



DATE: March 4, 2020 Item #12
TO: GCTD Board of Directors
FROM: Vanessa Rauschenberger, Director of Planning and Marketing *VR*
SUBJECT: Receive Report on Potential Impacts of AB 1350 (Free Fares for Youth) & AB 2012 (Free Fares for Seniors 65+) and Discuss Farebox Recovery Improvement Options

I. SUMMARY

AB 1350 (Gonzales) and AB 2012 (Chu) are proposed state legislation that would require transit agencies to provide free rides for youth age 18 and under, and seniors age 65 and over as a condition to receiving state funding under the Transportation Development Act (TDA). One of the main goals of AB 1350 is that “by providing free transit passes, regardless of income or educational status, it will remove an additional barrier to encourage youth ridership and creating life-long transit users” and thereby help the state achieve its statewide goal of reducing greenhouse gas emissions. While the two bills don’t include funding provisions, they do provide that free rides would count as a “full fare” for purposes of calculating required farebox ratio.

While the outcome of these bills is to be determined, staff is looking at the fiscal impact these could have on our operating budget. As discussed at the June 2019 meeting, GCTD’s FY 2019-2020 Budget anticipates that GCTD may not meet the minimum 20% farebox ratio required under TDA. This report provides information on the potential impact of these bills as well as options to address our farebox recovery challenges.

At this time, it is recommended that the Board of Directors receive and file this report on the potential impacts of AB 1350 (Free Fares for Youth) and AB 2012 (Free Fares for Seniors over 65+) and discuss options to address farebox recovery in the coming fiscal year.

II. BACKGROUND

Many transit agencies in California provide free or reduced fare transit passes to students and other populations for use on their systems. Recently, Sacramento Regional Transit offered free passes to students resulting in a roughly 40% increase in student ridership in the last year. The Los Angeles County Metropolitan Transportation Authority (LA Metro) has been offering reduced fares for both K-12 and college students since the early 1990s. These transit agencies are subsidizing the free or reduced fare programs from other state, local, or private sources.

AB 1350 was first introduced in February 2019 as a spot bill that originally included intent language to establish a funding program to provide free transit passes for students 18 years and under. As amended in January 2020, AB 1350 would not provide any state funding, but would instead require transit operators provide a free transit passes as a condition of receiving any state funding. In January 2020, AB 2012 was introduced to apply a similar requirement for free transit fares for persons over age 65. As of February 2020, AB 1350 had passed the Assembly with unanimous support, the bill is now in the state Senate.

GOLD COAST TRANSIT DISTRICT

While these two bills currently contain no language regarding an unfunded local mandate, the bills authors are still working out the details, and may add back in a funding source such as Cap and Trade or Education dollars. At this time, the bills simply make all state transit apportionments (STA, TDA, or LCTOP) conditional on compliance with the requirement, and allows operators to count the rides as if it were a full fare for purposes of calculating "farebox recover ratio". GCTD currently receives over 50% of its funding from State sources.

Without funding, in order to provide free rides for Youth and Seniors, transit agencies may need to increase fares for everyone else or decrease service levels to offset the loss of revenue. Doing this could have the effect of lowering ridership of everyone else who is still paying a fare or making service less frequent for everyone. At GCTD, youth ridership and senior/disabled rides provide a combined \$685,000 in annual revenue. The tables below show the impacts of the two bills with our current fare structure.

