

# 2023 Fare Change Recommendations

## FY24 – FY28 Fare Structure and Go Pass Program

### Caltrain Citizens Advisory Committee

July 19, 2023  
Agenda Item 10



# Agenda

1. Context
2. Near-term Fare Promotions
3. FY24-FY28 Fare Structure Recommendations
4. Go Pass Recommendations
5. Next Steps

# Context for 2023 Fare Changes Work

- Caltrain **ridership remains lower** amidst changed travel behavior stemming from the pandemic
- **Fiscal cliff** anticipated for Caltrain in FY26
- Major Caltrain **service impacts** during 2023 due to PCEP construction
- **Fares:**
  - Previously-adopted fare increases temporarily delayed using Executive Director's Authority (until 12/31/23)
  - Regional fare changes that need to be accounted for in Caltrain's Fare Structure

# Overview of 2023 Fare Changes Work



## Spring 2023

### Near-Term Fare Promotions

- Developed near-term fare promotions for the Ridership Growth Task Force to implement

## Summer 2023

### Fare Structure and Go Pass Update

- Study only focused on changes to Caltrain's existing products including Go Pass
- Working within significant limitations with existing Clipper system
- **Deliverable:** FY24-28 Fare Structure, for adoption at the September JPB Meeting

## 2024+

### Joint Fare Study with BART

- Expected to consider significant fare structure changes

# Forthcoming Regional Rail Fare Study

Joint study with Caltrain/BART of coordination and integration of **regional rail fares** (anticipated fall 2024-2025)

## Study Components:

- Equity-based review of pricing structure, which could include station-to-station (distance-based) pricing
- Potential new products (accumulators, etc.)
- Benefit and cost analyses: operations, ridership, finances, equity, customer experience, etc.
- Implementation considerations and costs

**Requirements:** detailed trip data for all Caltrain riders is required for the analysis, which will only be available with new Clipper system (C2), which will go live in mid-2024

**Deliverable:** Recommendations to improve coordination and integration of regional rail fares, including pricing and products; could eventually support a potential updated Fare Structure for Caltrain

# Near-Term Fare Promotions

# As part of its Customer Acquisition Strategy, Caltrain is introducing a promotion of new fare products, focused on developing new rider markets

Pilot: September 2023 – February 2024

## Offered on Caltrain's Mobile App and at Ticket Vending Machines at Stations:

- **Family Day Pass:** Via one ticket, allows 2 adults and up to 4 youth to ride together for the cost of 2 adults and 1 youth ticket. Family must travel together in same train car.
- **Group Day Pass:** Via one ticket, groups of 4-6 people can travel together, for 15% off the cost of 4 tickets. Group must be in the same fare class, must travel together in the same train car.
- **3-Day Pass:** Via one ticket, allows one individual to take unlimited trips for three consecutive days, from the date the ticket is purchased.

## Offered on the Clipper\* Youth Cards:

- **\$1 Youth Pass:** Price for youth rides will be set to \$1 for those who have Clipper Youth Cards.

## Parking Promotion:

- **50% off all parking rates**

**→ Marketing these promotions will be part of Caltrain's Customer Acquisition Strategy (see further details in separate presentation)**

\*Clipper limitations: While the Clipper vendor, Cubic, is focused on development of Clipper Next Generation for deployment in 2024, all transit agencies may only make price changes to existing products and may not introduce new products on Clipper.



# **FY24-28 Fare Structure Recommendations**



# Next Generation Clipper (C2): Enables Open Payments, Regional Transfers, and More

*Currently planned for Summer 2024 (led by MTC)*

## C2 Improvements on Caltrain

### Open Payments

- Enables riders to pay directly with a contactless credit or debit card
- Customers using open payments will be charged the Full One-Way Clipper Fare

### Interagency Transfers

- Enables free and reduced transfers for Clipper riders transferring between transit agencies (pilot program)

### Zone Upgrades Enhancements (already adopted by Caltrain Board)

- Zone Upgrade tickets on Clipper will apply automatically when monthly pass users travel exceed the number of purchased zones

### Monthly Pass Enhancements (already adopted by Caltrain Board)

- Enables riders to purchase monthly passes for zones traveled, rather than specific zones (e.g., valid for travel across two zones, rather than between Zone 1 and 3)

Other improvements: C2 will also offer greater flexibility, improving Caltrain's ability to develop and deploy new fare products. Its app will offer customers trip planning, real-time trip information, mobile payments, immediate access to value added to account etc.



# Regional Programs: Recommended Fare Structure Changes FY24-FY28

- Accept **Open Payments on Clipper** when Clipper Next Generation is launched (anticipated 2024)
- Participate in **the Regional Transfer Discount Pilot Program** when Clipper Next Generation is launched (anticipated 2024)
  - Applies to Clipper single-ride fares at each participating agency.
  - Passenger pays the full fare on the first agency used. Transfers to another agency within two hours of the first boarding are discounted up to a limit of \$2.50 per transfer.
  - Pass products not included, but passholders may receive a discount when transferring to an agency where they use single-ride fares.
- Extend participation in **Clipper START** for as long as MTC authorizes the program

# Price: Previously-adopted Fare Changes in May 2022 Fare Structure, FY24 – FY29

*Temporarily deferred until December 31, 2023*

Previously adopted fare changes were expected to take effect sooner (in FY24 – July 1, 2023):

- In FY24, **Base Fare** to increase by **\$0.50** for Adult Fares and **\$0.25** for Eligible Discount (ED) Fares
  - \$3.75 to \$4.25 for adult and \$1.75 to \$2.00 for ED
- In FY26, **Zone upgrade** to increase by **\$0.25**
  - \$2.25 to \$2.50 for adult and \$1.25 for ED
- In FY28, **Base Fare** to increase by **\$0.50** for Adult Fares and **\$0.25** for ED Fares
  - \$4.25 to \$4.75 for adult and \$2.00 to \$2.25 for ED
- In FY29, **reduce the Clipper discount** from \$0.55 to \$0.20 off of the Base Fare.
- **Monthly Pass Multiplier** to increase to 30 trips, from 28 trips

