



# Fare Integration Task Force

Item 4a - Overview of Proposed Transfer Discount Policy Pilot and Update on Clipper BayPass Pilot  
January 23, 2023

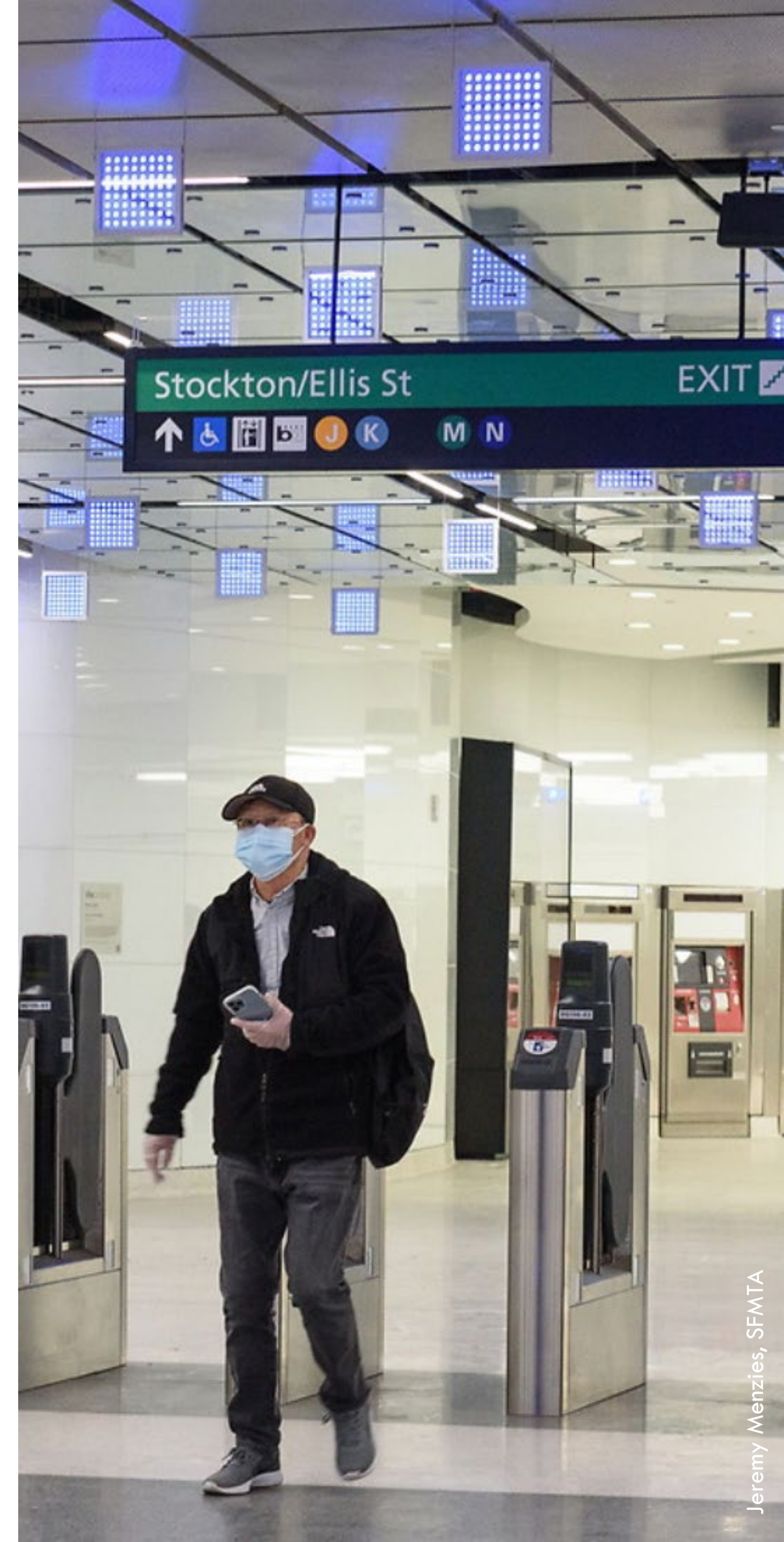




# Overview

## Focus of Today's Discussion:

- 1) **To brief the Task Force on the Transfer Policy Pilot and seek feedback on the proposed funding model**
- 2) **Provide an Update on the Clipper BayPass Pilot**



