SUBJECT: Receive Report on the Goals and Objectives Associated with the Proposed Fare Study

RECOMMENDED ACTION:

☐ Information Only      Briefing Item  ☒ Recommended Motion

Approve Proposed Fare Policy Goals and Objectives as a framework for further analysis of potential Fare Policy and Fare Structures.

Fiscal Impact:
No impact as a result of approving fare goals and objectives; future changes could have fiscal impact.

Background/Discussion:

Previous Action on Fare Policy Study
In December 2009, the Board of Directors authorized staff to initiate a study of the District's fare policy. The Board directed that policy items related to this study be presented to the Board as a whole, rather than an individual committee. (See Attachment A, GM Memo 09-236, Consideration and Approval of Proposed Fare Policy Study Scope of Work, December 2009.)

The first task outlined in the Scope of Work approved in December 2009 is to establish goals, standards and metrics to guide the fare policy framework. Three broad goals were outlined in the scope of work: rider based goals, District based goals, and regional goals. Attachment B, Fare Policy Goals and Objectives, fleshes out these broad goals, and recommends to the Board five goals and related objectives to guide the remainder of this fare study. Attachment C further expands on the five recommended goals and includes staff's rationale for proposing them.

An additional task outlined in the Scope of Work included researching the District's historical approach to fare policies and structure, as well as conducting an analysis of other systems. This memo provides additional information on those items as well.

The final task in the Scope of Work, developing fare structure recommendations to meet the proposed Goals and Objectives, will be completed after the Board amends and/or approves the Goals and Objectives in Attachment B. Because there are inevitable tensions among
the fare goals and objectives, the alternative fare structures will be designed to help the Board consider those issues.

Reasons to Create a Fare Policy
AC Transit’s fares have developed on an ad hoc and historical basis. The District has raised fares when needed for revenue, generally despite public protest. As a result, the fare structure does not represent a coherent and predictable policy, nor is there a predictable process of modifying (raising) fares. Because fares have not been based on a strategically developed structure, there also has not been a comprehensive Title VI review of the entire structure.

Fares represent less than 20% of AC Transit’s operating costs. It seems likely that there may be pressure in the future to raise that percentage, though fares will still cover a minimal percentage of operating costs. The District is continuously pursuing strategies to both increase external revenues and contain operating costs. Nonetheless, fares remain the element of AC Transit’s revenue stream which is most flexible, and most within the District’s control. Therefore it is important to strategically analyze the fare structure.

Some elements of AC Transit’s fare structure are internally inconsistent. For example the relative price of a local 31-day pass compared to the local one-ride bus fare is different from the relative price of a Transbay 31-day bus pass compared to the Transbay one-ride fare. Other elements of the fare structure are unusual in the industry—for example, few American transit agencies charge for transfers now (they either give free transfers, or no transfers and sell day passes). Other agencies include features in their fare structures that AC Transit may wish to consider—such as peak and off-peak fares. Some agencies limit the times of day during which discount fares—such as senior and youth fares—may be used. These examples are cited not to support (or oppose) these policies, but simply to indicate some of the issues to consider, and possible changes in fare policies for the District. Many of these ideas are much more feasible to implement with new fare media, such as TransLink.

The process of raising fares has been particularly difficult, uncertain and unpredictable. Each increase has been seen by some customers as a hardship or an undue imposition. Staff strongly recommends a more regularized, rationalized fare process, possibly through regular fare changes at predetermined intervals (e.g., time-based—every two years—or inflation-based). This would allow the District to better predict its revenues, and passengers to better predict their costs.

The Proposed Fare Policy Goals and Objectives
The draft proposed fare policy mission, goals and objectives are shown in Attachment B. After the Board amends and/or approves the Goals and Objectives, staff will develop potential alternative fare structures for the Board’s consideration that meet those goals. The alternative fare structures would be presented first for Board review and then presented at a Public Hearing before the Board takes final action.