# Price: Recommended Fare Adjustments, FY24 – FY28

With Board adoption, will replace May 2022 Fare Structure

## Gradual incremental fare increases:

- In FY24-25, fares remain **unchanged** (no increase) to focus on electrified service and growing ridership
- In FY26, **Base fare** increases by **\$0.25**
  - \$3.75 to \$4.00 for adult and \$1.75 to \$2.00 for ED
- In FY27, **Zone upgrade** increases by **\$0.25**
  - \$2.25 to \$2.50 for adult and \$1.25 for ED
- In FY28, **Base fare** increases by **\$0.25**
  - \$4.00 to \$4.25 for adult\*
- FY24-28: Monthly Pass Multiplier remains priced at 24 trips (12 roundtrips)

**Reduce minimum group size** for Group Travel Discount from 25 to 15 people

**Clipper START fare:** Update price calculations so it aligns exactly with ED Clipper fare

\*Increase in Base Fare to apply to adult fares only due to rounding rules

# Proposed fare adjustments result in the following sample fares

Zones Traveled	Fare Type	Payment	Category	Current	FY24-25	FY26	FY27	FY28
1	One-way	Clipper	Adult	\$3.20	\$3.20	\$3.45	\$3.45	\$3.70
2	One-way	Clipper	Eligible Discount	\$2.60	\$2.60	\$2.70	\$2.95	\$3.10
2	Monthly Pass	Clipper	Adult	\$130.80	\$130.80	\$136.80	\$142.80	\$148.80
3	One-way	Clipper	Clipper START (Adult Means-based)*	\$3.85	\$3.60	\$3.70	\$4.20	\$4.35
3	One-way	Ticket Machine, Mobile App	Adult	\$8.25	\$8.25	\$8.50	\$9.00	\$9.25

Based on recommended FY24-28 fare adjustments

\*Staff recommend updating the calculation for Clipper START fares to have it align exactly with ED fares.



# Proposed Fare Increases are Lower than those in the Deferred Fare Structure

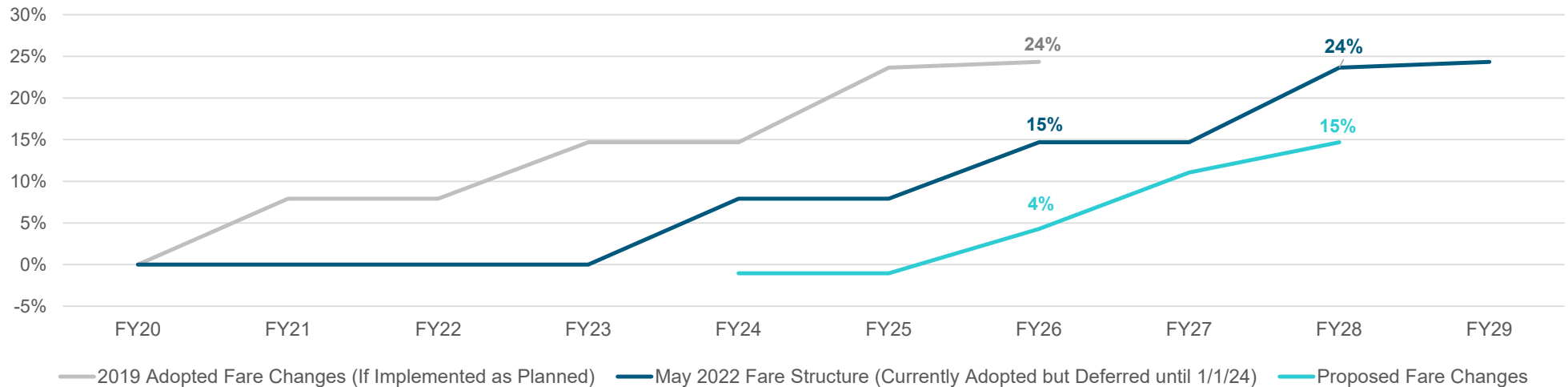
Under the 2019 Fare Structure, which was deferred and then replaced by May 2022 Fare Structure:

- A 2-zone fare would have been 24% higher on average in FY26 than in FY22

Under the **proposed** fare structure:

- Fare increases under the proposed schedule are delayed until FY26
- The recommended increases are significantly lower than previously adopted prices

Average Percentage Change in 2-Zone Fares



Proposed fares proposed through FY28, Deferred fares would be in place through FY29

# Fare Revenue and Ridership (excluding Go Pass)

*Proposed fare changes are estimated to increase non-Go Pass fare revenue by \$1.1M over three years*

## Projected Annual Fare Revenue, Excluding Go Pass Revenue

	FY24	FY25	FY26	FY27	FY28	FY24-FY28
<b>Revenue</b>	\$ 29,900,000	\$ 35,900,000	\$ 42,600,000	\$ 51,300,000	\$ 60,700,000	\$220,500,000
Annual Ridership	5,000,000	6,000,000	6,800,000	7,800,000	8,900,000	34,500,000
Assumed Growth in Ticket Quantity	16%	20%	15%	15%	15%	
Delta from Spring 2023 Proforma Forecast	\$0	\$0	-\$100,000	\$600,000	\$600,000	\$1,100,000

**Regional Transfer Discount Program:** With anticipated ridership growth (5% or more) as well as subsidy from the pilot program, the Regional Transfer Discount is expected to be a minimum of revenue neutral and likely revenue positive for Caltrain

