



SFMTA

San Francisco Municipal Transportation Agency

2020 Fare Policy

Finance & Administration Committee

February 20, 2020

SFMTA Fare Policy

Fare Policy Goals



Provide revenues needed to run the transit system, while:

- Promoting equity
- Enhancing customer convenience
- Incentivizing pre-payment
- Incentivizing transit ridership

Fare Policy Goals- How are we doing?

- **Promoting Equity:** \$24M/year is invested in fare relief through 110,000 customers enrolled in Free Muni and 17,000 Lifeline passes sold per month. Low-income single ride regional pilot begins Spring 2020. *Even so, we hear that the cost of transit remains a significant burden for many customers not eligible for free or reduced programs.*
- **Maintain revenues and incentivize transit ridership:** Chase Center ticket to ride and Rapid Bus investments generating ridership. *But systemwide revenues and ridership slightly declining, with fare evasion increasing.*
- **Enhancing customer convenience and incentivizing pre-payment:** Use of electronic payment continues to grow, with share of single ride fare revenue on Clipper® and MuniMobile rising from 62% in FY17 to a projected 82% in FY 20. The new Clipper 2.0 app in late 2020 or early 2021 will provide immediate access to products. *Even so, we hear demand for more convenient access to Clipper products in certain neighborhoods.*

Operating Budget starting gap, assuming current policies (including indexing)

| Item | FY 21, \$M | FY 22, \$M |
|-----------------------------------|--------------|--------------|
| Revenue – Projection | 1,209 | 1,225 |
| Expenditures – Base | 1,275 | 1,302 |
| Base Operating Gap | (66) | (77) |
| Muni Working Group Proposals | 48 | 64 |
| Other Division requests (updated) | 21 | 26 |
| Total Gap | (135) | (167) |

Note: Transit fares estimated at \$214 million, or ~18% revenue in FY 21.

Automatic Indexing Implementation Plan (AIIP)

AIIP Purpose and Policy (established April 2009)

- **Establish a transparent and predictable mechanism** for setting charges which are not otherwise governed by law
- **Apply consistent methodology for indexing charges**

| Item | Factor | FY19 | FY20 | Projected | |
|---------------------------|---|-------------|-------------|-------------|-------------|
| | | | | FY21 | FY22 |
| A | CPI-U Average 2016-2018 | 3.4% | 3.4% | 3.3% | 3.1% |
| B | Two-year Budget Labor Cost Change (Salary & Mandatory Fringe) | 5.8% | 6.8% | 6.8% | 1.6% |
| C=(A/2)+ (B/2) | Automatic Inflator | 4.6% | 5.1% | 5.1% | 2.3% |

It is also the policy of the Board:

- **To re-evaluate**, during the budget process, the adequacy of the Automatic Inflator
- **To reserve the right to forego an Automatic Inflator** if the SFMTA Budget projections allow and if to do so would further significant SFMTA policy and goals

Cash Single Ride and Adult Pass Fare History

| Fiscal Year | Single Ride | % Change | Adult Pass | % Change |
|-------------|-------------|----------|---------------|----------|
| 1993 | 1.00 | 0% | 32.00 | 0% |
| 1994 | 1.00 | 0% | 35.00 | 9% |
| 2004 | 1.25 | 25% | 45.00 | 29% |
| 2006 | 1.50 | 20% | 45.00 | 0% |
| 2009 | 1.50 | 0% | 45.00 | 0% |
| 2010 (AIIP) | 2.00 | 33% | \$55/\$60.00* | 22%/9%* |
| 2012 | 2.00 | 0% | 62.00 | 3% |
| 2013 | 2.00 | 0% | 64.00 | 3% |
| 2014 | 2.00 | 0% | 66.00 | 3% |
| 2015 | 2.25 | 13% | 68.00 | 3% |
| 2016 | 2.25 | 0% | 70.00 | 3% |
| 2017 | 2.50 | 11% | 73.00 | 4% |
| 2018 | 2.75 | 10% | 75.00 | 3% |
| 2019 | 2.75 | 0% | 78.00 | 4% |
| 2020 | 3.00 | 9% | 81.00 | 4% |

