

To: Board of Directors

Date: 3/29/2018

From: Bill Churchill, Assistant General Manager

Reviewed by: R. Ramacier

SUBJECT: Initial Fare Proposal

Background:

Current budget projections demonstrate that expenses are increasing more rapidly than known revenue streams resulting in an undesirable loss of reserves. In light of these upcoming budgetary challenges staff has begun the process of exploring potential solutions, one reasonable option is raising the current base fare and potentially restructure the current County Connection fare system. The last time fares were increased was in 2009, nearly ten years ago, as a response to the loss in revenue resulting from the economic crises of 2008.

Although the Board approved a fare increase in 2009, it was really adopting a pre-planned fare increase scheduled to take place in 2010 but implemented one year early due to financial necessity. The last fare increase plan was a five year program with a series of pre-scheduled fare increases that was adopted in 2005. Moving forward staff would not recommend a multi-year plan as part of this work since future fare increases would be anticipated to the Clipper fare structure requiring a coordinated agreement with the other east bay operators. As a result, this body of work will focus solely on the non-Clipper fares, i.e. cash, punch cards, monthly cards and transfers.

Since 2009, many neighboring agencies have either increased cash fares, eliminated transfers, or introduced a cash surcharge to encourage Clipper usage. AC Transit, TriDelta Transit, SolTrans and San Joaquin Regional Transit (SJRTD) have all eliminated transfers and SJRTD have eliminated all paper products. As part of our ongoing review of operations and projected revenue, staff has prepared a detailed fare analyses with the goal of simplifying the fare structure and potentially optimizing revenue while mitigating ridership loss. By restructuring the existing fare system staff anticipates more customers will use the Clipper system resulting in faster boarding times with less disputes between operators and customers. Additionally, this will streamline the administrative processes in purchasing, distributing and accounting for a myriad of paper fare products. Finally, and most importantly, staff believes this will increase fare revenue bringing budgetary projections

more in line with anticipated expenses as well as maintain the Authority's fare recovery ratio such that other revenue streams are not compromised such as new the STA Block Grant.

Due to the complexities of modifying transit fares in the current environment this work represents a coordinated multi departmental effort including the Finance department, Planning department and the Marketing department. Staff will continue to use multiple disciplines in order to achieve a successful restructuring of the County Connection fare structure.

Proposed Modification to the Existing Fare System:

Cash Fares

Adult cash fares are proposed to be raised to \$2.50, with Senior/Disabled local and express rides increasing to \$1.25. This is in contrast to Clipper single fares, which would remain unchanged (\$2 Adult/\$1 Senior). This is in part an effort to increase revenue as well as a cash surcharge to guide our customers to use Clipper, which speeds fare payment and is easier for the drivers as they can continue focusing on operating the vehicle instead of facilitating cash payments. For purposes of our revenue projection, we assume about half of current cash payers will switch to Clipper payment.

Additionally, an increase to the base fixed route cash fare provides the opportunity to consider raising the ADA paratransit fare from the current \$4.00 per ride to \$5.00 per ride. This will be explored in the public process.

Transfers

While increasing the cash fare may seem to be the core element of the proposal, the elimination of paper transfers, will have a much bigger impact on our bottom line. Currently, County Connection has a generous paper transfer policy of two hours on weekdays and up to three hours on weekends. This paper transfer slip allows for unlimited rides during this period. Transfers are particularly vulnerability to fraud and result in the highest number of uncomfortable fare disputes between operators and passengers.

Since transfers will still be available to customers through Clipper, the elimination of paper transfers should provide a significant incentive to shift to the use of the Clipper product. Additionally, as customers make the shift to Clipper and begin using the system staff anticipates more customers will realize the savings of the bargain day pass potentially resulting in increased ridership.

In addition to the elimination of bus to bus paper transfers, staff proposes to eliminate the paper BART transfers, which reduces cash fares by \$1.00. This BART transfer discount will still be available automatically when using a Clipper Card from BART to a County Connection bus. As with

other transit agencies, no reciprocal BART discount is offered when transferring to BART from a County Connection bus. Commuter Cards are a program to purchase 20 bus rides and 20 BART transfer rides, which is proposed for elimination to be replaced by Clipper.

Paper Passes

Before the launch of Clipper, County Connection introduced several paper pass products intended to provide a discount and convenience for frequent users. These products include senior and adult punch cards, a paper adult monthly pass, and commuter cards. For all proposals, these are proposed to be eliminated as we now have Clipper. This will reduce staff time delivering the paper passes to various vendors and will incentivize the use of Clipper. Staff will promote the Clipper Day Pass to replace many of these paper products.