# Impacts to Equity, Customer Experience, and Operations are expected to be minimal

	Expected Impact	Impacts	Mitigations
Equity	Positive	<ul style="list-style-type: none"> <li>Proposed changes result in lower prices than currently adopted Fare Structure prices</li> <li>Transfer discount will especially benefit riders with lower incomes</li> </ul>	<ul style="list-style-type: none"> <li>Commitment to Clipper START, Go Pass Donation Program, and Equity, Connectivity, Recovery, &amp; Growth Policy</li> </ul>
Customer Experience	Positive	<ul style="list-style-type: none"> <li>Positive customer experience</li> <li>No fare changes until FY26 and FY26-FY28 changes are minimal</li> <li>Regional transfer discount</li> <li>Enhanced customer experience with alignment of ED and Clipper START fares</li> </ul>	<ul style="list-style-type: none"> <li>None expected</li> </ul>
Operations	Moderate	<ul style="list-style-type: none"> <li>Operators and conductors need to be made aware of regional transfer discount and fare price changes</li> </ul>	<ul style="list-style-type: none"> <li>Coordinate with TASI and Caltrain staff to train operators and conductors</li> </ul>



# Summary of Recommendations

## Increase Fares Incrementally

**FY26: Increase Base Fare** by \$0.25

**FY27: Increase Zone Upgrade** by \$0.25

**FY28: Increase Base Fare** by \$0.25

### Other (FY24-28):

- **No proposed change to Monthly Pass Multiplier**, which remains priced at 24 trips (12 roundtrips) through FY28
- Reduce Group Size for **Group Travel Discount** to 15 from 25

## Participate in Regional Programs

- Continue participation in **Clipper START**; align Clipper START and ED Fares
- Add **Regional Transfer Discount Pilot** Program to Fare Structure for Clipper Next Generation launch
- Allow **Open Payments** on Clipper for Clipper Next Generation launch
- Continue participating in Clipper **Bay Pass Pilot** program development

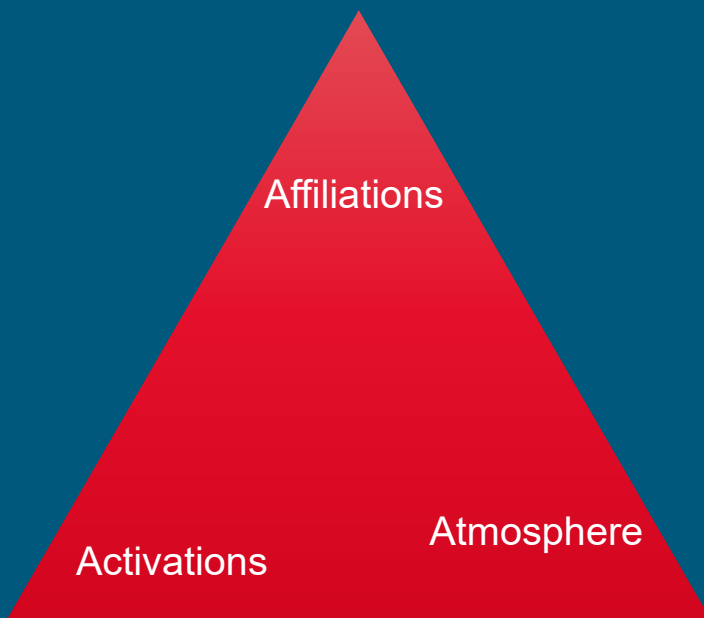
## Update Legal Document

- Board adopt **two Fare Structures**, for two periods of time depending on Clipper System in use:
  - One Fare Structure that goes into effect immediately, on existing Clipper System
  - One Fare Structure that goes into effect with MTC's launch of Clipper Next Generation System (anticipated 2024) through FY28

# Go Pass Program Recommendations

# Caltrain Customer Acquisition Strategy

*Sourced from Caltrain Customer Acquisition Presentation*



- **Affiliations:** Ridership growth through promotion of specific fare products, i.e., partnerships with organizations that align with target consumer segments. Go Pass is the core product in Caltrain's business-to-business (B2B) marketing strategy.

 **Go Pass**

- **Atmosphere:** Ridership growth through brand campaigns that situate Caltrain competitively and generate atmosphere; this is where Caltrain promotes new service and its bona fides.
- **Activations:** Ridership growth through creative activations of existing assets, delivering earned media and engagement with new communities.
- **All informed by internal and regional data.**

# Recommendations: Reduce Price of Go Pass and Implement Growth Strategies as part of Caltrain's Affiliation Campaign

## Recommended Fare Structure Price for Go Pass: **\$273.60/pass**

### Rationale:

- Go Pass accounts for 1/3 of current total fare revenue
- Encourage participation through lower price in Fare Structure
- Eliminate previous practice of early enrollment discounting, creating a better customer experience

Proposed Growth Strategy	What	Summer '23	Fall '23	Winter '24	Spring '24	Summer '24
<b>A) Student Go Pass Program</b>	Develop and market Go Pass for Students to schools and universities along the corridor	→				
<b>B) Go Pass Marketing Campaign</b>	Aggressively market the Go Pass to new organizations	→				
<b>C) City Partnerships for Go Pass</b>	Develop strategies to facilitate regulatory support for and use of Go Pass in city programs	→				
<b>D) Business Choice Program</b>	Explore developing a more flexible Business to Business program for bulk sales	→		→		
<b>E) Evaluation</b>	Evaluate 2024 program growth and adjust pricing, marketing strategy etc. as needed				→	

# A) Go Pass for Students

A Go Pass for Students Program has the potential to grow program participation and encourage ridership from new market segments.