*Raised twice in same fiscal year

Free and Low Income Fare History

- **Lifeline pass**
 - Adults below 200% federal poverty limit
 - 50% Adult “M” Pass
 - Implemented 2005
 - ~18,000 average monthly pass stickers
 - Estimated current annual cost in revenue forgone and administration: ~\$5M
- **Free Muni**
 - Youth and seniors below 100% Bay Area median income and people with disabilities
 - Implemented 2013 and 2015
 - ~36,000 youth, ~63,000 seniors, ~14,000 people with disabilities used pass at least once in 12 months
 - Estimated current annual cost: ~\$19M (~\$3M youth, ~\$13M seniors, ~\$3M people with disabilities)

Fare Media Ridership & Title VI Requirements

- Title VI requires us to evaluate impact of fare changes on minority and low income populations

| Fare Media | Estimated Ridership | % Title VI Minority | % Title VI Low Income |
|--|---------------------|---------------------|-----------------------|
| Adult Single Ride Fare (Cash/Limited Use Card) | 100,000 | 65% | 50% |
| Adult Single Ride Electronic Fare (Clipper/MuniMobile) | 200,000 | 49% | 31% |
| Adult "M" and "A" Monthly Pass | 200,000 | 56% | 26% |
| Adult Lifeline Monthly Pass (50% "M" Pass) | 18,000 | 90% | 84% |
| Cable Car Single Ride (combined on-board and pre-paid) | 14,000 | 39% | 34% |

Source: 2017 On-board ridership survey

Fare Prices with Indexing

| Base Scenario (applying indexing) | FY20 | FY21 | FY22 | FY21 Annual Revenue Change |
|--|---------|---------|---------|----------------------------|
| Adult Single Ride Fare (Cash/Limited Use Card) | \$3.00 | \$3.25 | \$3.25 | \$1M |
| Adult Single Ride Fare (Clipper/MuniMobile) | \$2.50 | \$2.75 | \$2.75 | \$8M |
| Adult "M" Monthly Pass (Muni Only) | \$81.00 | \$85.00 | \$87.00 | \$4M |
| Adult Lifeline Monthly Pass (50% "M" Pass) | \$40.00 | \$42.00 | \$43.00 | \$0.6M |
| Cable Car Single Ride | \$8.00 | \$8.00 | \$9.00 | \$1M (FY22) |

- The five listed fare products account for ~76% of fare revenue
- Additional fare products are detailed in draft Consolidated Fare Policy, included in this agenda item package

