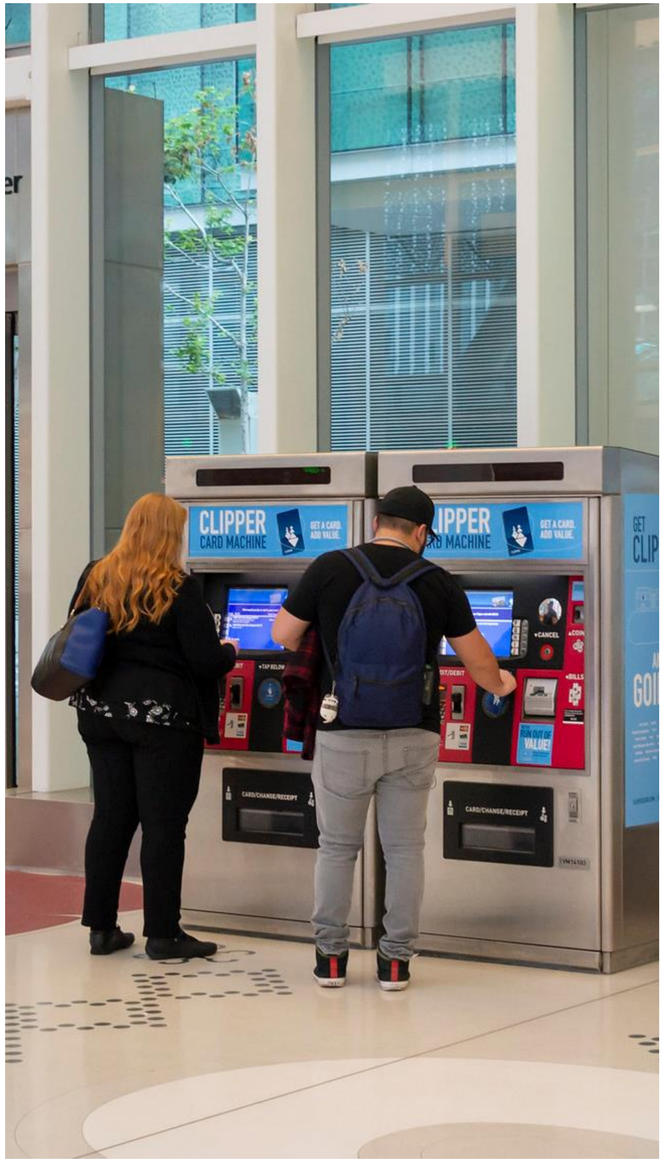

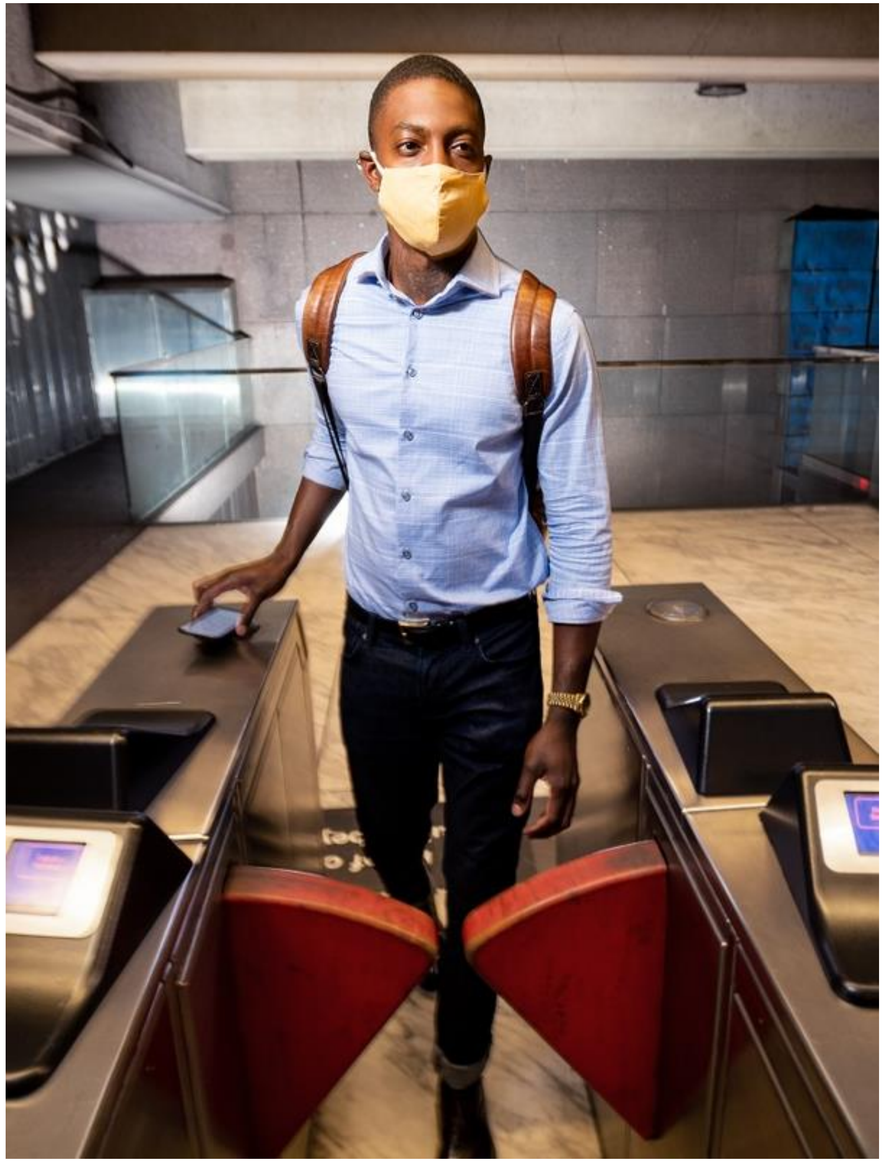

Fare Coordination/Integration Study and Business Case

Napa Valley Transportation Authority
January 19, 2022

BART

METROPOLITAN TRANSPORTATION COMMISSION

Agenda

1. Fare Coordination & Integration Study Overview + Recap
2. Key Findings & Recommendations
3. Policy Vision Statement + Near-Term Actions

Appendix A – Business Case Inputs and Summary Metrics

Appendix B – Business Case: Available for download here.

Full Business Case Report: Available for download here.

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1 Fare Coordination & Integration Study Recap

Transit Operators & MTC Working Together

Fare Integration Task Force – <u>Project Ownership</u>

Co-Project Managers – <u>BART & MTC staff</u>

Transit Operator Staff Working Group

Consultant team led by the firm Steer

<u>Policymaker and Stakeholder Engagement</u>

Policymaker Webinar

MTC Policy Advisory Council Subcommittee on Fare Coordination/Integration

Blue Ribbon Transit Recovery Task Force