## Proposed Program Parameters

- **2024 Price: a reduced rate compared to Regular Go Pass price**
  - Precise price proposal under analysis; to be finalized soon
- **Eligible Users:** Participants would purchase Go Passes for entire student body population (high school, undergraduate, and graduate students)

## Next Steps

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### Operations

**Formalize** Student Go Pass and develop plan to operationalize the program



### Marketing

**Develop a marketing plan** to support the Student Go Pass and identify target institutions



### Participant Outreach

**Engage** with existing and potential new participants to enroll participants in the program



### Program Evaluation

**Evaluate** program performance in 2024 to determine if pricing or other adjustments are needed

# B) Go Pass Marketing Campaign Next Steps



## Operations

Develop schedule, scope, budget, and staffing **plan to support marketing efforts**



## Marketing

Develop a **marketing plan** to support the Go Pass and identify potential participants



## Participant Outreach

**Engage** with potential new participants identified through marketing efforts



## Program Evaluation

**Evaluate** effectiveness of marketing strategies and adjust future campaigns accordingly

# C) City Partnerships for Go Pass Next Steps



## Review Existing Programs

Identify existing and proposed **Transportation Demand Management (TDM) programs** and determine which programs require the provision of transit passes/subsidies



## Engage with Policy Makers

Engage with policy makers, **City staff, and advisory groups** to facilitate regulatory support for Go Pass



## Evaluate

Determine if **changes** are needed to the Go Pass or other Fare Products to **better coordinate with City efforts**



## Update Caltrain's Policies

Update Caltrain **Transit-Oriented Development (TOD) Policy** to make Go Passes a TDM requirement for TOD on Caltrain property

# D) Business Choice Program

*A program like ORCA's Business Choice could offer employers more flexibility for purchasing non-Go Pass fare products from Caltrain*

ORCA Business Choice Program Features	Existing Go Pass Feature	Potential Future Caltrain B2B Feature
Employers select fare products and number of recipients	No	Yes
Employers pay month-to-month, no annual contract	No	Yes
Managed through online portal	Partial <sup>1</sup>	Yes
Option to share costs with employees	Yes	Yes
Ability for employees to pay using pre-tax benefits	Partial <sup>2</sup>	Yes
Accessible to businesses of any size	Yes	Yes

**Notes:**

1. Only available to companies who choose to administer the program using Clipper Cards
2. Varies by participant





# D) Business Choice Program Next Steps

**Further investigation is needed** including a better understanding of **revenue potential, technical feasibility, and operational requirements** to inform program development decision



## Analysis

**Estimate** potential revenue from and costs associated with a new business program



## Operations

**Coordinate internally and with external partners** to understand feasibility and requirements of launching a new business program (IT, legal, Clipper, etc.)



## Evaluation

**Go/no-go decision** on pursuing and operationalizing a new business program



## Marketing

Develop **business to business marketing plan** that encapsulates Business Choice and Go Pass

# Summary of Go Pass Recommendations

Recommended actions are expected to grow Caltrain's revenue and ridership from Go Pass in medium- to long-term

- 1. Reduce Price of Go Pass to increase participation**
  - Go Pass price reduced to \$273.60/Pass
- 2. Pursue strategies to grow Go Pass program, consistent with Caltrain's Customer Acquisition Strategy**
  - Develop Go Pass for Students offering
  - Encourage participation from existing and new participants through incentives and marketing
  - Aggressive marketing to non-traditional Go Pass companies
  - Pursue additional City Partnerships and investigate potential B2B strategies (Business Choice Program) to set program up for future success
- 3. Revisit Go Pass in 2024 and evaluate growth strategies**

# Next Steps

# Next Steps

- **Public outreach process underway**
  - To include public meeting, public hearing, noticing, etc.
- **Title VI analysis underway**
- **Board approval process:**
  - July Finance Committee/August JPB Meeting: Informational Item with Staff Recommendations
  - August Finance Committee: Public Hearing on Recommended Fare Structure
  - September JPB Meeting: Fare Structure Approval
- **Implementation**

**FOR MORE INFORMATION**

[WWW.CALTRAIN2040.ORG](http://WWW.CALTRAIN2040.ORG)

[BUSINESSPLAN@CALTRAIN.COM](mailto:BUSINESSPLAN@CALTRAIN.COM)

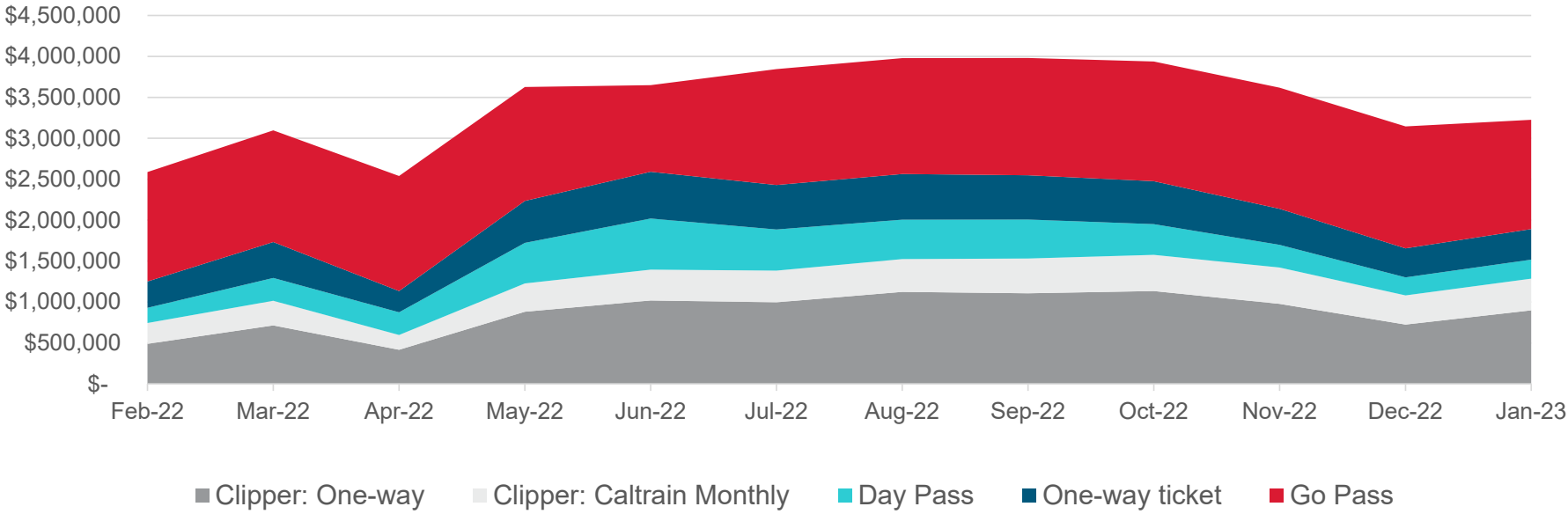
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# **Appendix**

