



Memorandum

Date: 09.03.15 **RE:** Finance Committee
September 8, 2015

To: Finance Committee: Commissioners Avalos (Chair), Mar (Vice Chair), Campos, Cohen, Kim and Wiener (Ex Officio)

From: David Uniman – Deputy Director for Planning *DUE*

Through: Tilly Chang – Executive Director *TChang*

Subject: **ACTION** – Recommend Executing a Funding Agreement with the Bay Area Rapid Transit (BART) District for a Three-Year Period in an Amount Not to Exceed \$406,000 for the San Francisco BART Travel Incentives Pilot Project and to Authorize the Executive Director to Negotiate Agreement Payment Terms and Non-Material Agreement Terms and Conditions

Summary

The Transportation Authority is partnering with the Bay Area Rapid Transit (BART) District on a pilot project to address train crowding in downtown San Francisco by incentivizing riders to shift their travel to the shoulders of the peak period or other stations and routes (the San Francisco BART Travel Incentives Pilot Project). The pilot project will involve creating a BART loyalty program whereby riders receive rewards for using BART during off-peak periods. Traveler responses to the incentives will be monitored closely using transit smart card (Clipper) data and project staff will adjust incentives in response to traveler route and time-of-day choices. The pilot project budget includes a \$508,000 federal Value Pricing Program grant, \$400,000 in BART operating revenues, and a \$45,800 Prop K sales tax appropriation being sought concurrently with this request which will be considered by the Plans and Programs Committee at its September 15 meeting.

BACKGROUND

Bay Area Rapid Transit (BART) is enjoying very high demand for its services as Bay Area employment and population grows. This has led to system crowding, especially in the trains servicing the downtown San Francisco Embarcadero, Montgomery, Powell, and Civic Center Stations. Trains have been operating above 100% of programmed capacity during peak periods in this corridor since 2012, and growth is expected to continue. BART predicts ridership growth at between 2 and 6 percent per year through 2040.

BART is working on a number of capacity enhancing solutions such as new train cars and train control system, but these solutions will not provide congestion relief until 2017 at the earliest. A short-term approach to addressing crowding is needed while these longer-term solutions are developed. The Transportation Authority and BART are working together to manage peak congestion on the system by providing direct incentives to a select group of BART riders via a web application. Traveler responses to the incentives will be monitored closely, and project staff will adjust incentives in response to traveler route and time-of-day choices. A similar pilot recently deployed in Singapore has resulted in participation of 300,000 riders and nearly a 10 percent shift of travel to the shoulders of the peak period on the city's crowded transit system.

The San Francisco BART Travel Incentives Pilot Project supports several goals including:

- Improving BART riders' satisfaction by alleviating congestion on the most crowded trains.
- Supporting continued growth in BART ridership until more permanent system capacity improvements are brought online.
- Supporting implementation of the Bay Area vision for focused growth around transit by alleviating congestion associated with new development around already-congested stations.
- Demonstrating a successful proof-of-concept of the approach of providing direct incentives to shift travel behavior and mitigate congestion.

The Transportation Authority, working in partnership with BART, secured a \$508,000 federal Value Pricing Program grant to support this work, and will also be contributing \$45,800 in Prop K sales tax funds, which is the subject of a separate request this month. BART is contributing \$400,000 in BART operating revenues, for a total overall budget of \$953,800.

DISCUSSION

The purpose of this memorandum is to seek a recommendation to execute a funding agreement between BART and the Transportation Authority to provide federal funds to BART to support implementation of the pilot project. BART will license a software platform used successfully in Singapore to provide incentives directly to riders to encourage travel in off-peak periods. BART will also contribute its own operating revenues to fund the incentives. The Transportation Authority will use the remainder of the federal funds, as well as the local Prop K sales tax funds to market the program to BART riders, employers, and workers in the vicinity of the Embarcadero and Montgomery Stations, and to evaluate the pilot program. In addition to the funding agreement which will describe the scope, schedule, invoicing and reimbursement procedures and other terms, the Transportation Authority and BART will also execute a project charter that describes each agency's role and contribution to the project.

Additionally, the two agencies will establish a Technical Advisory Committee to seek stakeholder input and plan to extend invitations to the Metropolitan Transportation Commission (administrator of Clipper); the San Francisco Municipal Transportation Agency, the San Francisco Department of Environment, the San Francisco Chamber of Commerce, and the Alameda Contra-Costa Transit District. The majority of the scope of work is anticipated to be completed by August 2016, with an optional task to extend the duration of the pilot program through fall 2018.