FARE REVENUE IMPACT w/ AB 1350 and AB 2012 (#S ARE ESTIMATES ONLY)

Fare \$1.50 Transfers Free		w/ Free Transfers				
Existing Condition	Average Fare	Fare Category	%	Estimated Riders	Actual Revenue	
	\$ -	Free Transfer	26%	910,000	\$ -	
	\$ -	Youth under 45"	2.5%	87,500	\$ -	
	\$ 0.80	Youth 18 under	8.5%	297,500	\$ 238,000	
	\$ 1.10	College	10%	350,000	\$ 385,000	
	\$ 1.50	Adult	33%	1,155,000	\$ 1,732,500	
	\$ 0.75	Senior / Disabled	17%	595,000	\$ 446,250	
	\$ -	FREE 75	3%	105,000	\$ -	
		Fixed Route	100%	3,500,000	\$ 2,801,750	
	\$ 3.00	Paratransit	100%	105,000	\$ 315,000	
				3,605,000	\$ 3,116,750	

Existing Condition

Fare \$1.50 Transfers Free		w/ Free Transfers				
				Estimated Riders	Actual Revenue	
	\$ -	Free Transfer	25%	910,000	\$ -	
	\$ -	Youth under 45"	2%	87,500	\$ -	
AB 1350 PASS	\$ -	Youth 18 under	11%	386,750	\$ -	
	\$ 1.10	College	10%	350,000	\$ 385,000	
	\$ 1.50	Adult	32%	1,155,000	\$ 1,732,500	
AB 2012 FAIL	\$ 0.75	Senior / Disabled	17%	595,000	\$ 446,250	
	\$ -	FREE 75	3%	105,000	\$ -	
		Fixed Route		3,589,250	\$ 2,563,750	
	\$ 3.00	Paratransit	100%	105,000	\$ 315,000	
				3,694,250	\$ 2,878,750	

(238,000)
-7.6%

Fare \$1.50 Transfers Free		w/ Free Transfers				
				Estimated Riders	Actual Revenue	
	\$ -	Free Transfer	25%	910,000	\$ -	
	\$ -	Youth under 45"	2%	87,500	\$ -	
AB 1350 PASS	\$ -	Youth 18 under	11%	386,750	\$ -	
	\$ 1.10	College	10%	350,000	\$ 385,000	
	\$ 1.50	Adult	32%	1,155,000	\$ 1,732,500	
AB 2012 PASS	\$ -	Senior / Disabled	22%	773,500	\$ -	
	\$ -	FREE 75	3%	105,000	\$ -	
		Fixed Route		3,767,750	\$ 2,117,500	
	\$ 3.00	Paratransit	100%	105,000	\$ 315,000	
				3,872,750	\$ 2,432,500	

(684,250)
-22.0%

GCTD's Farebox Recovery Ratio

Gold Coast Transit District is funded by a mix of federal and state grants and passenger fares. The relationship of fare revenue to operating expense is referred to as the **farebox recovery ratio (FBRR)**. California TDA regulations require that a transit service claimant for TDA funds realize a systemwide farebox recovery ratio (FBRR) of at least 20%; or that the claimant realize a FBRR of 20% for fixed route service and 10% for paratransit service. Eligible "farebox" revenues include passenger fares, advertising, as well as any locally-generated revenues, such as a local tax measures (which we do not have). In the last few years, TDA legislation was clarified as to how local revenues are included in the farebox recovery ratio calculation and how certain cost increases can be adjusted with regard to the calculation. This provided a small measure of relief for "farebox challenged" agencies, but the majority of California transit agencies meet this requirement by supplementing fares with local revenue from dedicated transit sales taxes.

To meet the FBRR, GCTD has included in the calculation its other revenue sources such as advertising sales, energy credit sales, Alternative Fuel Excise Tax Rebate and the Medi-Cal paratransit trip reimbursements. The statutes also allow for an adjustment to costs, allowing agencies to reduce expenses for purposes of the farebox calculation by "cost increases beyond the change in the Consumer Price Index for fuel, alternative fuel programs, power, including electricity, insurance premiums and payments in settlement of claims arising out of the operator's liability, state and federal mandates, startup costs for new services for a period of not more than two years," as well as "additional operating costs required to provide comparable complementary paratransit service that exceed(s) the operator's costs required to provide comparable complementary paratransit service in the prior year as adjusted by the Consumer Price Index." GCTD includes all applicable adjustments in its calculation.