Since it seems likely that the specific language of the Policy’s Goals and Objectives will be refined over the course of the study, the Board is not being requested to give final approval
to these Goals and Objectives until the end of the study, after alternative fare structures have been analyzed and presented. However, the Board’s action as a result of the July 14 workshop will guide the alternative fare structures that are developed.

At this time, staff is not proposing any specific changes to fares or fare media. Those proposals will be analyzed and presented to the Board in a few months based on the Board’s action in this workshop.

Historical Efforts by AC Transit to Create a Fare Policy
AC Transit has made previous efforts to create a systematic fare policy. In September 2001, a consultant proposed a fare policy and structure for AC Transit that was presented to the Board. The proposed fare structure for each of the options presented in that proposal included an annual pass for youth/students, a day pass for adults, and elimination of the separate charge for transfers. The three alternatives generated varying levels of increased fare revenue. However, in the months after September 2001, this proposal was not pursued or implemented. The proposal was noted, but not used, when fares were increased in 2003. Subsequently, the District has had fare increases and fare modifications as needed for revenue purposes, but none have been made part of an overall policy framework.

Other Agencies’ Fare Policies
Staff surveyed transit agencies in California and similarly sized agencies nationally about fare policies. Overall, fare policy is a difficult area for most transit agencies. Relatively few had an explicit, comprehensive fare policy. Some indicated that they had adopted a fare policy, but it had become well integrated into the agency’s actual decision-making process concerning fares. Staff at numerous agencies expressed frustration about the difficulty and time delays in raising fares—one agency had not had an increase in eight years. Tri-Met in Portland noted the resistance to relatively large increases (e.g. 25¢), and opted for small annual increases, which reduced public opposition. Other agencies noted difficulty in maintaining the relationships within fare structures, e.g. the relationship of concessionary fares to full fares. The BART Board, however, has approved ongoing regular fare increases that are scheduled to occur every two years.

Next Steps in the Study: Timeline
If the Board approves the Goals and Objectives in concept today, staff would develop alternative fare structures and fare increase timing proposals, based on further research and analysis. Those alternatives will be presented to the Board in September and would be proposed for a Public Hearing in late Fall (with Title VI analysis to be available at that time). Ultimately, the Board could consider adopting final Fare Goals and Objectives, as well as a fare structure that meets those goals, by December 2010 or January 2011.
GM Memo No. 10-167
Meeting Date: July 14, 2010
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Prior Relevant Board Actions/Policies:
GM Memo 09-236, Approval of Proposed Fair Policy Scope of Work

Attachments:
Attachment A: GM Memo No. 09-236 Consideration and Approval of Proposed Fare Policy Study Scope of Work
Attachment B: Draft Goals and Objectives—AC Transit Fare Policy
Attachment C: Fare Policy Goals and Objectives—staff description and rationale

Approved by: Mary V. King, Interim General Manager
Kathleen Kelly, Chief Operating Officer

Prepared by: Nathan Landau, Senior Planner

Date Prepared: June 15, 2010
AC TRANSIT DISTRICT
Board of Directors
Executive Summary

Committees:
Planning Committee □ Finance and Audit Committee ☑
External Affairs Committee □ Operations Committee □
Rider Complaint Committee □ Paratransit Committee □
Board of Directors □ Financing Corporation □

GM Memo No. 09-236
Meeting Date: December 9, 2009

SUBJECT: Consideration and Approval of Proposed Fare Policy Study Scope of Work

RECOMMENDED ACTION:

☐ Information Only ☐ Briefing Item ☑ Recommended Motion

1. Direct staff to undertake the Fare Policy Study as outlined in the memo
2. Review future fare policy items at the Full Board, instead of through the Committee/Board review process

Fiscal Impact:
Roughly $50,000 unless further tasks associated with the fare study are recommended

Background/Discussion:
In September 2009, the Operations Committee reviewed GM Memo 09-144a, which recommended the repeal of two outdated Board Policies related to fares. At the meeting, the Committee members recommended that staff conduct a comprehensive fare policy study, including a review of fare policies from other transit agencies.