ALTERNATIVES

1. Recommend executing a funding agreement with BART for a three-year period in an amount not to exceed \$406,000 for the San Francisco BART Travel Incentives Pilot Project and to authorize the Executive Director to negotiate agreement payment terms and non-material agreement terms and conditions, as requested.
2. Recommend executing a funding agreement with BART for a three-year period in an amount not to exceed \$406,000 for the San Francisco BART Travel Incentives Pilot Project and to authorize the Executive Director to negotiate agreement payment terms and non-material agreement terms and conditions, with modifications.
3. Defer action, pending additional information or further staff analysis.

CITIZENS ADVISORY COMMITTEE (CAC) POSITION

The CAC was briefed on this item at its September 2, 2015 meeting and unanimously adopted a motion of support for the staff recommendation.

FINANCIAL IMPACTS

The total project will be funded by \$508,000 of federal Value Pricing Program grant funds, \$45,800 of Prop K sales tax funds, and \$400,000 of BART operating revenues, for an overall budget of \$953,800. Award of this funding agreement is contingent on the approval of the federal Value Pricing Program grant authorization by the California Department of Transportation, anticipated in mid-September. BART will use its own operating revenue to provide the required 20 percent match for its expenses. A portion of the proposed funding agreement will be included in the Transportation Authority's mid-year budget amendment. Sufficient funds will be included in future fiscal year budgets to cover the remaining cost of this agreement.

RECOMMENDATION

Recommend executing a funding agreement with BART for a three-year period in an amount not to exceed \$406,000 for the San Francisco BART Travel Incentives Pilot Project and to authorize the Executive Director to negotiate agreement payment terms and non-material agreement terms and conditions.

Attachment:

1. Draft Scope of Services

Attachment 1
San Francisco BART Travel Incentives Pilot Project
Draft Scope of Services

Scope of Work and Budget

The Transportation Authority and BART are working together on a pilot project to address crowding by incentivizing riders to shift their travel to the shoulders of the peak period or other stations and routes. This will involve creating a BART loyalty program whereby riders receive rewards for using BART during off-peak periods. Traveler responses to the incentives will be monitored closely using transit smart card (Clipper) data, and incentives would be adjusted accordingly for maximum effect.

Scope of Work

The Transportation Authority will cover costs associated with licensing software for a rewards loyalty program and customizing that software to meet the project needs, as well as additional contingency budget to cover extending the pilot duration, increased incentives, and support for marketing the program to BART riders. The Transportation Authority will pay up to \$325,000 to cover these costs; BART will pay \$81,000, for a total not-to-exceed amount of \$406,000.

Task 1: Software development coordination

BART will procure a consultant to customize software for a travel rewards program and will review consultant deliverables in consultation with Transportation Authority and other project stakeholders.

Task 2: Software design and data analysis

BART and its consultant will:

- Set up commuter engagement website
- Conduct statistical analysis of public transport travel data
- Propose an incentives scheme and document a methodology for participant selection and admission into the program
- Incorporate marketing messages, brand, and images provided by the project team
- Test the website and ensure quality control

Task 3: Deployment

BART and its consultant will deploy the website for up to 25,000 participants for a six- to nine-month pilot period, with the option to extend for an additional three months. BART and its consultant will provide regular (anticipated monthly) progress reports showing how commuters are participating in the program and the effect of the incentives on travel behavior.

Task 4: Contingency (optional task)

BART may spend up to an additional \$116,000 on incentives during the six-month pilot period, if needed, or to provide additional budget for incentives beyond the initial six-month period. These funds will also cover BART staff time associated with marketing the program.

The scope of this task and contingency fund may be released if first approved in writing by the Transportation Authority.

Schedule and Deliverables

Activity	Deliverable	Due Date
Tasks 1 & 2 Software customization	Web link to completed, pre-tested commuter engagement software and web interface	January 2015
Task 3a Software subscription – 25,000 users for months 1, 2 and 3	Software activity report for months 1, 2 and 3	April 2016
Task 3b Software subscription for months 4, 5, and 6	Software activity report for months 4, 5, and 6	August 2016
Task 4 (Optional) Extend duration of pilot or augment incentives	If approved, the Transportation Authority will specify use of contingency funds	September 2018