The table below shows the adjusted farebox ratio for the past 6 years (table copied from the FY 19-20 Budget Report).

Ridership, Revenue and Farebox Return FY 2013-14 to FY 2019-20

Fiscal Year	(1) Fixed Route			(2) Paratransit		(3) Combined	
	Unlinked Passenger Trips	Farebox	Farebox Return	One Way Trips	Farebox	Farebox Return	Farebox Return
	FY 2013-14	3,817,758	\$3,334,180 **	24.2%	82,495	\$328,541 **	13.1%
FY 2014-15	3,908,847	\$4,054,301 **	26.8%	84,604	\$461,725 **	17.5%	25.5%
FY 2015-16	3,800,673	\$4,080,386 ***	24.8%	93,274	\$465,155 ***	16.9%	23.7%
FY 2016-17	3,616,386	\$3,733,269 ***	20.9%	102,424	\$545,799 ***	19.2%	20.7%
FY 2017-18	3,474,161	\$4,904,091 ***	25.3%	114,229	\$595,584 ***	18.1%	24.3%
FY 2018-19 (Projected)	3,540,000	\$4,053,700 ***	20.5%	116,600	\$560,100 ***	16.0%	19.8% #
FY 2019-20 (Budgeted)	3,566,435	\$4,045,700 ***	17.8%	126,000	\$514,600 ***	15.8%	17.5%

* Includes other Local Revenue in Farebox Calculation

** Includes Advertising, MAA Reimbursement and other non-grant revenue in Farebox Calculation; FBRR % includes adjustment for cost/fares on New & Expansion Routes

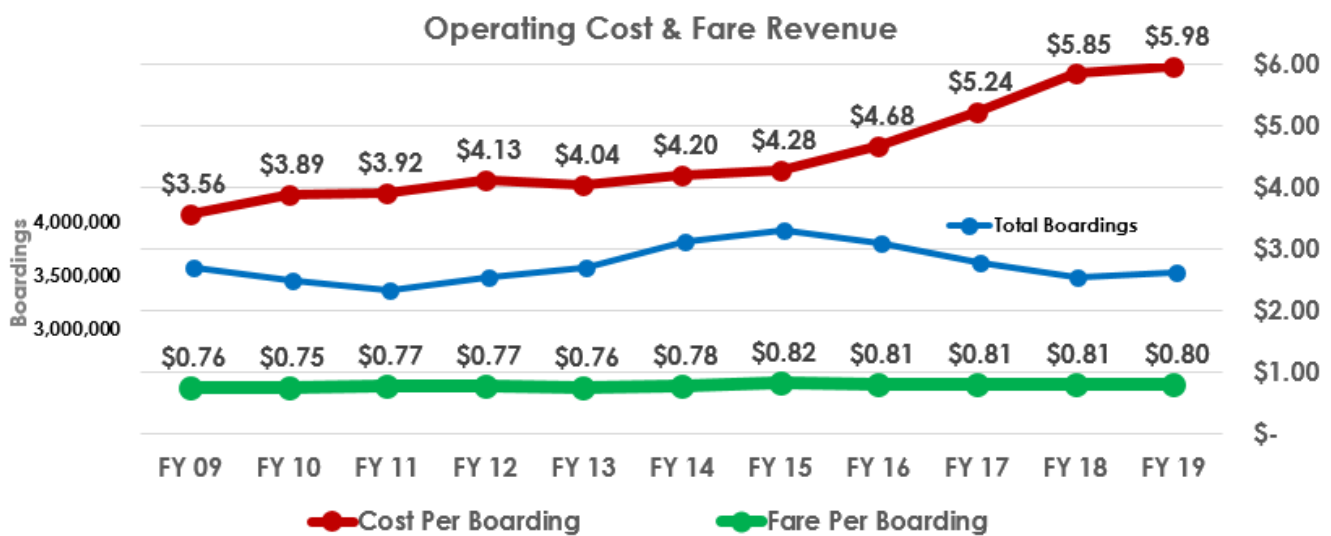
*** Includes Cost and Revenue Adjustments in Accordance with 2015 TDA statute changes (SB508)