Fare Comparison – Single Ride

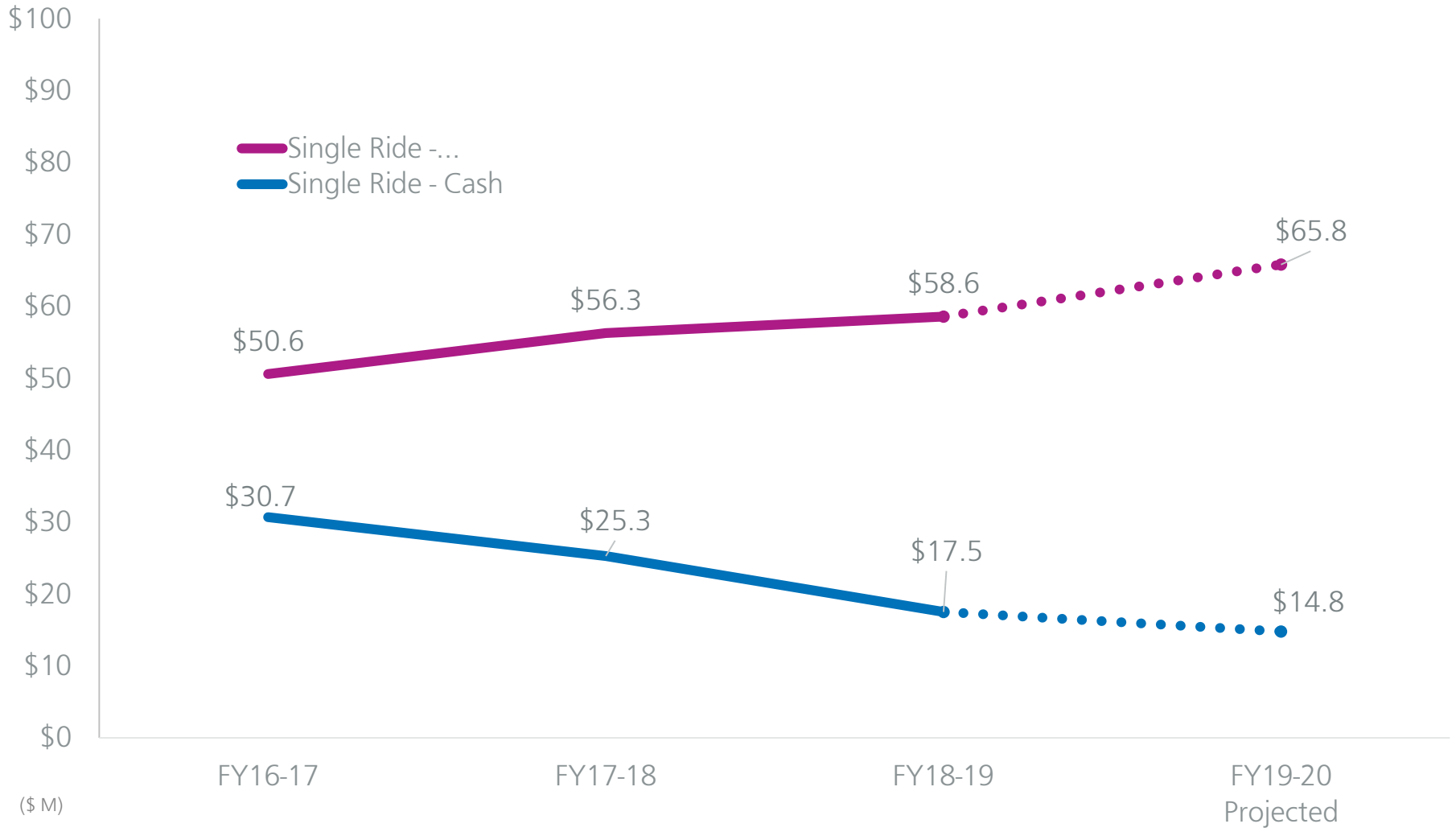
| City/Agency | FY20 Adult Cash Fare | FY20 Adult Electronic Fare |
|-----------------|----------------------|----------------------------|
| Seattle | \$3.25 | \$2.75 |
| SFMTA | \$3.00 | \$2.50 |
| New York City | \$3.00 | \$2.75 |
| Denver | \$3.00 | \$2.80 |
| Boston | \$2.90 | \$2.40 |
| Chicago | \$3.00 | \$2.25 |
| Washington D.C. | \$2.00 | \$2.00 |
| AC Transit | \$2.50 | \$2.25 |

Fare Options – Single Ride

Two Questions for Board:

1. Does the Board want to allow indexing per policy on cash fares or change or suspend the policy
2. Does the Board want to maintain the current discount for electronic Clipper/MuniMobile fares versus cash, or reduce the discount?

Revenue Trends – Single Ride (\$M) Clipper/Mobile vs. Cash



Source: SFMTA Annual Disclosures

Selected Fare Options – Single Ride

| Single Ride Fare Options | Cash/Clipper Fares | | Rev Impact | |
|---|--------------------|---------------|------------|-------|
| | FY 21 | FY 22 | FY 21 | FY 22 |
| Option 1: Base. Indexing policy applied to cash fare, \$0.50 Clipper/Mobile discount | \$3.25/\$2.75 | \$3.25/\$2.75 | \$- | \$- |
| Option 2: Maintain index for cash, raise Clipper/Mobile fare to \$3.00 | \$3.25/\$3.00 | \$3.25/\$3.00 | \$8M | \$8M |
| Option 3: Suspend index on cash, allow Clipper/Mobile fare to rise to \$3.00 over 2 years | \$3.00/\$2.75 | \$3.00/\$3.00 | (\$1M) | \$7M |
| Option 4: Suspend index on cash, raise Clipper/Mobile fare to \$3.00 in FY21 | \$3.00/\$3.00 | \$3.00/\$3.00 | \$7M | \$7M |
| Option 5: Maintain index, raise Clipper/Mobile to match cash fare over 2 years | \$3.25/\$3.00 | \$3.25/\$3.25 | \$8M | \$16M |

