11/12
Resolution 13-022

ATTACHMENTS:

1: Notice of Public Hearing

Prepared by: John Haenftling, Director of Project Controls & Systems Analysis
             Nathan Landau, Senior Transportation Planner
             Sue Lee, Treasurer
             Victoria Wake, Marketing Manager
PUBLIC HEARING NOTICE

Alameda-Contra Costa Transit District

Fare Structure Revision to AC Transit (including Dumbarton Express) to Implement Fare per Boarding, Day Pass, and Eliminate Transfers

Notice is hereby given that the AC Transit Board of Directors will hold a Public Hearing on Wednesday, October 23, 2013, at 2:00 p.m. and 5:00 p.m. at the AC Transit General Offices, Second Floor Board Room, 1600 Franklin Street, Oakland, California, to receive public comment on a fare structure revision as more specifically described below under “PROJECT DESCRIPTION”.

The proposed fare policy revision is detailed on AC Transit’s website at www.actransit.org, and available in printed format at the District’s General Offices, located at 1600 Franklin Street, Oakland, California, and at a variety of other locations, including county administrative offices, city halls, and main libraries located within the District’s service area. For information on exact locations where the documents are available in your specific area, please telephone (510) 891-7175.

PROJECT DESCRIPTION:

- Maintain all currently adopted fares as pay per boarding fares ($2.10 local adult, $1.05 youth/senior/disabled local fare, $4.20 Transbay, $2.10 Transbay youth/senior/disabled)
- Introduce discounted fares of $2.00 for local adult trips, $1.00 for local youth/senior/disabled trips paid on Clipper.
- Introduce a local adult day pass priced at $5.00 (Introduce a youth/senior/disabled day pass priced at $2.50).
- Eliminate transfers except for transfers between Transbay and local and interagency transfers.
- Set 31 day pass prices as follows: Local adult--$75 and Local youth/senior/disabled--$23.

If approved by the Board of Directors, the fare structure revision will be implemented on July 1, 2014.

Environmental Exemption

By statute, the proposed fare increase is exempt from the provisions of the California Environmental Quality Act in accordance with Public Resources Code Section 21080(b)(8) and Section 15273 of its Guidelines.

Your Comments Are Invited

Public Comment on the fare policy revision is invited either in writing or at the public hearings scheduled for 2:00 p.m. and 5:00 p.m. on Wednesday, October 23, 2013 at the AC Transit General Offices, Second Floor Board Room, 1600 Franklin Street, Oakland, California. The public is urged to submit written comments by letter, facsimile, or email, which must be received no later than the close of the hearing on October 23, 2013. Written comments will receive the same attention as verbal comments received at the Public Hearing. Please address written comments to the AC Transit Board of Directors, 1600 Franklin Street, Oakland, California, 94612; by facsimile at (510) 891-7157; or by email to farecomments@actransit.org. Comments may also be submitted by voicemail at (510) 891-7201. For Spanish-language comments, call (510) 891-7291, and for the Chinese-language comments, call (510) 891-7292.
Meeting site is wheelchair accessible.

Upon request, a sign language interpreter will be present at the hearing. Foreign language interpreters can be provided, if needed. Please contact the District Secretary’s Office at (510) 891-7201 by Thursday, October 17, 2013 at 5:00 p.m., to make arrangements. For TDD for hearing impaired, call 711, California Relay Service, and specify (510) 891-4700.

Transit to the Hearing Site

All AC Transit bus lines serving downtown Oakland stop within walking distance of the public hearing site. For trip-planning, visit www.actransit.org or call 511 (and say, “AC Transit”). The site can also be reached via BART to the 19th St. Oakland station.

Please do not wear scented products to the meeting.