Farebox Recovery Ratio compliance to be achieved by realizing both 20% on Fixed Route and 10% on Paratransit

Actual FY 2018-2019 FBRR 20.03% (CAFR)

With costs increasing, ridership (and fare revenues) flat and facing the loss of a number of revenue streams (Medi-Cal paratransit trip reimbursements), FY 2019-20 is the first budget in over a decade for which the District projects it may be unable to demonstrate FBRR compliance. While there was some good news that the Alternative Fuel Tax rebate was reinstated, it is not yet known if GCTD will finish FY 2019-20 compliant. The first year of non-compliance for any transit entity is considered a grace year; the penalty for a second year of noncompliance would be a formulaic reduction in the District’s TDA allocation.

The table below shows the average, operating cost per passenger and fare collected per passenger for the past 10 years as reported in the FY 2018-2019 CAFR.



III. FAREBOX RECOVERY OPTIONS

As the tables above show, regardless of the outcome of the two proposed bills, GCTD will need to address farebox recovery in order to maintain current service levels. Most transit agencies in California that serve urban populations like Ventura County, have a dedicated local source of funding for transit. While not discussed in this report, the Board may want to consider discussing this option at a future strategic funding meeting.

Looking at the near-term costs impacts of AB 1350 and AB 2012, staff has identified two short-term options that could be incorporated in the FY 2020-2021 Fiscal Year budget. The first option is to plan to decrease operating/administration costs by 3-5% systemwide. The second option is to consider an adjustment in fares and/or fare policies. One or both of these options may be considered.

Option 1) Reduce Operating Costs

Over the last 10 years, operating costs have increased at a higher rate than fare revenue. As discussed during the budget development, GCTD has taken many steps to reduce its operating costs, however, addressing this issue in a significant way only be accomplished by a combination of reduction in service, a reduction in agency workforce by up to (5% or 10 FTEs) and or other cost cutting measures such as salary freezes, changes in operating hours. While GCTD has some grant funding to implement new service in July 2020, we could look at eliminating late night services, school trippers, reducing weekend service and increasing headways (longer wait times.) It should be noted that any changes to service levels would likely have a negative impact on both ridership as well as revenue that would need to be taken into consideration.

Option 2) Fare Adjustment

The most recent change to GCTD's fare structure was in FY 2013-14, when GCTD changed the multi-ride ticket and monthly pass structure. However, the base cash fare amount \$1.50 has not been adjusted since 2011 and is on the lower end when compared to peer agencies.

The table below shows GCTD fares compared to peer and neighboring agencies.

Fare Structure of Peer Agencies (as of February 2020)

Agency	Adult (1-Ride)	Seniors 65+/Disabled	ADA (DAR) PARATRANSIT	Transfers
Contra Costa County	\$ 2.50	\$ 1.25	\$ 5.00	FREE
Monterey (MST)*	\$ 1.50-\$3.50	\$0.75-\$1.75	\$ 2.50*	FREE
Santa Cruz METRO	\$ 2.00	\$ 1.00	\$ 4.00	\$ 2.00
Thousand Oaks	\$ 2.00	\$ 0.50	\$ 4.00	FREE
Riverside	\$ 1.75	\$ 0.75	\$ 3.50	FREE
Santa Barbara MTD	\$ 1.75	\$ 0.85	\$ 3.50	FREE
VCTC (Zone 1)	\$ 1.75	\$ 0.80	n/a	FREE
Bakersfield (GET)	\$ 1.65	\$ 0.80	\$ 3.00	\$ 1.65
Simi Valley	\$ 1.50	\$ 0.75	\$ 3.00	FREE
Santa Rosa	\$ 1.50	\$ 0.75	\$ 3.00	FREE
Gold Coast Transit	\$ 1.50	\$ 0.75	\$ 3.00	FREE
Culver City	\$ 1.00	\$ 0.35	\$ 2.75	\$ 0.25