As a result, staff has developed a general scope of work to deliver a fare study within the next several months. The Fare Study is envisioned to be largely a staff-driven exercise. However, it is anticipated to require some consultant services to augment staff and help meet the aggressive timeline.

Work Scope:

Task 1: Goal Setting
The first task would be to establish goals, standards and metrics to guide the fare policy framework. This work may require consultant services to facilitate work with the executive team and the Board of Directors. It would include the following:

- Rider Based Goals
  - Operations (ease of use, etc.)
  - Equity (implications to Title VI communities)
  - Discounts (by fare type or media)
- District Based Goals
  - Revenue Generation
  - Efficiency (ease of distribution and collection, etc.)
GM Memo No. 09-236  
Meeting Date: December 9, 2009  
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- Regional Goals  
  o Translink implementation  
  o Means-based regional low income fare instrument  
  o Inter-operator transfers

**Task 2: Research and Review**  
The second task would entail researching both the District’s historical approach to fare policies and structure as well as a comparative analysis with other regional and national systems. This task would also include an historical analysis of the District’s fare metrics in terms of meeting the policy goals and standards developed through Task 1.

**Task 3: Develop Fare Policy Recommendations to meet goals, standards and metrics**  
The final task would be to develop recommendations for a District Fare Policy that would be developed through a series of “What if” scenarios to determine whether the policies or fare structure would meet the goals, standards and metrics adopted by the Board. This task would also include a Title VI analysis of the policy and fare structure to determine whether the policy recommendations would result in disparate impacts. Staff anticipates the need for some consultant assistance in completing this task.

**Board Review:**  
Because the fare policy may touch on issues associated with all of the Committees of the Board (Operations, Planning, Finance and External Affairs), staff recommends that the review and adoption of fare policy work be handled at the full Board, instead of through the traditional Committee/Board process. This approach will help staff capture all of the comments and ideas of the Board in a comprehensive and combined fashion. Staff believes that this will allow the most robust discussion for such an important topic.

**Timeline:**  
It is anticipated that the Fare Study be completed by March 2010, resulting in a public hearing on policy changes in April 2010. The following is the proposed timeline:

<table>
<thead>
<tr>
<th>Task</th>
<th>Date</th>
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<tbody>
<tr>
<td>Review and adoption of goals, standards and metrics to guide the Fare Policy recommendations</td>
<td>January 27, 2010</td>
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<tr>
<td>Review of Fare Policy-related research and District historical overview</td>
<td>February 24, 2010</td>
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<tr>
<td>Board reviews Fare Policy recommendations and sets public hearing on Fare Policy and structure changes</td>
<td>April 28, 2010</td>
</tr>
<tr>
<td>Public hearing on Fare Policy and structure</td>
<td>May 26, 2010</td>
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<tr>
<td>Board adopts Fare Policy</td>
<td>June 23, 2010</td>
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GM Memo No. 09-236
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Prior Relevant Board Actions/Policies:
GM 09-144a: Codify Fare Policies

Attachments:
None

Approved by: Mary V. King, Interim General Manager
Kathleen Kelly, Chief Transportation Officer

Prepared by: Tina Spencer, Manager of Long Range Planning
Kathleen Kelly, Chief Technology Officer

Date Prepared: November 30, 2009
Attachment B:

Draft Goals and Objectives—AC Transit Fare Policy

Fare Policy Mission: Develop a Board Policy for Fares that integrates Policy and Statutory Requirements.

Summary of Fare Policy Goals:

The fare structure should be:
1. Easy to use for passengers; easy to operate for the District
2. Appropriate—felt by most passengers to provide a good value.
3. Equitable—fair—for all passengers
4. Predictable—costs for passengers; predictable revenue for the District
5. Supportive of Other District goals—Service, Land Use and Social.

Goals and Objectives

Fares and the fare structure should be:

Goal 1: Easy to use for passengers; easy to operate for the District, and provide:

- Improved understanding of fare structure by passengers, drivers, District
- Improved passenger experience
- Full driver acceptance and adherence.
- Improved transfers on AC Transit
- Improved transfers between AC Transit and other operators
- Easier distribution of fare media.