Fare Comparison – Monthly Pass

| City/Agency | FY20 Adult Rate | Single Rides to Break Even |
|-----------------|-----------------|----------------------------|
| SFMTA | \$81.00 | 32.4/27* |
| New York City | \$127.00 | 46.2 |
| Denver | \$114.00 | 40.1 |
| Boston | \$90.00 | 37.5 |
| Seattle | \$99.00 | 36 |
| Chicago | \$105.00 | 46.6 |
| Washington D.C. | \$126.00 | 63 |
| AC Transit | \$84.60 | 37.6 |

*For SFMTA: 32.4 break-even based on \$2.50 Clipper/Mobile fare. 27 is based on \$3.00 cash fare

Fare Options – Monthly Pass

Two Questions for Board:

1. Does the Board want to maintain policy of Lifeline pass set at 50% adult “M” monthly pass (rounded down), as “M” pass is increased with index?
2. If Board wants to reduce Lifeline pass increase, does the Board want to suspend the increase or apply a different index?

Fare Options – Lifeline Pass

Assumes with indexing, “M” pass is \$85 in FY 21 and \$87 in FY 22.

| Lifeline Pass Fare Options | FY 21 | FY 22 | Rev Impact FY 21/FY 22 | |
|--|-------|-------|---------------------------|----------|
| Option 1: Base, Lifeline = 50% “M” Pass, rounded down | \$42 | \$43 | \$- | \$- |
| Option 2: suspend increase to Lifeline | \$40 | \$40 | (\$0.4M) | (\$0.6M) |
| Option 3: Change 50% policy and apply alternate index for Lifeline based on Social Security COLA of 1.6% | \$41 | \$41 | (\$0.2M) | (\$0.4M) |

Other Fare Options (minimal cost/revenue impact)

Proposal

- **Support Fare Equity**
 - Muni Day Pass on Farebox (available only on MuniMobile currently)
 - Free Muni Pass for People facing Housing Insecurity
 - Cable Car Discount for Seniors/Youth/People with Disabilities on MuniMobile only, effective with Cable Car Single ride fare increase January 2022
- **Other Recommendations**
 - Extend Bulk Sales Discounts for all Products on Muni Mobile
 - Eliminate Clipper differential for Passports to reduce transaction times at SFMTA sales kiosks

Other Initiatives to Increase Fare Revenues

- Build on Chase Center model to engage with Conventions, Hotels, Major Employers, and Special Events
- Strategic Fare Evasion Reduction Initiatives (more to come at a future Board meeting)

Other Requests to Expand Discounted/Free Fares

Funding these would require revenue sources to offset the fiscal impact:

- Expand Free Muni to all youth. Impact: ~\$2M/year
- Expand free Muni to all San Francisco Community College District students. Impact ~\$8M/year
- Eliminate Muni fares. Impact ~\$200+M/year plus major increased capital requirements to accommodate new demand

Next Steps

- February 20, 2020: Finance and Administration Committee (FAC) of Citizens Advisory Council (CAC)
- March 3, 2020: MTA Board Meeting: Discuss Agency fee/fine/other revenues options
- March 5, 2020: CAC
- March 17, 2020: MTA Board public hearing on budget and Title VI equity analysis on fare proposals
- March 18, 2020: FAC
- April 7, 2020: MTA Board meeting: balanced budget proposal.
- April 21, 2020: MTA Board second hearing on balanced budget proposal, if needed.
- No later than May 1, 2020: MTA balanced budget proposal must be submitted to the Board of Supervisors



SFMTA

Thank You.