*MST fares based on distance (\$1.50-\$3.50)/Paratransit Fares are subsidized by Measure Q revenue

Staff recognizes the importance of making transit affordable and accessible and the benefits that free and reduced rides could bring to the community. To get a better idea of how GCTD could implement free and reduced fare programs, we analyzed seven scenarios to estimate what the potential impact of the bills would have on revenue and ridership, with and without a fare increase. We also looked at the impact of eliminating free "transfers". Currently when a passenger boards the bus, they can request a free "transfer" that is good for another ride within two hours.

In analyzing the scenarios, we find that it is not possible to completely offset the costs of free riders with a fare increase alone. Other options that could be considered include policy changes such as limiting discounts on passes and limiting transfer time. Ultimately, any changes should keep in mind ease of use and purchase, including associated costs of boarding, printing passes and issuing fare media for those who are still paying a fare.

A summary of the options we looked at are shown below along with the impact to the FBRR, which is based on counting free rides under AB 1350/AB2012 as a full fare. In order to estimate ridership, we used a rate of +/- 3% for every 10% increase or decrease in fares, which is based on transit industry accepted standard methodology. An additional assumption is that paratransit fares are set at 2 X times the fixed route fare.

Summary of Fare Change Scenarios

Note: For details, see tables for each scenario attached to this report.

#	Scenario	Base Fare	ADA Paratransit Fare	Transfers	Free Youth AB 1350	Free Seniors AB 2012	Ridership*	% +/- from current	Revenue	% +/- from current	Estimated FBRR**
A	Existing Condition	\$ 1.50	\$ 3.00	FREE	No	No	3,605,000	n/a	\$ 3,116,750	n/a	17.8%
B	^ with AB 1350	\$ 1.50	\$ 3.00	FREE	Yes	No	3,694,250	2.5%	\$ 2,878,750	-7.6%	20.5%
C	^ with AB 1350 & AB2012	\$ 1.50	\$ 3.00	FREE	Yes	Yes	3,872,750	7.4%	\$ 2,432,500	-22.0%	25.5%
AB 1350 & AB 2012 and Fare Increase w/ Free Transfers											
1	Fare Increase to \$2.00	\$ 2.00	\$ 4.00	FREE	No	No	3,365,600	-6.6%	\$ 3,886,050	24.7%	22.2%
2	^ with AB 1350	\$ 2.00	\$ 4.00	FREE	Yes	No	3,454,850	-4.2%	\$ 3,588,550	15.1%	25.9%
3	^ with AB 1350 & AB2012	\$ 2.00	\$ 4.00	FREE	Yes	Yes	3,686,900	2.3%	\$ 3,047,100	-2.2%	32.9%
AB 1350 & AB 2012 and Eliminate Free Transfers											
4	Fare - No Change	\$ 1.50	\$ 3.00	\$ 1.50	Yes	Yes	3,550,400	-1.5%	\$ 2,829,855	-9.2%	27.8%
5	Fare Increase to \$2.00	\$ 2.00	\$ 4.00	\$ 2.00	Yes	Yes	3,248,326	-9.9%	\$ 3,342,031	7.2%	34.6%
6	Fare Decrease to \$1.00	\$ 1.00	\$ 2.00	\$ 1.00	Yes	Yes	3,909,500	8.4%	\$ 2,275,000	-27.0%	20.7%
7	Fare Increase to \$1.75	\$ 1.75	\$ 3.50	\$ 1.75	Yes	Yes	3,430,700	-4.8%	\$ 3,168,008	1.6%	31.6%

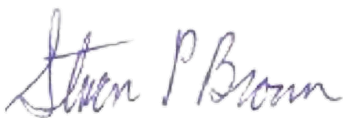
* Fixed Route ridership estimated to increase/decrease at a rate of 3% for every 10% increase or decrease in fares.