Goal 2: Appropriate—Felt by most passengers to provide a good value for their dollar.

Goal 3: Equitable—fair—for all passengers, and provide:

- Fairness for all passengers
- Fairness in its impact on various social and demographic groups
- Fairness by virtue of reducing fair evasion
- Fairness across various fare types (adult, senior, youth etc)
- Fairness by various fare media

Goal 4: Transparent—Predictable in cost and cost increases for passengers, predictable in revenue increases for the District:

- Legible in Structure
- Predictable as to the timing and size of fare increases
Draft Goals and Objectives—AC Transit Fare Policy (cont.)

Goal 5: Supportive of Other District Goals—Service, Land Use, and Social:

The fare structure should support:

- Service Goals
- Improved safety and reduced crime on buses and at bus stops
- Transit-oriented development (TOD)
- Transportation Demand Management (TDM)
- Increased mode split for transit among all trips.
Attachment C: Fare Policy Goals and Objectives—staff description and rationale

Draft Goals and Objectives

Fares and the fare structure should be:

Goal 1: Easy to use for passengers; easy to operate for the District, and provide:

- **Improved understanding of fare structure by passengers, drivers, District**—Fare levels, fare media, and fare policies are most easily implemented when they are straightforward and easily understood.
- **Improved passenger experience**—Passengers should have an easy time determining and paying their fare.
- **Full driver acceptance and adherence**—Fare policies are only effective when they are implemented and enforced by bus drivers.
- **Improved transfers on AC Transit**—Many trips on the AC Transit system require transfers, the fare structure should facilitate those transfers.
- **Improved transfers between AC Transit and other operators**—Passengers should be able to transfer to other operators simply with a minimal extra fare burden.
- **Easier distribution of fare media**—The fare policy should make it easy to distribute and collect fare media, on smart cards and paper.

Goal 2: Appropriate—Felt by most passengers to provide a good value for their dollar.

Fares and the fare structure should be:

Goal 3: Equitable—fair—for all passengers, and provide:

- **Fairness for all passengers**—All passengers should pay a fair share of the system’s operating costs.
- **Fairness in its impact on various social and demographic groups**—The fare policy should not have an unintended disparate impact on various Title 6 protected groups or other groups.

- **Fairness by virtue of reducing fare evasion**—Fare evasion constitutes a “tax” on fare-paying passengers, requiring them to pay more than they otherwise would have; reducing it would be fairer to all.

- **Fairness across various fare types (adult, senior, youth etc.)**—Adult, senior, and youth fares should have a reasonable relationship to each other so that no fare type is getting unduly favorable or unfavorable treatment.

- **Fairness by various fare media** (cash, pass, etc.)—The price of bus service should not vary excessively for passengers using different fare media (although there may be justification for discounts in some cases).
Goal 4. Transparent—Predictable in cost and cost increases for passengers, predictable in revenue increases for the District:

- **Legible in Structure**—Fare structure based on the adult cash fare; multiples and fractions thereof are easily explained and understood.

- **Predictable as to the timing and size of fare increases**—Fare increases that have been irregular are unpleasant surprises for passengers; making them more predictable would benefit both passengers and the District.

Goal 5: Supportive of Other District Goals—Service, Land Use, and Social:

- **Supports Service Goals**—Fare structures that are easy to use, understand and obtain have been shown to improve ridership and encourage greater use of the system.

- **Improved safety and reduced crime on buses and at bus stops**—Overly elaborate and difficult to use fare media and fare levels could expose passengers to danger on the bus and at bus stops.

- **Transit-oriented development (TOD)**—Fares and pass programs (such as EasyPass) should encourage people to move into TOD and to understand bus service as an important element of their mobility in TOD.

- **Transportation Demand Management (TDM)**—Fares and pass programs should be easily integrated into TDM activities required by cities for new development.

- **Increased mode split for transit among all trips**—Fares and pass programs should encourage people to switch from driving alone to riding transit.