Senior Midday Free

In January 2014, the Senior Midday Free Fare from 10am to 2pm was introduced. Since then, we have heard anecdotally from operators that abuse such as getting a paper transfer from a 'free bus' for subsequent use, as well as other anecdotes that seniors have just shifted trips they already intended to make outside of the free midday. With Clipper, seniors can still ride for only \$1.00 for a single fare, and \$1.75 with Clipper Day Pass. Staff proposes to eliminate the Senior Midday Free Fare from 10am to 2pm.

Express Fares

All cash fare increases will subsequently eliminate the current higher fare surcharge for express routes. This will streamline our system and will allow for more seamless use of parallel routes for regular pass holders.

Summer Youth Pass

As part of this proposal, the Summer Youth Pass will be modified to become an unlimited pass for \$60 for the whole summer. The previous Youth Pass was a punch card for 20 rides for \$15. This change is proposed to be consistent with our neighboring transit agencies and may induce more ridership due to the unlimited nature of the pass as opposed to youth riders rationing their punch card trips.

Clipper

For current Clipper users, nothing will change except the possible elimination of the Senior Midday Free. One issue that will effect revenue is our agreement with the Clipper fare contractor, which charges a transaction fee of around 6% per fare.

County Connection will work to promote Clipper use including the Clipper Only Day Pass, which is automatically loaded when two fares on County Connection, Wheels, Tri-Delta, or WestCat are

purchased via your Clipper Card. This is commonly called an accumulator pass, which caps maximum fares. A day pass is \$3.75 for Adults and \$1.75 for Senior/Disabled. Day Passes are underutilized at this time as only about 70 or so day passes are sold per month on our buses. In contrast, nearby properties like SamTrans sell over 15,000 day passes per month. If one takes two buses a day or more per day outside of the transfer window, converting to a day pass from two cash fares will actually be a fare decrease as you save a quarter from current fares and \$1.75 when fares increase to \$2.50, or \$5 for two fares. In addition, the elimination of paper transfers will likely induce more Clipper use as that will be the only way to transfer for free.

For a more simplified summary of the proposed modification please refer to the chart below:

Proposed Fare Modification			
Fare Type	Existing Cost	Proposed Cost	Details
Cash			
Adults and Youth over 6 years old Local	\$ 2.00	\$ 2.50	Regular routes
Adults and Youth over 6 years old Express	\$ 2.25	\$ 2.50	Express routes (90 series routes) (Express fare to be eliminated and combined with local)
Children under 6 years old	Free	Free	When accompanied by an adult
Senior (65+)/Medicare	\$ 1.00	\$ 1.25	All regular and express routes
Senior (65+)/Medicare 10am-2pm	Free	\$ 1.25	All routes between 10am - 2pm every day (to be eliminated)
Paper Transfers	Free	-	Paper transfers good for 2 hours weekdays, 3 hours weekends (to be eliminated)
BART Transfer: Adult/Youth	\$ 1.00	-	With BART paper transfer ticket (to be eliminated)
BART Transfer: Senior/RTC/Medicare	\$ 0.50	-	With BART paper transfer ticket (to be eliminated)
Paper Passes (to be eliminated)			
Regular Monthly East Bay Pass	\$ 60.00	-	Unlimited rides for one calendar month on all regular routes on County Connection, TriDelta Transit, Wheels, and WestCAT.
Express Monthly East Bay Pass	\$ 70.00	-	Unlimited rides for one calendar month on all express routes on County Connection, TriDelta Transit, Wheels, and WestCAT.
Adult/Youth 12-Ride Pass	\$ 20.00	-	12 rides on County Connection regular routes (a \$24 value)
Adult/Youth 12-Ride Express Pass	\$ 23.00	-	12 rides on County Connection express routes (a \$27 value)
Senior/RTC/Medicare 20-Ride Pass	\$ 15.00	-	20 rides on regular or express routes (a \$20 value)
Commuter Card	\$ 40.00	-	20 ride on regular routes and 20 BART transfer rides with BART transfer ticket (a \$60 value)