<u>Fare Integration Task Force</u>

AC Transit
NVTA Napa Valley Transportation Authority
BART
San Francisco Bay Ferry
Caltrain
SFMTA
County Connection
samTrans
Golden Gate Bridge Highway & Transportation District
STA Solano Transportation Authority
Valley Transportation Authority
Tri-Valley Wheels
Metropolitan Transportation Commission

Overview of Current Transit Fares and Products

Local Bus/LRT Fare (Adult Clipper Fare)

* = Higher fare for express/regional bus services

$1.50	$1.60	$1.75	$1.80	$2.00	$2.05	$2.25	$2.50
Petaluma Transit	Napa Vine*	FAST*	Golden Gate Transit*	CCCTA*	SamTrans*	AC Transit*	SFMTA
Sonoma County Transit		WestCAT*	Marin Transit	SolTrans*			VTA*
Vacaville City Coach				Tri Delta Transit*			
Santa Rosa City Bus				Union City Transit			
				LAVTA			

Zone Based Fares

Caltrain
Golden Gate Transit
SMART
Sonoma County Transit

10 miles

Distance/Route Based Fares

ACE
BART
Golden Gate Ferry
WETA

Offers a Pass Product

Does Not Offer a Pass Product

Information as of 2020, prior to COVID-19 Pandemic.