# Background

# “No-cost / Reduced Cost Transfers”

## Bay Area Transit Fare Policy Vision Statement

Based on the draft findings of the Fare Coordination and Integration Study (FCIS), the Fare Integration Task Force (Task Force) recognizes that the implementation of more coordinated and integrated transit fare policies may offer cost-effective options for improving the transit customer experience, promoting transit ridership recovery from the COVID-19 pandemic, and reducing regional vehicle miles traveled, greenhouse gas emissions, and transit travel times for customers, in ways that are compatible with the equity goals of transit operators, local stakeholders, MTC, and the State of California.

## Transit Fare Policy Initiatives for Further Development

The Task Force endorses continued work by transit operators and MTC staff to advance the following policy initiatives:

1. Deployment of an all-transit agency institutional/employer pass demonstration pilot in 2022, with a focus on educational institutions, affordable housing properties, and employers of various sizes, pending available resources/technical considerations.
2. Implement no-cost and reduced cost transfers for transit users transferring between different transit agencies beginning in 2023, coinciding with the rollout of the Next Generation Clipper® system/Clipper® 2.
3. Continue to develop a proposal for implementing an all-transit agency pass product for the general public after the launch of the Next Generation Clipper® system/Clipper® 2 in 2023 or later (pending outcomes and data from the pilot noted in no. 1 above).
4. Continue to refine the vision of eventually creating a common fare structure (distance or zone-based) for regional rail, ferry, and express bus service after Next Generation Clipper® system/Clipper® 2 implementation. Direct transit operator staff and MTC staff to continue to evaluate the benefits and costs of a common fare structure for regional transit services in the context of a broader evaluation of post-COVID-19 pandemic ridership patterns, the role of regional transit service in the region, and the funding strategy for these regional transit services.

## Complementary and Necessary Objectives to Facilitate Delivery of Transit Fare Policy Initiatives

In collaboratively advancing these improvements for the benefit of the Bay Area’s transit customers, we also recognize the continued economic challenges facing the region, and the transit industry in particular. The Task Force recommends that transit operator and MTC staff work to advance the above policies while also acknowledging that successful delivery will require pursuit of the following complementary and necessary objectives:

**“Implement no-cost and reduced cost transfers for transit users transferring between different transit agencies beginning in 2023, coinciding with the rollout of the Next Generation Clipper® system/Clipper® 2.”**

- **Given the delay to summer 2024 in the rollout of the Next Gen Clipper system the project team and Clipper staff have explored options to deliver this action in the C1 system and have determined it is not technically feasible while still prioritizing Next Gen Clipper delivery**
- **The team recommends that the focus should remain on delivery of transfer policy changes in the Next Gen Clipper system.**



# “No-cost / Reduced Cost Transfers”

“When you make a trip that requires transferring between transit agencies, pay the full fare on just the first agency you use.

Any transfer to another agency within two hours of the first boarding is discounted up to a limit of \$2.50 per transfer”.