# Existing Conditions

# Revenue by Fare Product



Sources: 2022 Triennial Survey, Caltrain Tableau Dashboards (Ticket Quantity & Revenue)

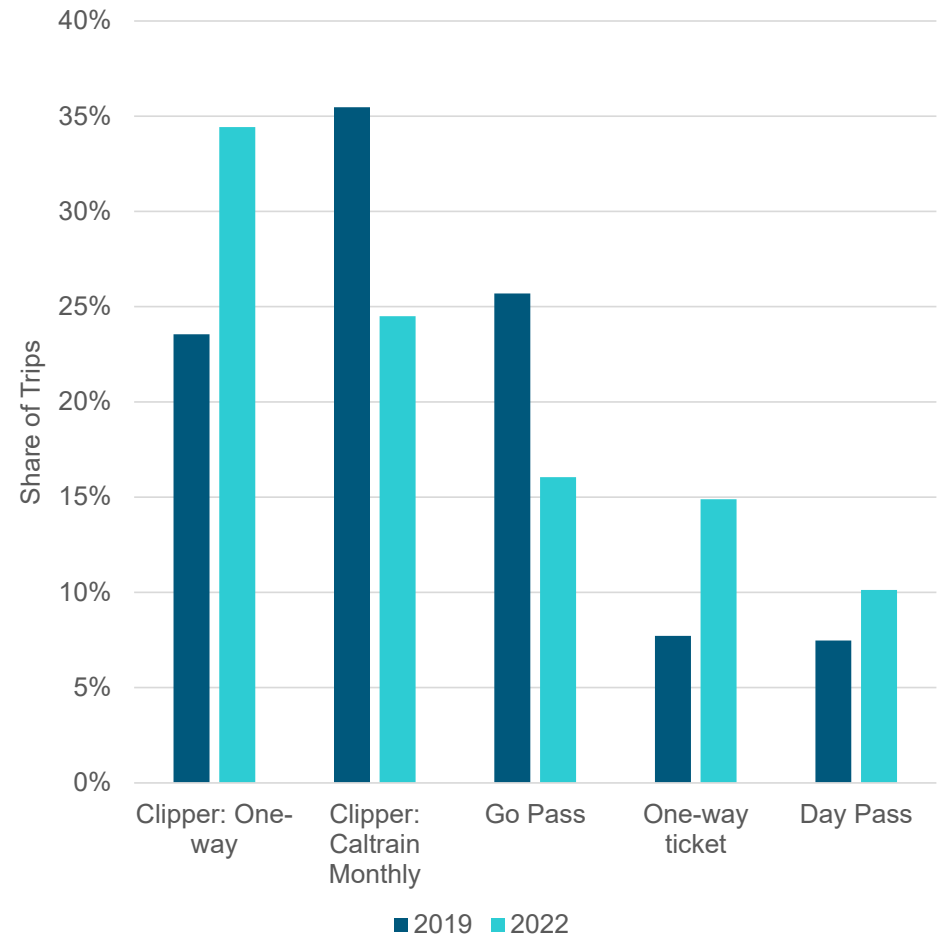




# Riders' Use of Fare Products

- Use of the Monthly Pass and Go Pass has declined since 2019, while use of One-Way tickets has increased
- Clipper One-Way Tickets were the most used fare product in 2022