Project Problem Statement

Fare policy is one among several factors that have constrained the growth of transit ridership in recent years. Current fare policies are informed **by funding and governance models that incentivize locally-focused fares** without providing a coherent set of policies to set fares that support ridership growth.

As a result, Fare Coordination and Integration has a role to play in restoring transit ridership, supporting recovery from the COVID-19 pandemic, and **delivering the transportation system the Bay Area needs** for its coming decades of growth.

The following key issues define how fares impact ridership and contribute to the key challenges which detract from rider experience:

Key Issues

Customer Value

Current fare policies can lead to a disconnect between the fare charged and the value a customer places on their trip.

Payment Experience

Current fare products, passes, payment technologies, and payment experiences may not be legible.

Equity

Current fares may not consistently meet the needs of Equity Priority Communities.

Future Transit

Current fares may not optimize the ridership and benefits of proposed transportation investments.

Fare Integration Tiers

The fare integration business case assesses the benefits, costs, and requirements associated with increasing tiers of fare policy integration in the Bay Area.

1.

Overlays to the fare structure

Passes and Caps

Cap based on # of trips, cap based on price cap, pass at various price levels

What level of benefit can be unlocked from overlays to the fare system alone or as part of other tiers?

2.

Free + Discounted Transfers

Free Transfers to/from Local Transit (Local Bus and LRT)

Discounted Transfers to/from Regional Transit (Rail, Ferry, Express Bus)

What level of benefit is unlocked by providing free or discounted transfers between agencies?

3.

Regional Change

Common Distance-Based or Zone-Based Fare System for Regional Transit (Rail, Ferry, Express Bus)

What additional benefits are unlocked by bringing all regional operators under one fare structure?

4.

Regional + Local Change

Common Distance-Based or Zone-Based Fare System for <u>all</u> Bay Area Transit

Common Flat-Fare for Local Transit

Can further benefits be realized by changing all local operator fares?

How Were Options Evaluated?

A business case framework is being used to make recommendations based on:

- The overall benefits of integration
- The comparative benefits of each tier
- For tiers with multiple options, the specific benefits of each option and best option within a tier

Evaluation to determine the value and benefit of a fare structure

Strategic Dimension

Why pursue fare integration?

- Advance key regional policies and goals
- Higher ridership, equity, financial sustainability, customer experience, and change in VMT

Socio-Economic Benefit Cost Dimension

What is the value of fare integration?

- Monetizing the strategic benefits to estimate their overall value to the Bay Area

Fare Structure Organization

- Reviewing financial impacts and risks and potential funding strategies

What are the financial requirements for successful integration?

Financial Dimension

- Reviewing financial impacts, risks and funding strategies

How can fare integration be implemented and managed?

Delivery and Operation Dimension

Evaluation to determine the risks and requirements required to deliver a structure

2

Key Findings & Recommendations

Overview of Key Findings

Are there fare integration options that offer a cost effective, equitable way to promote transit?

Yes, especially in coordination with a broader user-focused regional strategy.

Potential to drive ridership	Modeling suggests that fare structure changes could drive a small but significant increase in transit ridership (2-6%, depending on the strategy & revenue recovery level)
Cost-effective	Ridership benefits of targeted integration strategies appear reasonably cost efficient (~$2-3 per new trip) as compared to alternatives such as global fare discounts ($3/trip) or service enhancement and system optimization (~$3-15/trip)
Positive social ROI	Analysis suggests investment in fare integration would have a positive social return on investment through benefits such as lower VMT and travel time savings
Balanced equity impacts	Fare integration strategies appear compatible with regional equity goals. Analysis indicates equity priority communities would receive a proportional share of the benefits of most strategies
High uncertainty	There is uncertainty in the findings due to both the inherent uncertainty of modeling as well as post-pandemic uncertainty

Summary of Recommendations

1

Phase A – Pilot (2022)

- ❑ All-agency institutional/employer pass pilot

2

Phase B – Clipper 2 Launch (2023)