# **“No-cost / Reduced Cost Transfers”**

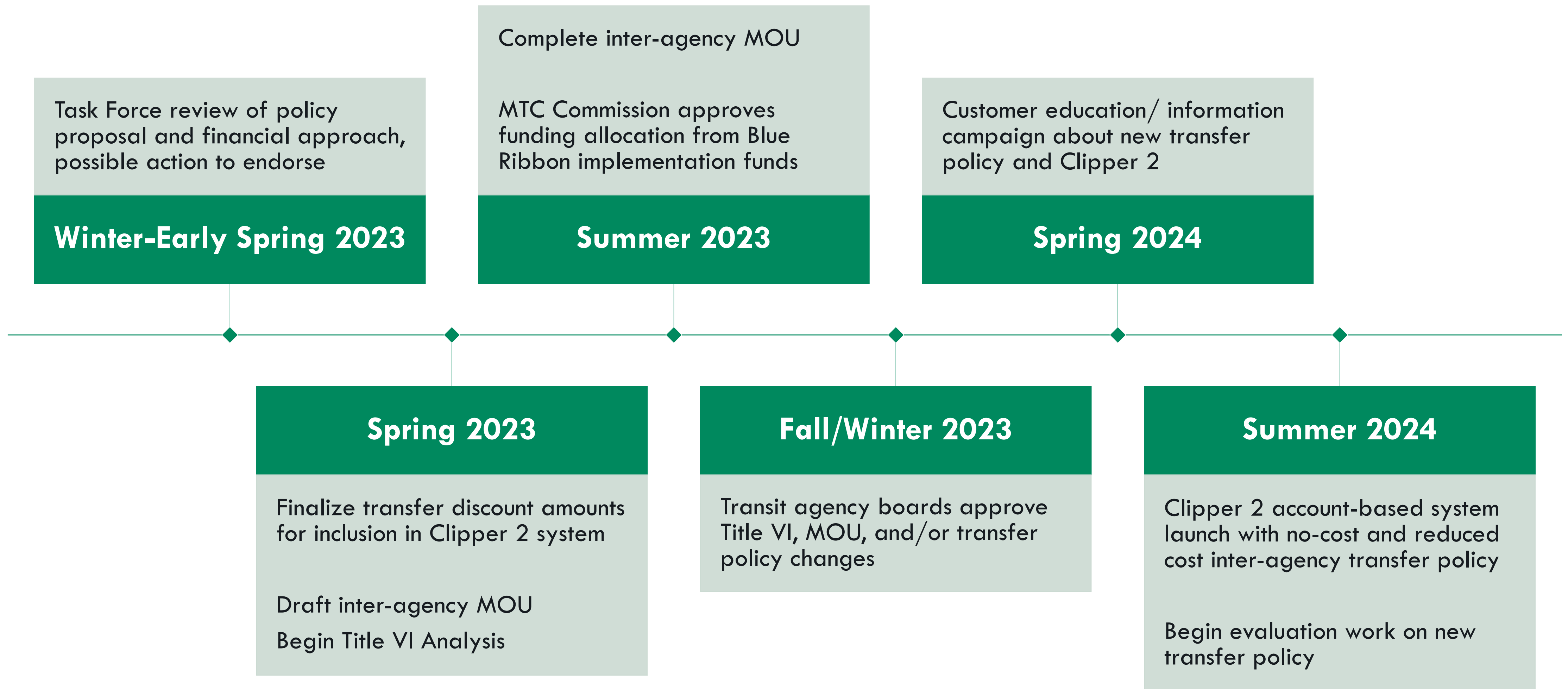
## ***Principles to Guide Rollout***

- 1. Deployment with the Next Generation Clipper system**
- 2. Goal is an 18-month pilot deployment at all operators on Clipper, with an automatic extension to 24 months if sufficient funding is available.**
- 3. Financial model that mitigates or eliminates financial risk to transit operators during pilot with use of \$22 million in Transit Transformation Action Plan funding set aside by MTC**
- 4. Title VI analysis will shape final details**
- 5. Task Force and agency governing board approval will be needed in order to proceed**

# Timeline

# Steps to Deliver a Transfer Policy Pilot

## *Path to Launch with Next Generation Clipper - Updated Schedule*





# Title VI



# Proposed Title VI Approach for Transfer Policy Pilot

**Conduct an equity analysis at the regional level *prior* to seeking transit agency governing board approval in late 2023. As this is a fare reduction, pilot is not anticipated to present significant issues from a Title VI perspective.**