Sources: 2019 & 2022 Triennial Surveys



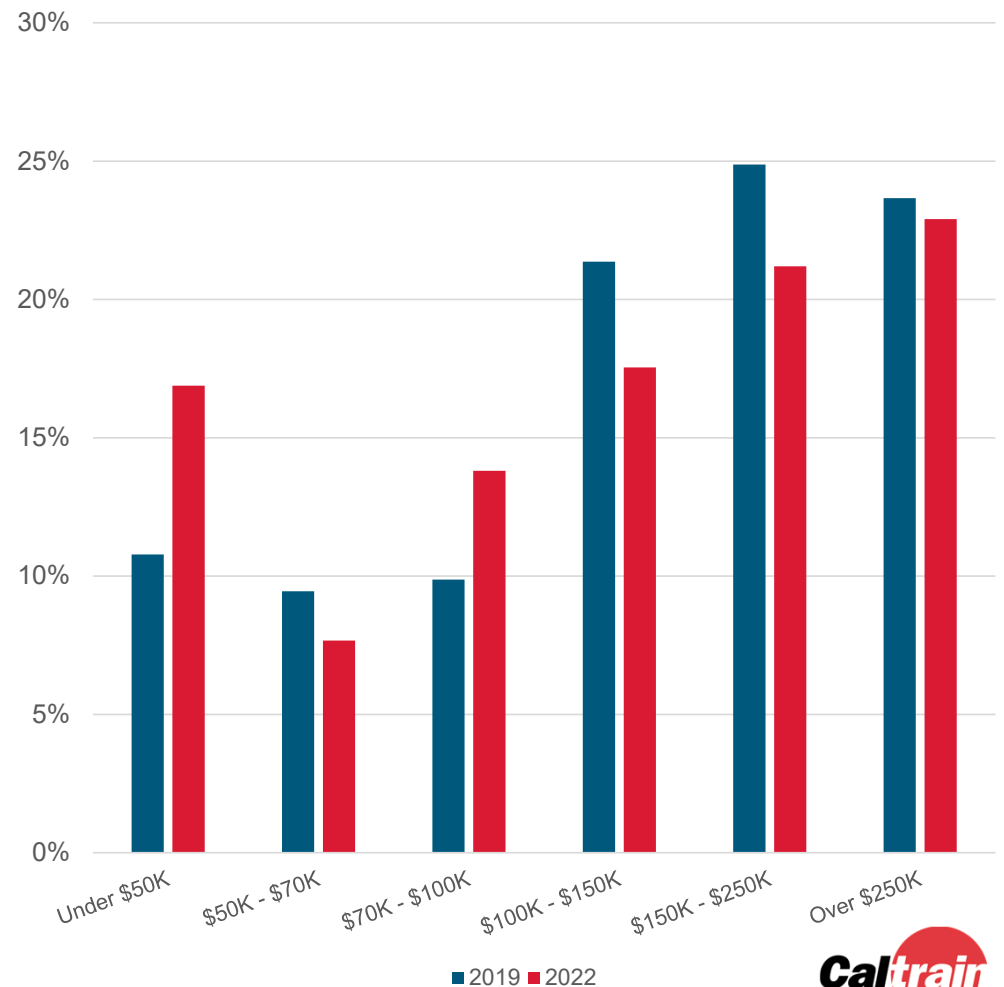
# Riders' Income

## Annual Household Income

- In 2022, 62% of Caltrain riders have an annual household income over \$100,000, which is 8 percentage points lower than 2019 – in other words, the share of riders with lower annual household incomes has grown since 2019.

Sources: 2022 Triennial Survey, 2019 Triennial Survey

2019 vs. 2022 Annual Household Income

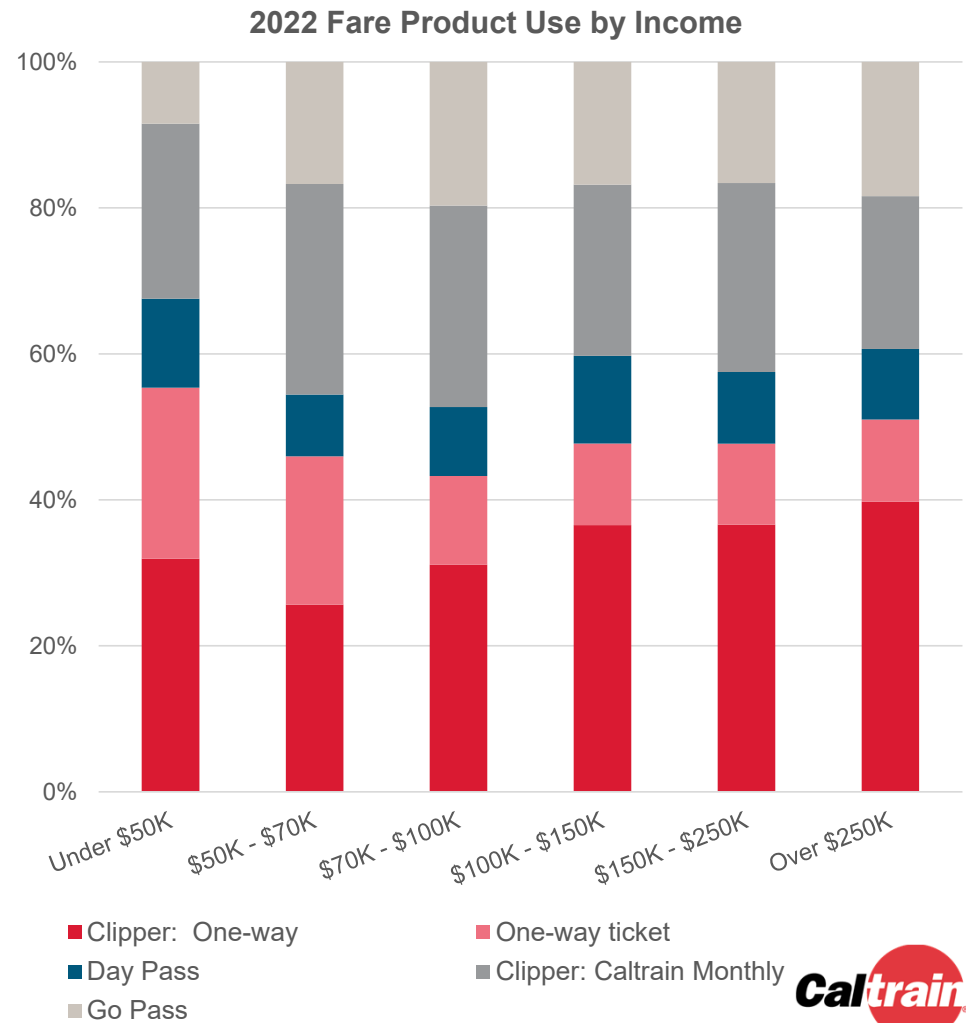


# Riders' Income & Fare Product Use

## Annual Household Income

- Riders with annual household incomes under \$50,000 are more likely to use single-ride tickets.
- Riders with annual household incomes between \$50,000 - \$100,000 have the highest rates of Go Pass and Monthly Pass use.