- ❑ Free/reduced cost transfers region-wide
- ❑ All-agency institutional/employer pass (final design pending pilot findings)
- ❑ Continue to explore options for individual pass products and/or a Clipper START cap (final design pending pilot findings)

3

Phase C – Post Clipper 2 (2024+)

- ❑ Continue to assess benefits and costs of a single distance- or zone-based fare structure for regional services
  - ❖ *Continued study of this option in the context of broader evaluation of post-COVID ridership, role in the region, and funding strategy for regional services*

Notes Regarding Local Authority

- Recommendations do not contemplate transfer of locally-sourced funds between agencies
- Recommendations assume new regional funds would be sought to offset agency revenue impacts
- Phase A and Phase B recommendations do not contemplate changes to any agency board's fare-setting authority

Summary of Recommendations

Implement no-cost and reduced cost transfers beginning in 2023

Free and reduced-cost inter-agency transfers region-wide

Definition
• Local/Local or Local/Regional connections: pay for only the most expensive segment • Regional/Regional connections: Transfer discount about equal to minimum fare or local bus fare
Rationale
• Eliminate price barriers between agencies • Treat inter-agency connections like single-agency connections • Allow regional services to function better as part of the local network
Business case summary
• Ridership: 25,500 trips per day (+1.9%) • Subsidy required: $22.5M/year, $2.25/new trip (most cost-efficient fare structure option tested) • Equity: Benefits balanced across income levels • Readily implementable in next generation Clipper within existing governance structures

Summary of Recommendations

Pilot an all-agency employer/institutional pass beginning in 2022

Employer/Institutional Pass

Definition
• All agency / all-you-can-ride passes that institutions or employers buy for all constituents (comparable to Caltrain Go Pass, AC Transit Easy Pass, Puget Sound Orca Business Passport) • Pricing likely based on business location for a long-term program, but simplified or subsidized for Pilot
Rationale
• Evaluate a barrier-free all agency transit pass to build toward broader fare integration in 2023 • Engage Bay Area institutions and business community in transit's success • Promote commute market recovery
Business case summary
• Priced to achieve subsidy parity with other fares (~$0/new trip) • Equity: Requires careful design/mitigation to achieve equity balance • Modeled on successful programs in the Bay Area and in peer regions • Can be piloted in existing Clipper system

Summary of Recommendations

Consider implementing an individual pass in 2023 or later (pending pilot outcomes and funding)

Individual Pass ("Puget Pass" model)

Definition
• Multi-agency pass offered to individuals; price is based on user-selected fare multiplied by standard factor • For example, a $3.00 pass costs $3 x 18 round trips per month ($108). All trips up to $3 are covered. (A $4 trip would require $1 of payment from e-cash) • Comparable to multi-agency pass offering in Seattle region ("Puget Pass") and the Washington, D.C. region
Rationale
• Allows multi-agency users the same high-volume discounts now available to single-agency riders • Reduces user friction for multi-agency trips • Multi-tiered structure aims to minimize revenue loss and improve equity performance (ensures highest-volume rail/ferry riders not over-subsidized relative to local bus riders)
Business case summary
• Ridership: 21,900 trips per day (+1.5%), Subsidy required: $34M/year, $4.35/new trip • Equity: Up-front payment may exclude low-income riders (consider pairing with Clipper START fare capping) • Can be implemented in Clipper 2 but will require system changes; need multi-agency revenue sharing structure

Summary of Recommendations

Continue to Evaluate Costs and Benefits of Standardizing Regional Fares Post Clipper 2 (2024+)

Single Fare Structure for Regional Service

Definition
• Shared distance- or zone-based structure for all regional services (rail, ferry, regional express bus) ❖ *Evaluate this option in the context of broader evaluation of post-COVID ridership, role in the region, and funding strategy for regional services*
Rationale
• A more learnable/legible system for regional travelers, infrequent users, and visitors • Potential to be part of a broader customer facing strategy for long-term regional recovery
Business case