Clipper (No proposed changes due to required coordination with East Bay Small Operators)			
East Bay Day Pass Accumulator - Adult	\$ 3.75	\$ 3.75	Adults/Youth: Fares on County Connection, TriDelta Transit, Wheels, and WestCAT routes are capped at this maximum daily fare with use of e-cash.
East Bay Day Pass Accumulator - Senior/Disabled	\$ 1.75	\$ 1.75	Senior/Disabled: Maximum daily fare
East Bay Regional 31-day pass - local routes	\$ 60.00	\$ 60.00	Accepted for local bus service on County Connection, TriDelta Transit, Wheels, and WestCAT (except Lynx).
East Bay Regional 31-day pass - express routes	\$ 70.00	\$ 70.00	Accepted for express bus service on County Connection, TriDelta Transit, Wheels, and WestCAT (except Lynx).
BART Clipper transfers - Adult	\$ 1.00	\$ 1.00	Clipper transfer credit automatically given coming from BART.
BART Clipper transfers - Senior/Disabled	\$ 0.50	\$ 0.50	Clipper transfer credit automatically given coming from BART.
Clipper transfers (Internal)	Free	Free	2 hour transfer automatically given on Clipper.

Although the proposed modification to the existing County Connection fare structure and rate is rather bold, it is in keeping with the direction that other transit agencies within the region are already moving to. Additionally it is important to keep in mind this is just an initial proposal that requires a public outreach process as well as a Title VI analyses and a fare equity analyses. Staff will bring back to the committee the results from each of these processes which will also provide the opportunity to modify the proposal as the committee and the Board deems necessary.

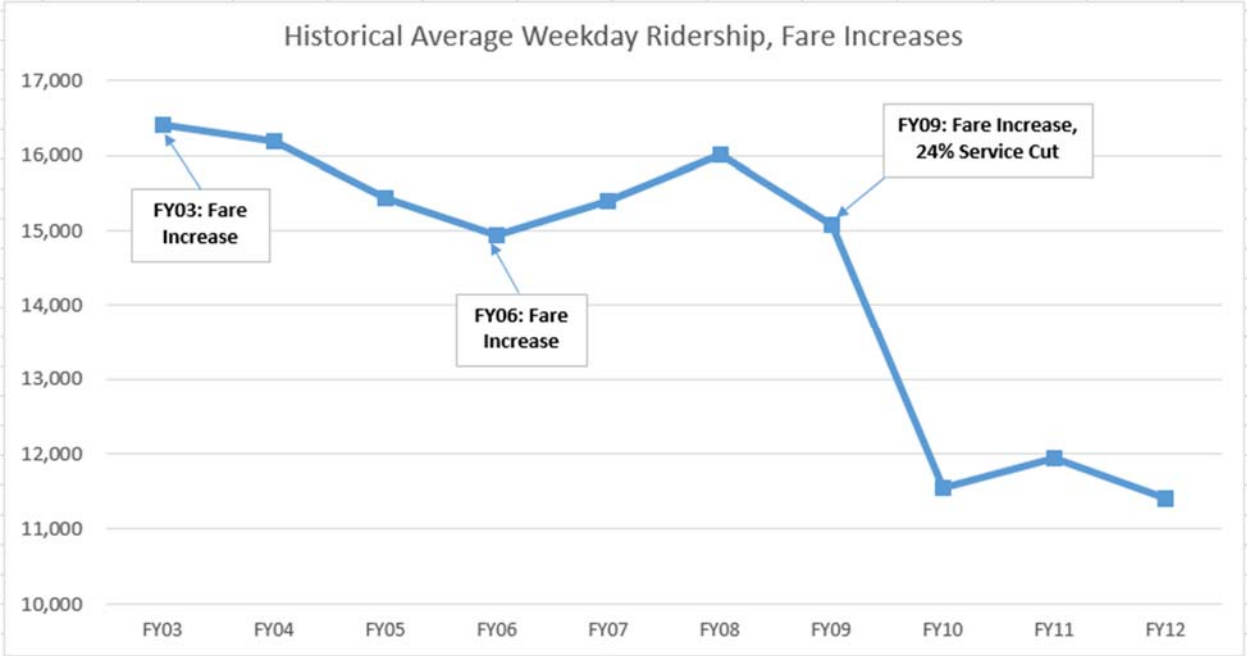
Public Outreach:

Staff anticipates a high level of public interest and will conduct extensive public outreach. In addition to public meetings and a public hearing, the public will have the opportunity to comment via email, calling customer service, and on all County Connection social media platforms. All information associated with the fare proposal will be readily available on our website. County Connection staff, with the support from legal counsel, will also complete Title VI and a Fare Equity Analysis. Comments received during the public outreach process and all reports will be made available to the committee and the Board before a decision on fares or fare structure is finalized.

