



EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL:		GENERAL MANAGER ACTION REQ'D:			
DocuSigned by: <i>Michael Jones</i> 47000790F2D7463...		N/A			
DATE: 5/30/2023		BOARD INITIATED ITEM: No			
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Signature/Date: 5/31/2023		5/31/2023 []	5/31/2023 []	[]	5/31/2023 []

Fiscal Year 2024 & Fiscal Year 2025 Fare Modifications

PURPOSE:

Adoption of the following Resolutions:

1. To adopt a Resolution approving two Productivity-Adjusted Inflation-Based Fare Increases of 5.5% each on January 1, 2024, and January 1, 2025, and;
2. To adopt a Resolution approving the continued participation in the Regional Means-Based Transit Fare Pilot Program, known as Clipper START, through June 30, 2025, and increasing the discount on BART from 20% to 50%

DISCUSSION:

Productivity-Adjusted Inflation-Based Fare Increases of 5.5% each, effective January 1, 2024 and January 1, 2025

In 2003, 2013, and 2019, the Board of Directors authorized the General Manager to implement a series of Productivity-Adjusted Inflation-Based Fare Increases for below-inflation increases once every two years. The Program's less-than-inflation increase is calculated by taking the average of national and Bay Area inflation over two years and then subtracting one-half percent for productivity improvements. The most recent increase of the current series was implemented on July 1, 2022, deferred by six months due to the COVID-19 pandemic.

In January 2023, the Bureau of Labor Statistics released the final inflation data for 2022, which allowed for calculation of the 2024 increase as written in Resolution 5405 authorizing

the current series. This calculation results in overall inflation of 11.9% over two years, which is the highest observed inflation since inception of the inflation-based fare increase policy. After subtracting the 0.5% productivity factor, the actual fare increase by policy to be implemented in 2024 is 11.4%. To limit the immediate impacts of this fare increase on riders, BART staff propose instead to implement two smaller fare increases in 2024 and 2025 of 5.5% each. Together the two inflation-based fare increases will supplant the second-to-last increase in the current series of three productivity-adjusted inflation-based fare increases.

Planned fare increases help the District avoid the cycle of keeping fares flat for many years, then raising fares by large percentages out of financial necessity. Before the Program, from 1972 through 2005, fare increases were irregular and generally large. During the long gaps between increases, revenue eroded, and "catch up" increases became necessary, including a 30% increase in 1986 and a 45% increase over the three-year period from 1995 to 1997. With the advent of the Program, planned small, regular increases have produced predictable less-than-inflation adjustments, which are consistent with the District's Financial Stability Policy. In addition to these considerations, staff currently propose that the Board approve these increases given the significant fiscal distress currently imposed upon the District by the effects of the COVID-19 pandemic on ridership and funding sources. These proposed fare increases would generate critical revenue that supports BART operations as well as BART's capital projects.

Continued participation in the Clipper START pilot program and discount increase from 20% to 50%

Since July 2020, the Metropolitan Transportation Commission (MTC) has led a Regional Means-Based Transit Fare Discount Pilot Program (Program), known as Clipper START, allowing riders aged 19-64 with incomes up to 200% of the federal poverty level to qualify for a transit fare discount. The Program's participants offering either 20% or 50% off single-ride Clipper adult fares consist of AC Transit, BART, Caltrain, City Coach, County Connection, FAST, Golden Gate Transit and Ferry, Marin Transit, Muni, Napa VINE, Petaluma Transit, SamTrans, San Francisco Bay Ferry, Santa Rosa CityBus, SMART, SolTrans, Sonoma County Transit, Tri Delta Transit, Union City Transit, WestCAT, and Wheels. Eligible low-income riders use a specially encoded free-of-charge Clipper card to receive a fare discount on the services of any of the participating transit operators. Eligibility verification is conducted by the Program's third-party vendor and Cubic issues the discount Clipper cards to verified low-income riders. Although the pilot is scheduled to end after Fiscal Year 2023, MTC staff will request a two-year extension of the pilot to their Programming and Allocations Committee on June 14, with a new end date of June 30, 2025. Data gathered from this pilot will be used to evaluate the feasibility of a permanent program.

The proposal for the Program under consideration is for the District to continue its participation in the Clipper START pilot and to increase the discount for eligible Clipper START riders from a 20% per-trip discount on BART Clipper Adult fares to a 50%

discount, effective January 1, 2024 alongside the first of the two proposed less-than-inflation fare increases. For example, if the Board approves the first of the staff-proposed 5.5% fare increase, the Clipper Adult fare from Balboa Park to Powell would be \$2.30. Under the current 20% discount level, the Clipper START fare would be \$1.80 while under the proposed 50% discount level, the Clipper START fare would be \$1.15. Discounted fares are rounded down to the nearest nickel to ensure riders receive at least the 50% discount.

Public Hearing and Title VI Analysis Approval

A public hearing was held on May 25, 2023 at a regularly scheduled meeting of the Board to consider these changes to fare rates and charges described above, at which one public comment was received. On May 25, 2023, the Board approved the Title VI Fare Equity Analysis for these proposed fare changes, which found they would not have a disparate impact on minority riders or place a disproportionate burden on low-income riders. Although the survey responses conveyed general opposition to the fare increases consistent with previous analyses, new fare revenue will be used to fund critical BART operations and capital needs, which will make the system better for all riders including protected populations. Survey responses conveyed general support for the Clipper START discount increase.

The proposed changes in BART fares are exempt from review under the California Environmental Quality Act (CEQA) pursuant to California Public Resources Code Section 21080(a)(8) and the CEQA Guidelines Section 152723(a), which state that CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the agency finds are for the purpose of (a) meeting operating expenses, (b) purchasing or leasing supplies, equipment or materials, (c) meeting financial reserve needs and requirements, or (d) obtaining funds for capital projects, necessary to maintain service within existing service area. Two Notices of Exemption for the New BART Fare Rates and Changes, Series 3, 2022-2026, Productivity-Adjusted Inflation-Based Fare Increase Program and the Discount for Adult BART Riders who Participate in the Metropolitan Transportation Commission's Regional Means-Based Transit Fare Discount Pilot Program were filed in 2019.

FISCAL IMPACT:

The 2024 and 2025 Productivity-Adjusted Inflation-Based Fare Increases of 5.5% each are expected to generate up to \$26 million of passenger fare revenue through FY25. In the first full fiscal year of the policy implementation (FY26), the increases are expected to generate \$29 million in annual incremental fare revenue, growing steadily with ridership in the years thereafter, resulting in a cumulative \$120 million through FY28.

Staff expect that the Clipper START discount increase to 50% will increase program uptake

significantly but slowly after the discount increase, reducing passenger fare revenue by a cumulative \$7 million through FY25. After reaching its steady state with an estimated fivefold increase in program uptake in FY27, the decrease in passenger fare revenue is estimated at \$6 million per year.

ALTERNATIVES:

Do not approve staff recommendations, which would require staff to identify other revenue sources and/or cost reductions to balance future operating budgets and fund capital projects, and BART's low-income riders enrolled in the Program would return to paying Clipper Adult fares after June 30, 2023.

RECOMMENDATION:

Approval of the following motions.

MOTION:

The Board adopts the attached two Resolutions in the Matters of Adopting Modified Fare Rates and Charges: Two Productivity-Adjusted Inflation-Based Fare Increases of 5.5% Effective January 1, 2024, and January 1, 2025, and Adopting Modified Fare Rates and Charges: 50% Discount for Adult BART Riders who Participate in the Metropolitan Transportation Commission's Regional Means-Based Transit Fare Discount Pilot Program. Two-thirds vote required.