• Ridership & Fiscal Impact:
  • High investment option: Ridership: 68,000 Trips/day (+4.7%); Subsidy required: $70M/year; $2.84/trip
  • Lower investment option: Ridership: +2.1%, Subsidy required: $26M/year, $2.39/trip
• Equity: Benefits balanced across income levels
• Requires new agreements or governance structure for regional service, some new Clipper equipment, change management for some regional customers

Summary of Recommendations

Tier 4 - No recommendation at this time

Single Fare Structure for Local & Regional Service

Definition
• Tier 4 options examined included: • Local common flat fare + regional distance-based fare; Local common flat fare + regional Zone-based fare; Zone-based for all transit service;
Rationale
• Tier 4 options have higher deliverability challenges & higher modeled cost per trip than targeted strategies • User research was not conclusive on customer experience benefits of standardization
Business case summary

• Ridership & Fiscal Impact:
  • High investment options: Ridership: 3%-4%; Subsidy required: $67 to $73m; $3.28 - $4.26/trip
  • Lower investment option: Ridership: 0% to 1.5%; Subsidy required: $13M-$30M; $4.02-$4.34/trip
  • Equity: Mixed equity outcomes; some options include fare increases on equity priority population members in certain communities to achieve standardization
• Requires new agreements or governance structure for all service, new technology, change management for most customers

3 Policy Vision Statement + Near-Term Actions

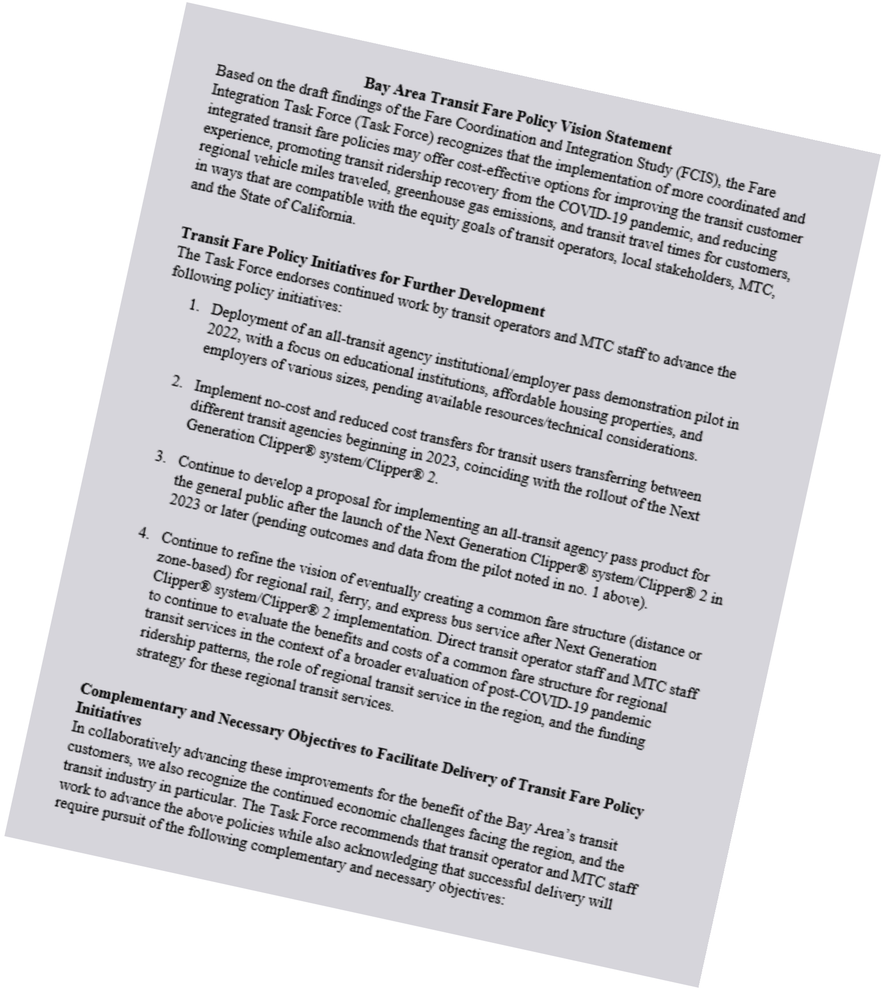
Bay Area Transit Fare Policy Vision Statement

What is it?