Financial Implications:

There are two significant factors that will have an impact on projected revenues from the proposed modification to the County Connection fare structure. The most difficult factor to estimate is the loss in ridership due to a fare increase. Fare elasticity has long been troublesome for the transit industry given the wide array of variables from income levels, car ownership, gas prices, trip frequency, among others. A frequently-used rule-of-thumb, known as the Simpson – Curtin rule, is that each 3% fare increase reduces ridership by 1%. Like most rules-of-thumb, this

can be useful for rough analysis but it is too simplistic and outdated for detailed planning and modeling. Due to variability and uncertainty it is preferable to use ranges rather than point values for elasticity analysis. Based on the studies reviewed, it is suggested that any time a bus transit agency raises fares there should be an expected reduction of 10 to 25 percent in riders. County Connection has never experienced anything like this after a fare increase, following the fare increase in 2003 ridership fell by 1.3% and following the fare increase in 2006 ridership actually went up by 3.1%. Following the fare increase in 2009 ridership plunged by a large margin but staff links the drop in ridership to the 24% reduction in service provided and not the increase in fares. However despite County Connection’s historically low sensitivity to elasticity, staff does believe there will be a negative impact to raising fares. The current year to date data collected has demonstrated about a 3% drop in ridership without modifying the current fare structure, therefore staff estimates with current ridership erosion that and a fare increase will result in a loss of ridership ranging from 5% to 10%.



The second factor that is difficult to calculate is the rate at which customers will adopt the Clipper card as a result of both the increase of the fares and the elimination of the paper products. Since the Clipper card maintains the benefits of the paper products such as free transfers and has additional products discounting fares such as the day pass as well as the cost per transaction to County Connection for customers using the system, it is imperative for staff to estimate the number of non-Clipper customers making the transition to Clipper. With the absence of significant data to make this calculation staff has estimated that 50% of the non-Clipper passengers will make this transition.

Using these two projections staff estimates projected increase in fare revenue of \$909,000 assuming a 10% drop in ridership to \$1,130,000 assuming ridership only decreases 5%. Since fare elasticity is so difficult to pin down staff believes it is more productive to provide a reasonable range for potential ridership decreases. The following chart provides more detail regarding projected revenue increases. The chart assumes 50 percent of the current non-Clipper users will make the transition to the Clipper system. Additionally as staff conducts more public outreach and conducts a fare equity analyses these assumptions may change. Staff will bring updated financial analyses to the committee if changes are made.

Proposal: Discontinue Paper Products, \$2.50 Adult Cash Fare			
Existing Revenue by Fare Type		Estimated Revenue with Ridership Impacts	
Fare Media, (Proposed Changes)	Total Existing Revenue	5% Drop	10% Drop
12 Ride Punch (to be eliminated)	\$ 435,441		
Senior 20 Ride Punch (to be eliminated)	\$ 44,196		
Commute Card (to be eliminated)	\$ 33,262		
Monthly Pass (now Clipper-only)	\$ 139,991	\$ 222,665	\$ 206,812
Summer Youth Punch (to be replaced)	\$ 18,000		
Midday Free (to be eliminated)	\$ -		
Paper Bus Transfers (to be eliminated)	\$ -		
Paper BART Transfers (to be eliminated)	\$ 129,566		
Clipper	\$ 591,977	\$ 2,194,158	\$ 2,037,937
Subtotal (Non-Cash)	\$ 1,392,433	\$ 2,416,824	\$ 2,244,749
Cash	\$ 1,250,953	\$ 1,408,090	\$ 1,307,836
Total Annual Revenue	\$ 2,643,387	\$ 3,824,914	\$ 3,552,585
Total Additional Revenue		\$ 1,181,527	\$ 909,199

Recommendation:

Staff is seeking authorization to start the public process as required by our public participation board policy as well as federal Title VI Fare Equity requirements. This will include a series of public workshops, public announcements in various local media outlets, and a public hearing at the board. In addition, customer service will take public comments over the phone and via email concerning the fare proposal.

Action Requested:

The A & F Committee and staff request the Board authorize staff to conduct the public review process on the attached fare restructuring proposal. Once completed, staff will bring all findings and information back to A&F and the Board with a final recommendation.