**MTC is proposed to lead the preparation of the Title VI analysis, but will work in close collaboration with transit operator civil rights staff and under guidance from the FTA.**

**Note that each operator governing board retains the responsibility for complying with all Title VI requirements**





# Funding Model



# Funding Model Considerations

- Fare Coordination/Integration Study (FCIS) found forgone revenue of \$28 million for **one year** (in 2019-20 \$), but offset with \$6 million of new fare revenue from new trips, for a net impact of **\$22 million of foregone revenue based on *pre-pandemic ridership***
- MTC identified **\$22.5 million** to support this policy through the Transit Transformation Action Plan funding plan





# Funding Model Considerations, cont.

## Estimate of gross foregone revenue

$$\begin{array}{|c|} \hline \$15 \text{ million} \\ \hline \text{FY 2024-25} \\ \hline \end{array} + \begin{array}{|c|} \hline \$16 \text{ million} \\ \hline \text{FY 2025-26} \\ \hline \end{array} = \begin{array}{|c|} \hline \$30 \text{ million} \\ \hline \text{Over 24 months} \\ \hline \end{array}$$

## Drivers of current estimate

- Inflation/time lag from FCIS data - *FY 2018-19 vs. FY 2024-25*
- Simplified/customer-friendly policy adjustments - *pay the full fare on just the first agency you use*
- Projected ridership growth from pandemic era lows when Transformation Action Plan was developed

# Funding Model Considerations, cont.

## Proposed method for distributing the \$22.5 million Transfer Policy Pilot budget

### Step 1

MTC makes up-front allocation based on % of 2019 fare revenue (same approach used for Clipper BayPass Phase 1 Pilot) with a top-up at end of year 1 and year 2 based on adjusted foregone revenue

### Step 2

Adjusted foregone revenue calculation:

- a) Every operator responsible for first \$0.50 discount on each transfer (i.e., status quo for SFMTA/AC Transit, new contribution expected from BART)
- b) Remaining foregone revenue calculated using actual trips
- c) An estimate of the increase in fare revenue generated by the Transfer Policy Pilot is deducted from foregone revenue. The project team estimates *new trips generated* using the following assumption:

*For each agency, % increase in transfer trips, in excess of the growth of non-transfer trips, is considered evidence of new trips generated*



# Estimated Annualized Adjusted Foregone Revenue

Agency or Clipper Agency Group	FY24/25 Estimate	FY25/26 Estimate	Percent of Total
AC Transit	\$ 1.8	\$ 1.9	12%
BART	\$ 7.4	\$ 8.2	51%
Caltrain	\$ 0.8	\$ 0.9	6%
Corridor 101	\$ 0.0	\$ 0.0	0%
East Bay	\$ 0.3	\$ 0.4	2%
Golden Gate Ferry	\$ 0.1	\$ 0.1	1%
Golden Gate Transit	\$ 0.2	\$ 0.2	1%
Napa Solano	\$ 0.2	\$ 0.2	1%
SamTrans	\$ 0.5	\$ 0.5	3%
SF Muni	\$ 2.7	\$ 2.9	19%
SMART	\$ 0.0	\$ 0.0	0%
Sonoma	\$ 0.0	\$ 0.0	0%
Union City	\$ 0.0	\$ 0.0	0%
VTA	\$ 0.3	\$ 0.3	2%
WETA	\$ 0.1	\$ 0.1	1%
<b>Total</b>	<b>\$ 14.6</b>	<b>\$ 15.8</b>	<b>100%</b>

(In millions of \$)





# Transfer Policy Pilot

Estimated “Runway” for \$22.5 million Transformation Action Plan funding based on rate of growth in transfer activity

Scenario	Estimated Runway (months)
Slow Growth in Transfers	21
Moderate Growth in Transfers	18
High Growth in Transfers	15

The period of time that this initial funding can cover will depend upon the rate of growth in ridership and transfer activity, but is estimated to be 15-21 months.