The purpose of the Transit Fare Policy Vision Statement is to allow the Fare Integration Task Force to articulate a policy direction it supports in principle and to provide direction to transit agency and MTC staff about how to prioritize upcoming work, including returning to the Task Force with specific actions related to the proposed pilot all-transit agency employer/institutional pass.

What does it mean?

- Fare Integration Task Force wanted to *demonstrate support* for a fare policy vision, subject to certain complementary and necessary objectives, in order to provide direction to staff and signal a policy vision to outside stakeholders.
- The Policy Vision Statement *strengthen the case for new funding*, to support delivery of fare policy initiatives.
- The policy vision ***does not*** commit MTC or operators to any particular action or funding obligation.
- **The Policy Vision Statement was unanimously approved by the Fare Integration Task Force in November 2021.**



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:

Fare Policy Vision Statement

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 a 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.

Fare Policy Vision Statement, cont.

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:

- Implementation will not require the transfer of locally sourced funds between transit agencies.
- Prior to implementation of any of the Transit Fare Policy Initiatives, new funding sources will be sought to offset adverse transit agency revenue impacts resulting from implementation.
- Implementation of any of the Transit Fare Policy Initiatives will require approval by the appropriate transit agency governing body.
- Implementation of any of the Transit Fare Policy Initiatives will not result in a reduction of transit agency operating service levels.

Next Steps

Phase A: All-Agency Institutional/Employer Pass Pilot in Mid-2022

- FCIS team has established a special working group to advise on initial pilot design and assist in the development of an implementation and project management plan
- MTC Commission has expressed interest in providing some funds to support the pilot
- Questions remain about pilot scale of pilot and operator/MTC apatite for risk/uncertainty
- If the Task Force is supportive the FCIS team will continue preliminary pilot work and report back with implementation and project management plan at the January 2022 Task Force meeting

Phase B: Free Local Interagency Transfers and Reduced Cost Regional Interagency Transfers once Next Generation Clipper is Launched in 2023

- FCIS team is seeking additional guidance from the Task Force, via the proposed Policy Vision Statement, on whether there is broad support for developing a proposal to fund and deliver this action.
- Should the Task Force adopt the Policy Vision Statement the FCIS team will work to return to the Task Force in January 2022 with possible next steps on this recommendation for consideration.

Role of the Task Force Beyond the FCIS

- FCIS team anticipated seeking Task Force approval for the final project report in early 2022.
- Once the formal FCIS has concluded the project team recommends that the Task Force continue to meet on a regularly scheduled basis (likely less frequently then during the FCIS) to provide direction and oversight of the delivery of the FCIS project recommendations.

Feel free to get in touch with questions

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A — Appendix A – Business Case Inputs and Summary Metrics

What is considered in a business case?

Forecasting and Modelling

- Used for understanding how each tier or option could impact ridership and revenue and potential wider benefits of structure change

User Research

- Used to inform how different tiers or options should be assessed and solicit wider perspectives on fare structure change

Stakeholder Engagement

- Used to inform how different tiers or options should be assessed and solicit wider perspectives on fare structure change

Agency Engagement

- Used to inform how different tiers or options should be assessed and confirm key strategic, financial, and implementation considerations

Fare Integration Analysis: Structural Change and Revenue Impacts

The FCIS reviewed a range of changes for fares in the Bay Area these can be divided into structural changes and revenue impacts

Structural Changes

Structural changes include changes to:

- Local services – the amount charged for fares on local bus and LRT services
- Regional services – the amount charged for trips on rail, ferry, and express bus
- Transfers – removing or discounting additional fares paid when using multiple operators

Revenue Impacts ("Subsidy")

Each structural change can either increase or decrease revenue generated. Without fare increases and/or ridership increases, fare integration will require additional investment. Each Tier was modeled based on the following "subsidy" changes to illustrate the impacts of structural change and subsidy change:

- Low Investment – approx. cost of free/reduced cost transfers or 1% to 2.5% of pre-COVID revenue
- High Investment – approx. Tier 3 integration or 5% to 7.5% of pre-COVID revenue. Tiers 3-4, which may increase fares for some customers, were tested with additional investment to minimize any fare increases and to understand how the policy impacts scale with level of investment

Summary of Key Business Case Metrics

Tier	Fare Integration Scenario	Ridership change (%)	Revenue Impact / Subsidy required (%)	Revenue Impact / Subsidy required ($M)	Cost per new rider	
	Transfer Discounts					
2	No-cost transfers (local/local, local/regional)	0.8%	1.2%	$12	$2.86	
	No-cost transfers (local/local, local/regional, regional-regional)	1.9%	2.3%	$23	$2.25	Recommended
	Regional Standardization (higher investment) or					
3	Unified Fare by Distance for Regional Services only	4.7%	7.2%	$70	$2.84	Continue to evaluate
4	Unified Fare by Distance for Regional Services + Local Flat Fare	4.2%	7.5%	$74	$3.28	
	Small zones for all service	3.0%	6.9%	$67	$4.26	
	Large zones + local flat fare	3.8%	7.5%	$73	$3.69	
	Regional Standardization (lower investment) or					
3	Unified Fare by Distance for Regional Services only	2.1%	2.6%	$26	$2.39	
4	Unified Fare by Distance for Regional Services + Local Flat Fare	1.1%	2.4%	$23	$4.02	
	Small zones for all service	-0.2%	1.3%	$13	No new riders	
	Large zones + local flat fare	1.5%	3.1%	$30	$4.34	
	Passes & Caps					
1	Fare-based cap ($162 Dollars)	0.5%	6%	$58	$22.36	
	Trip-based cap (40 trips)	0.7%	5%	$49	$13.31	
	Individual Pass (“Puget Pass” model)	1.5%	3.5%	$34	$4.35	Continue to evaluate
	Employer/Institutional Pass	Impacts of program based on scale of participation, intended to have no financial “subsidy” need.				Pilot
	Global Discounts (for comparison)					
	2.5% Global Discount	0.9%	1.4%	$14	$3.24	
	5% Global Discount	1.75%	2.9%	$29	$3.06	

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Summary of Key Business Case Metrics

Tier	Fare Integration Scenario	Overall Equity Assessment	Socio-Economic Benefit	Deliverability	
	Transfer Discounts				
2	No-cost transfers (local/local, local/regional)	Generally Positive	$50	Low Impact	
	No-cost transfers (local/local, local/regional, regional-regional)	Generally Positive	$120	Low Impact	Recommended
	Regional Standardization (higher investment) or				
3	Unified Fare by Distance for Regional Services only	Mixed Performance	$340	Mid/High Impact	Continue to evaluate
4	Unified Fare by Distance for Regional Services + Local Flat Fare	Mixed Performance	$310	High Impact	
	Small zones for all service	Mixed Performance	$70	High Impact	
	Large zones + local flat fare	Mixed Performance	$280	High Impact	
	Regional Standardization (lower investment) or				
3	Unified Fare by Distance for Regional Services only	Mixed Performance	$110	Mid/High Impact	
4	Unified Fare by Distance for Regional Services + Local Flat Fare	Mixed Performance	$50	High Impact	
	Small zones for all service	Mixed Performance	-$170	High Impact	
	Large zones + local flat fare	Mixed Performance	$90	High Impact	
	Passes & Caps				
1	Trip-based cap	Mixed Performance	NA	Low Impact	
	Fare-based cap	Requires Mitigation	NA	Low Impact	
	Individual Pass (“Puget Pass” model)	Requires Mitigation	NA	Low Impact	Continue to evaluate
	Employer/Institutional Pass	Requires Mitigation	NA	Low Impact	Pilot

Note – Tier 3 and 4 options were assigned a mixed performance score for equity as each option can decrease fares for some equity priority groups but raise fares for others. Further analysis, including full Title VI, is required to identify if mitigation is required.

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