Regional Means-Based Fare Pilot Program

Board of Directors
February 7, 2019
Agenda Item #10
Overview

- Pilot program overview
- Caltrain ridership demographics
- Caltrain Fare Policy goal
- Potential effects of Caltrain’s participation
- Pilot program conclusion
- Recommended next steps
Pilot Program Overview
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• Provide a minimum 20% discount off of one-way adult Clipper Card fares to low-income transit riders
  - 20% discount: BART, Golden Gate Transit Bus & Ferry, and Caltrain
  - 50% discount: Muni

• Eligible participants: Adults in households earning less than 200% of Federal Poverty Level

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Annual Household Income for 200% of FPL (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$24,980</td>
</tr>
<tr>
<td>2</td>
<td>$33,820</td>
</tr>
<tr>
<td>3</td>
<td>$42,660</td>
</tr>
<tr>
<td>4</td>
<td>$51,500</td>
</tr>
<tr>
<td>5</td>
<td>$60,340</td>
</tr>
<tr>
<td>6</td>
<td>$69,180</td>
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</tbody>
</table>
Pilot Program Overview

• Duration: 12 – 18 months
  - Targeted launch: Oct – Nov 2019
• Implemented on existing Clipper system; participants will receive special Clipper card
• Centrally administered for the region
• Funding for pilot program:
  - $11M per year from MTC, using SB1 and LCTOP funds
  - Funding will first cover administrative costs for program (estimated at $3M per year)
  - Remaining funds will then defray transit operators’ revenue losses (total per year to be distributed estimated at $8M)
Caltrain Ridership and Demographics
Caltrain Ridership – 2018 Ridership Stats

- Average mid-week ridership\(^1\): 65,095
- Percentage of average mid-week ridership in the AM and PM peak periods\(^1\): 84.6%
- Average mid-week ridership trip distance\(^1\): 22.9 mi
- Total annual passengers\(^2\): 18,648,850

Notes:
2. Source: FY17 NTD Annual Total Ridership
Caltrain Ridership – 2016
Annual Household Income

- Over 60% of Caltrain riders earn more than $100,000 each year.

<table>
<thead>
<tr>
<th>2016 Annual Household Income</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>$0 - $49,999</td>
<td>15%</td>
</tr>
<tr>
<td>$0 - $29,999</td>
<td>8%</td>
</tr>
<tr>
<td>$30,000 - $39,999</td>
<td>3%</td>
</tr>
<tr>
<td>$40,000 - $49,999</td>
<td>4%</td>
</tr>
<tr>
<td>$50,000 - $99,999</td>
<td>24%</td>
</tr>
<tr>
<td>$100,000 - $150,000</td>
<td>22%</td>
</tr>
<tr>
<td>$150,000 - $200,000</td>
<td>16%</td>
</tr>
<tr>
<td>$200,000+</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
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</table>

Source: 2016 Triennial Survey.
Numbers may not add up due to rounding.
Caltrain Fare Policy Goal
Caltrain Fare Policy – Equity Goal

• “Advocate for and participate in State and regional programs that make it more affordable for low-income customers to use transit.”
Potential Effects of Caltrain’s Participation in Regional Means-Based Fare Pilot Program
Estimated Pilot Program Participation

- **Existing riders** - Based on the fare model elasticity, a 20% discount would increase trips by 2% - 4% (34K - 68K trips)
- **Potential new riders** - It is unknown how many new trips the program would generate. For every 100K new trips, we will generate an estimated $520K of new revenue and $130K of program discount

![Diagram showing farebox and means based discount with new trip counts and corresponding revenue and discount values.]
Program Impact Estimates

- Working with MTC, a potential program revenue loss of $0.4M - $1.8M was estimated for existing riders
- New trips generated by the program will generate additional offsetting revenue
- Participation in the program is estimated to be revenue accretive if new trips are generated