# Funding Model Considerations

1. Agencies sign MOU that expresses intent to participate in an **18-month pilot with an automatic extension to a total of 24 months** if sufficient funding is available.
2. Checkpoint after first year to assess status of funding; “off-ramp” available at that time
3. Transit operators + MTC continue to seek to identify additional funds (if needed) to sustain pilot for at least 24 months
4. Agencies continue to prioritize joint state/federal advocacy to sustain transit operations after FY 2024/2025 fiscal cliff





# Recap: Next Steps for Transit Policy Pilot

- **March 2023 Transformation Action Plan Subcommittee (stakeholder advisory body)**
  - **Provide briefing to TAP Subcommittee members on proposed approach**
- **March 2023 Task Force Meeting**
  - **Seek Task Force approval of Transfer Policy Pilot approach and direct staff to draft MOU**





# Update





# Phase 1 Pilot Status Update

30,000 students and residents enrolled in BayPass to date

Nearly 1 million trips taken with Clipper BayPass since launch



Clipper BayPass Pilot Tips – Preliminary Data 8/15/2022 to 12/29/2022

Clipper Operator	 SAN FRANCISCO STATE UNIVERSITY	 SJSU SAN JOSÉ STATE UNIVERSITY	 SANTA ROSA JUNIOR COLLEGE	 Berkeley UNIVERSITY OF CALIFORNIA	Total by Operator (*rounded)
AC Transit	8,992	2,499	817	335,517	347,800
BART	95,394	14,484	1,811	112,571	224,300
Caltrain	3,786	4,102	171	1,201	9,300
Corridor 101	<50	<50	11,643	<50	11,600
East Bay	967	114	67	795	1,900
Golden Gate Ferry	200	113	957	281	1,600
Golden Gate Transit	1,336	190	4,119	883	6,500
Napa Solano	429	<50	<50	163	600
SamTrans	23,502	462	163	571	24,700
SF Muni	142,000	2,578	2,830	22,750	170,200
SMART	<50	<50	8,949	<50	9,000
Sonoma	<50	<50	4,599	<50	4,600
Union City	103	95	<50	<50	200
VTA	1,233	93,641	274	1,172	96,300
WETA	1,634	<50	<50	469	2,200
<b>Total by Institution</b> (rounded)	<b>279,600</b>	<b>118,300</b>	<b>36,500</b>	<b>476,500</b>	<b>911,000</b>



# Phase 2 Pilot Update



**Piloting a prepaid unlimited transit pass covering all operators for 10+ employers/TMAs/property managers**

## **Initial Pricing Approach – Guiding Principles:**

- 1. Incremental & phased approach** –Aiming to set a time-limited, initial price for first few partners to gather data and be able to refine later pricing offerings
- 2. Revenue neutral / ridership positive**
- 3. Balancing employer & operator risks** - recognizing need to balance willingness to pay for a new product with risk to operators of foregone revenue
- 4. Flexible offerings** - Open to a few options for pricing (pay by trip with a cap, or a set rate) depending on employer interest

# Phase 2 – Employer Outreach and Selection



## *Guiding Principles*

- 1. Targeted and incremental to test initial pilot pricing** – a more comprehensive outreach process will be used for later phases of recruitment
- 2. Focused on reaching a diverse range of employers** – varying by types of industries, employer sizes, and geographic locations
- 3. Prioritizes equity** - to ensure we're reaching employers beyond traditional office settings



# Phase 2 – Timeline



Launch first 2-3 employer partners by summer 2023

8+ additional employer partners on a rolling basis

## Additional Work Underway

- Conducting research with peer cities/regions
- Developing employer outreach materials
- Initial employer exploratory discussions
- Refining general approach to pilot pricing
- Drafting approach for methodology for revenue distribution





# Questions