**Farebox Recovery Ratio calculation impact from AB 1350 & AB 2012 .i.e. counts free rides as a "full fare".

IV. RECOMMENDATION & NEXT STEPS

At this time, it is recommended that the Board of Directors receive and file this report on the potential impacts of AB 1350 (Free Fares for Youth) and AB 2012 (Free Fares for Seniors over 65+) and discuss potential options to address farebox recovery. Based on the feedback from the Board, staff plans to develop a public participation plan to gather input on any proposed changes. An update on the status of these bills would be brought back to the Board at the May or June meeting.

General Managers Concurrence



Steven P. Brown

Attachment: Fare Change Scenarios with AB 1350 and AB 2012

Attachment – Fare Scenarios

Assumptions:

The assumptions for these calculations assume that paratransit fares set at 2 X times the fixed route and includes a recognition that ridership would increase or decrease at a rate of 3% for every 10% increase or decrease in fares.

FARE INCREASE

Fare \$2.00 Transfers FREE

SCENARIO 1	Average Fare	Fare Category	%	Estimated Riders	Actual Revenue
	\$ -	Free Transfer	26%	828,100	\$ -
	\$ -	Youth under 45"	3%	87,500	\$ -
AB 1350 FAIL	\$ 1.00	Youth 18 under	8%	297,500	\$ 297,500
	\$ 1.50	College	10%	350,000	\$ 525,000
FARE INCREASE	\$ 2.00	Adult	33%	1,051,050	\$ 2,102,100
AB 2012 FAIL	\$ 1.00	Senior Disabled	17%	541,450	\$ 541,450
	\$ -	FREE 75	3%	105,000	\$ -
Fixed Route				3,260,600	\$ 3,466,050
FARE INCREASE	\$ 4.00	Paratransit	100%	105,000	\$ 420,000
<i>*Assumes Paratransit fares set at 2x the base fare</i>				3,365,600	\$ 3,886,050
					\$ 769,300
					24.7%

Fare \$2.00 Transfers FREE

SCENARIO 2	Average Fare	Fare Category	%	Estimated Riders	Actual Revenue
	\$ -	Free Transfer	26%	828,100	\$ -
	\$ -	Youth under 45"	3%	87,500	\$ -
AB 1350 PASS	\$ -	Youth 18 under	8%	386,750	\$ -
	\$ 1.50	College	10%	350,000	\$ 525,000
FARE INCREASE	\$ 2.00	Adult	33%	1,051,050	\$ 2,102,100
AB 2012 FAIL	\$ 1.00	Senior Disabled	17%	541,450	\$ 541,450
	\$ -	FREE 75	3%	105,000	\$ -
Fixed Route				3,349,850	\$ 3,168,550
FARE INCREASE	\$ 4.00	Paratransit	100%	105,000	\$ 420,000
<i>*Assumes Paratransit fares set at 2x the base fare</i>				3,454,850	\$ 3,588,550
					\$ 471,800
					15.1%

Fare \$2.00 Transfers FREE

SCENARIO 3	Average Fare	Fare Category	%	Estimated Riders	Actual Revenue
	\$ -	Free Transfer	26%	828,100	\$ -
	\$ -	Youth under 45"	3%	87,500	\$ -
AB 1350 PASS	\$ -	Youth 18 under	8%	386,750	\$ -
	\$ 1.50	College	10%	350,000	\$ 525,000
FARE INCREASE	\$ 2.00	Adult	33%	1,051,050	\$ 2,102,100
AB 2012 PASS	\$ -	Senior Disabled	17%	773,500	\$ -
	\$ -	FREE 75	3%	105,000	\$ -
Fixed Route				3,581,900	\$ 2,627,100
FARE INCREASE	\$ 4.00	Paratransit	100%	105,000	\$ 420,000
<i>*Assumes Paratransit fares set at 2x the base fare</i>				3,686,900	\$ 3,047,100
					\$ (69,650)
					-2.2%