<table>
<thead>
<tr>
<th></th>
<th>New Fares</th>
<th>Discounted Fares</th>
<th>MTC Subsidy</th>
<th>Net Fares</th>
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</thead>
<tbody>
<tr>
<td>Existing Rider Trips</td>
<td>-</td>
<td>$(1.10)M</td>
<td>$0.55M</td>
<td>$(0.55)M</td>
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<tr>
<td>Existing Rider New</td>
<td>$0.27M</td>
<td>$(0.07)M</td>
<td>$0.03M</td>
<td>$0.23M</td>
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<tr>
<td>Trips (+3%)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>New Rider Trips (200K)</td>
<td>$1.04M</td>
<td>$(0.26)M</td>
<td>$0.13M</td>
<td>$0.91M</td>
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<tr>
<td>Total</td>
<td>$1.3M</td>
<td>$(1.4)M</td>
<td>$0.7M</td>
<td>$0.6M</td>
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</table>
Caltrain’s Projected Budget Deficits: FY20 – FY 22

- Caltrain is facing budget deficits for FY20-FY22 which were presented at the December 2018 Board Budget Workshop:
  - FY20: $5.1M deficit projected
  - FY21: $13.1M deficit projected
  - FY22: $17.8M deficit projected
- The projections do not include future fare changes
- Budget discussions are currently underway
Closing the Gap - Fares

- All of the scenarios tested are estimated to have relatively modest negative impacts on ridership
- Each of the scenarios tested are estimated to generate incremental annual revenue:

1. Increasing Base Fare by $0.25 - $1.4M - $1.9M
2. Increasing Zone Fare by $0.25 - $2.7M - $4.0M
3. Reducing Clipper Card discount to $0.20 off Base Fare - $1.7M - $2.4M
4. Removing Clipper Card discount of $0.55 off Base Fare - $2.7M - $3.9M
5. Increasing Go Pass by 15% - $1.5M in FY20, $3M in FY21
6. Participating in Regional Means-based Fare Pilot Program – ($0.3M) - $0.6M
Cost of Running a Similar Program

- OrcaLift (Seattle) Low-Income Fare Program: $1.50 flat fare on participating transit agencies
  - Total administration cost per year: $3.2M
  - Launched 2015; 69,000 enrollees so far
  - Survey results indicate users are riding transit more, likely reducing revenue loss

- Tri-Met’s (Portland) Low-Income Fare Program: 50% discount off of adult single-ride fares; 72% discount off of monthly pass
  - Total cost per year: $12M (including administration and revenue loss)
  - Launched fall 2018; aiming for 15,000 enrollees in first year
Pilot Program Conclusion
MTC Evaluation Process

• MTC will complete an evaluation of the program beginning at 12 months and concluding at 18 months (the Pilot Program’s duration).

• Creation of a long-term, permanent program will be assessed during/after the evaluation
  - MTC has set aside LCTOP and SB-1 funds not only for the Pilot Program but an ongoing, long-term program if the program continues – totaling ~$11M each year
  - Operators will assess at that time whether or not to continue participating in permanent program. New operators may opt to join the program then as well.
Caltrain Evaluation Process

- Caltrain staff plan to complete an evaluation of the pilot program at its conclusion, using Clipper data and any participant survey data available.

- Potential metrics to use (TBD in spring 2019):
  - Total number of trips from participants
  - Average weekday ridership from participants
  - Participants’ frequency of Caltrain use
  - Number of new Caltrain riders from program
  - Participants’ trip time distribution (peak vs. off-peak)
  - Revenue impact: Gross revenue loss; subsidy provided by MTC; estimated financial gains from new ridership; net revenue loss
Recommended Next Steps
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• Adopt resolution of support for Caltrain’s participation in pilot program
• Staff to proceed with the following tasks in winter/spring 2018:
  - Continue to participate in pilot program development
  - Update the Codified Tariff to include means-based fare pilot program
  - Develop a pilot program agreement with MTC
• Report back to Board in spring 2019 with pilot program update