Sources: 2022 Triennial Survey



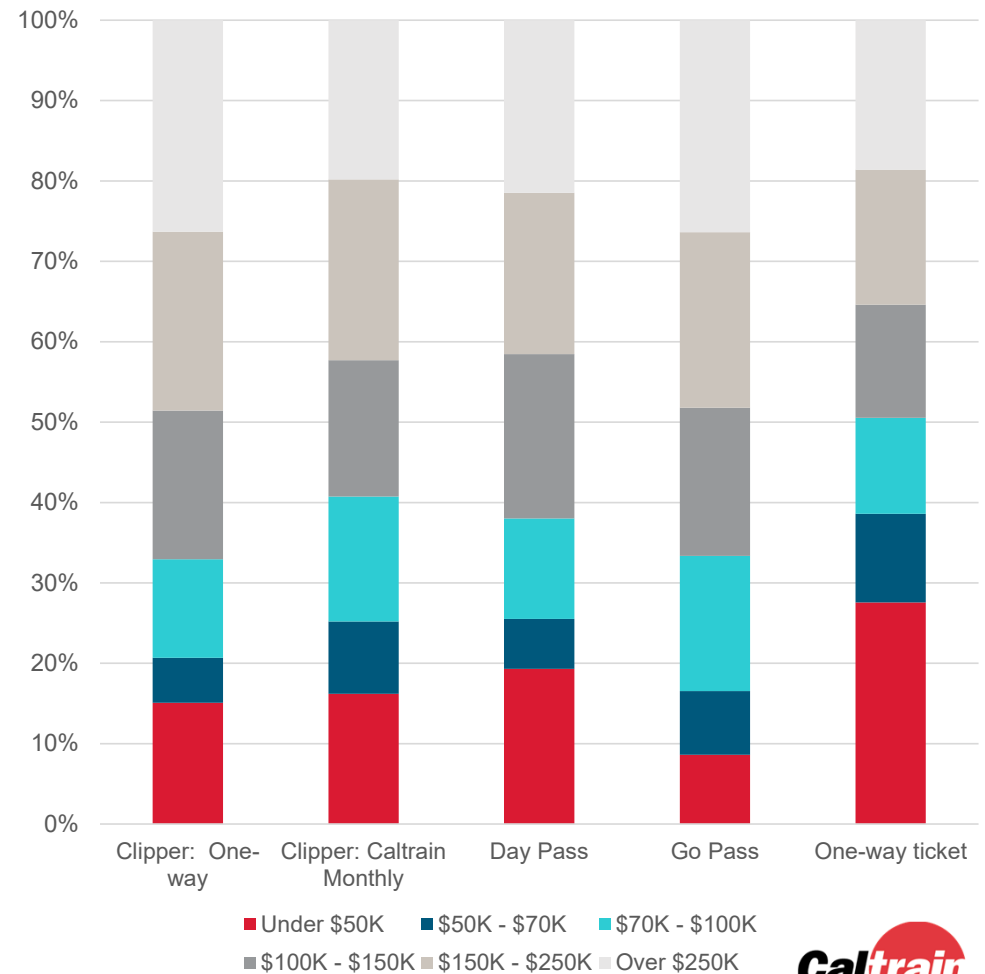
# Riders' Income & Fare Product Use

## Annual Household Income

- Lower-income riders are more likely to use one-way paper tickets
  - Riders with annual household income under \$70,000 are 25% of Caltrain riders but 39% of paper ticket users

Sources: 2022 Triennial Survey

2022 Income by Fare Product Use

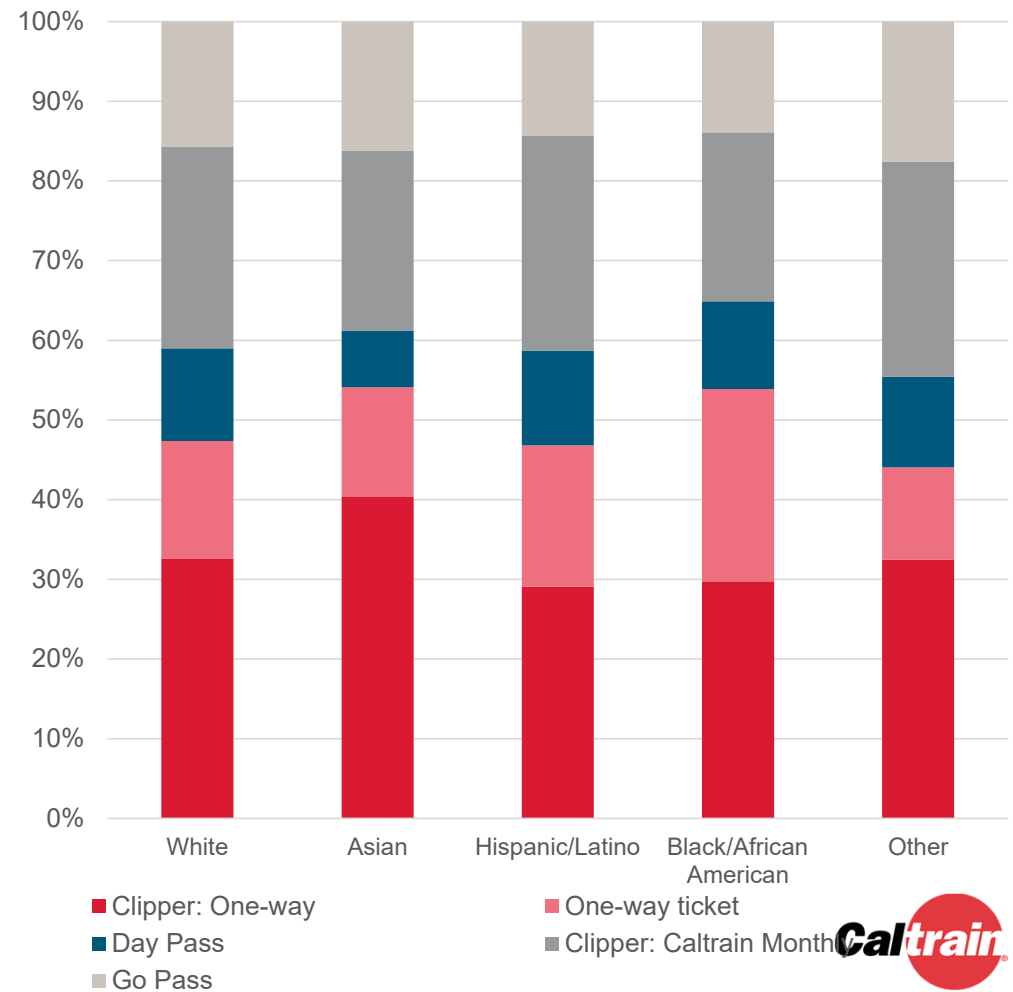


# Riders' Race & Fare Product Use

- Across all races, one-way tickets and Day Passes are more frequently used than Monthly Pass and Go Pass
- A greater share of Asian riders and Black riders use one-way tickets compared to riders of other races
  - Asian riders are more likely to use Clipper based one-way tickets