ELIMINATE TRANSFERS

SCENARIO 4		Fare \$1.50 Eliminate Transfers		Estimated Riders	Actual Revenue
Avg. transf fare	\$ 0.80	Transfers (NOT FREE)	20%	691,600	\$ 553,280
	\$ -	Youth under 45"	3%	87,500	\$ -
AB 1350 PASS	\$ -	Youth 18 under	11%	386,750	\$ -
	\$ 1.10	College	10%	350,000	\$ 385,000
	\$ 1.50	Adult	31%	1,051,050	\$ 1,576,575
AB 2012 PASS	\$ -	Senior Disabled	22%	773,500	\$ -
	\$ -	FREE 75	3%	105,000	\$ -
Fixed Route				3,445,400	\$ 2,514,855
Paratransit				100%	\$ 315,000
				3,550,400	\$ 2,829,855

(286,895)

-9.2%

SCENARIO 5		Fare \$2.00 Eliminate Transfers		7% ridership increase	
Avg. transf fare	\$ 1.00	Transfers (NOT FREE)	15%	484,120	\$ 484,120
	\$ -	Youth under 45"	3%	87,500	\$ -
AB 1350 PASS	\$ -	Youth 18 under	12%	386,750	\$ -
	\$ 1.50	College	11%	350,000	\$ 525,000
FARE INCREASE	\$ 2.00	Adult	30%	956,456	\$ 1,912,911
AB 2012 PASS	\$ -	Senior Disabled	25%	773,500	\$ -
	\$ -	FREE 75	3%	105,000	\$ -
Fixed Route				3,143,326	\$ 2,922,031
Paratransit				100%	\$ 420,000
FARE INCREASE \$ 4.00				3,248,326	\$ 3,342,031
*Assumes Paratransit fares set at 2x the base fare					\$ 225,281
					7.2%

SCENARIO 6		FARE DECREASE \$1.00 Eliminate Transfers			
Avg. transf fare	\$ 0.50	Transfers (NOT FREE)	20%	773,500	\$ 386,750
	\$ -	Youth under 45"	2%	87,500	\$ -
AB 1350 PASS	\$ -	Youth 18 under	10%	386,750	\$ -
	\$ 1.00	College	9%	350,000	\$ 350,000
FARE DECREASE	\$ 1.00	Adult	35%	1,328,250	\$ 1,328,250
AB 2012 PASS	\$ -	Senior Disabled	20%	773,500	\$ -
	\$ -	FREE 75	3%	105,000	\$ -
Fixed Route				3,804,500	\$ 2,065,000
Paratransit				100%	\$ 210,000
FARE DECREASE \$ 2.00				3,909,500	\$ 2,275,000
*Assumes Paratransit fares set at 2x the base fare					\$ (841,750)
					-27%

SCENARIO 7		Fare \$1.75 Eliminate Transfers			
Avg. transf fare	\$ 0.90	Transfers (NOT FREE)	20%	664,300	\$ 597,870
	\$ -	Youth under 45"	3%	87,500	\$ -
AB 1350 PASS	\$ -	Youth 18 under	12%	386,750	\$ -
	\$ 1.50	College	11%	350,000	\$ 525,000
FARE INCREASE	\$ 1.75	Adult	29%	958,650	\$ 1,677,638
AB 2012 PASS	\$ -	Senior Disabled	23%	773,500	\$ -
	\$ -	FREE 75	3%	105,000	\$ -
Fixed Route				3,325,700	\$ 2,800,508
Paratransit				100%	\$ 367,500
FARE INCREASE \$ 3.50				3,430,700	\$ 3,168,008
*Assumes Paratransit fares set at 2x the base fare					\$ 51,258
					1.6%