Sources: 2022 Triennial Survey

2022 Fare Product Use by Race

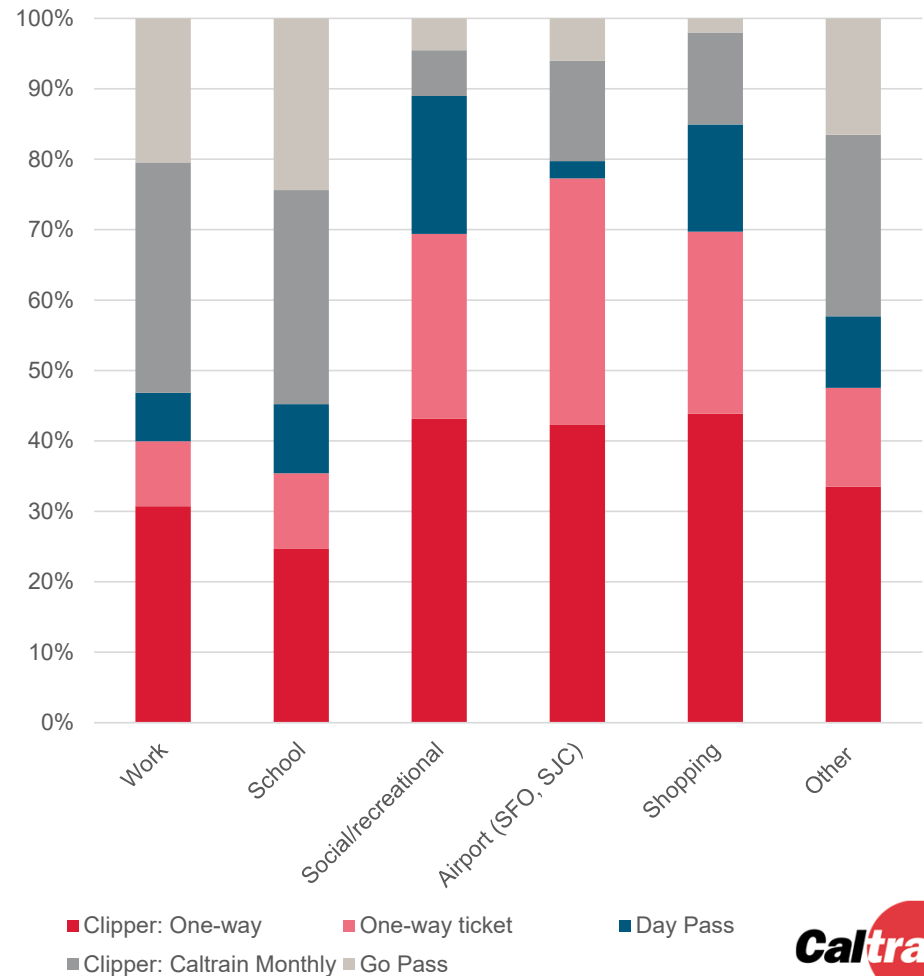


# Riders' Trip Purpose & Fare Product Use

- Caltrain is most frequently used for work or school across all ticket types
- Work and school trips have a higher share of Monthly Pass and Go Pass usage
- People using Caltrain for recreation are most likely to use a day pass or one way ticket (paper or Clipper)

Sources: 2022 Triennial Survey

2022 Trip Purpose by Fare Product



# Price: Previously-adopted Fare Changes in May 2022 Fare Structure, FY24 – FY29

*Temporarily deferred until December 31, 2023*

- Previously adopted fare changes were expected to take effect sooner (in FY24) and result in a larger fare increase
  - In FY24 (started July 1, 2023), **Base Fare** to increase by **\$0.50** for Adult Fares and **\$0.25** for Eligible Discount (ED) Fares
  - In FY26, **Zone upgrade** to increase by **\$0.25**
  - In FY28, **Base Fare** to increase by **\$0.50** for Adult Fares and **\$0.25** for ED Fares
  - In FY 24-28, **Monthly Pass Multiplier** to increase to 30 trips, from current 24 trips

	FY24	FY25	FY26	FY27	FY28	FY29
<b>Monthly Pass Multiplier</b>	30	30	30	30	30	30
<b>Base Fare - Adult</b>	<b>\$4.25</b>	\$4.25	\$4.25	\$4.25	<b>\$4.75</b>	\$4.75
<b>Base Fare - ED</b>	<b>\$2.00</b>	\$2.00	\$2.00	\$2.00	<b>\$2.25</b>	\$2.25
<b>Zone Upgrade - Adult</b>	\$2.25	\$2.25	<b>\$2.50</b>	\$2.50	\$2.50	\$2.50
<b>Zone Upgrade - ED</b>	\$1.00	\$1.00	<b>\$1.25</b>	\$1.25	\$1.25	\$1.25

Base Fare

Zone Upgrade

# Price: Recommended Fare Adjustments, FY24 – FY28

*With Board adoption, will replace May 2022 Fare Structure*

- **Gradual incremental fare increases:**
  - In FY24-25, fares remain **unchanged** to focus on electrified service and growing ridership
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  - FY24-28: Monthly Pass Multiplier remains priced at 24 trips (12 roundtrips)
- **Reduce minimum group size** for Group Travel Discount from 25 to 15 people
- **Clipper START fare:** Update price calculations so it aligns exactly with ED Clipper fare

	FY24 (07/23)	FY25 (07/24)	FY26 (07/25)	FY27 (07/26)	FY28* (07/27)
<b>Monthly Pass Multiplier</b>	24	24	24	24	24
<b>Base Fare - Adult</b>	\$3.75	\$3.75	<b>\$4.00</b>	\$4.00	<b>\$4.25</b>
<b>Base Fare - ED</b>	\$1.75	\$1.75	<b>\$2.00</b>	\$2.00	\$2.00
<b>Zone Upgrade - Adult</b>	\$2.25	\$2.25	\$2.25	<b>\$2.50</b>	\$2.50
<b>Zone Upgrade – ED</b>	\$1.00	\$1.00	\$1.00	<b>\$1.25</b>	\$1.25

\*Increase in Base Fare to apply to adult fares only due to rounding rules

**Zone Upgrade**

**Base Fare**