



***SF* Environment**

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A Department of the City and County of San Francisco

San Francisco Commuter Benefits Ordinance

2011 Annual Report

CommuteSmart

September 2012

EXECUTIVE SUMMARY

The goal of the San Francisco Commuter Benefits Ordinance is to reduce single occupancy vehicle (SOV) trips to and from San Francisco by encouraging the use of sustainable transportation modes. The Ordinance also furthers San Francisco's Transit First policy¹ and the Healthy Air and Clean Transportation Ordinance,² contributing to greenhouse gas emissions reduction goals by reducing the number of SF commuters driving alone to work. The Commuter Benefits Ordinance, effective January 2009, covers businesses with 20 or more employees nationwide and a location in San Francisco.

The 2011 compliance cycle identified a number of positive conclusions and some areas for improvement in coming years.

1. **The Ordinance resulted in creation of commuter benefits programs.** Overall, the Commuter Benefits Ordinance successfully resulted in the adoption of benefits programs by nearly 40 percent of businesses that reported during the 2011 compliance cycle.
2. **Companies offer programs nationwide because of the Ordinance.** Of these companies, more than one-third now offer a commuter benefits program at all company locations nationwide, highlighting the strength of the Ordinance beyond the City of San Francisco.
3. **Compliance form submissions have increased.** Since the Commuter Benefits Ordinance was first implemented in 2009, the number of businesses submitting compliance forms for the Ordinance has steadily risen.
4. **High participation at small businesses.** On average, two-thirds of employees at small companies in San Francisco participate in commuter benefits programs.
5. **Pre-tax deduction benefit is most frequently offered.** Nearly 80 percent of businesses offer the pre-tax transit/vanpool deduction benefit to employees.
6. **Ordinance has supported increased use of sustainable transportation modes.** Having a commuter benefits program in place provides employees with opportunities to increase use of a variety of commute modes. Thus, the Ordinance has been successful in

1. City of San Francisco, "Transit First Policy," 29 June 2012

[http://www.amlegal.com/nxt/gateway.dll/California/charter_sf/articleviiiathemunicipaltransportationag?f=templates\\$fn=altmain-nf.htm\\$3.0?f=templates\\$fn=altmain-nf.htm\\$3.0#JD_8A.115](http://www.amlegal.com/nxt/gateway.dll/California/charter_sf/articleviiiathemunicipaltransportationag?f=templates$fn=altmain-nf.htm$3.0?f=templates$fn=altmain-nf.htm$3.0#JD_8A.115)

2. City of San Francisco, "Healthy Air and Clean Transportation Ordinance," 29 June 2012

http://www.amlegal.com/nxt/gateway.dll/California/environment/chapter1precautionaryprinciplepolicystat?f=templates&fn=default.htm&3_0=&vid=amlegal%3Asanfrancisco_ca

increasing the number of San Francisco commuters walking, biking, taking transit and ridesharing. As a result of the increase in these modes, the instances of commuters driving alone to work have decreased, thus accomplishing another goal of the program.

7. **Ordinance has resulted in decrease in carbon emissions from commute traffic.** The reduction in commuter vehicles driving to and from San Francisco has summarily reduced the carbon emissions attributed to commute traffic by 255,000 metric tons in 2011. These findings show that the Commuter Benefits Ordinance is succeeding in meeting program and City goals. As improvements are made in the future will continue to increase the influence of the law, a further reduction in vehicle emissions from commute traffic can be achieved.

Although the Ordinance has demonstrated significant results in the three short years that it has been in effect, there are aspects of the program that could be considered:

1. **Outreach to companies with low participation rates.** Larger companies typically have lower rates of participation in these programs, indicating an area where additional outreach efforts may be concentrated. With the data at hand and a local contact within the business available, creating a targeted campaign aimed at those companies may be a prime way to boost overall participation levels and decrease drive alone rates.
2. **Communications.** Analyzing the most successful communications methods in notifying companies about the Ordinance and required compliance form proved that a combination paper mailing and email campaign is most effective. Building on this knowledge, and knowing the other, less effective, forms of communication, may help in developing a more targeted outreach plan for future compliance cycles.
3. **Enhanced information on subsidies.** Data collected revealed that employee-paid pre-tax programs are the most popular commuter benefit offered by San Francisco businesses. The employer-paid subsidy program is a very distant second place, and represents a great opportunity for improvements in offering a wider variety of options for employees.
4. **Enforcement.** Enforcement of the Ordinance will be a primary focus of staff efforts moving forward. The Ordinance provides for a fining structure for businesses that are not in compliance, but a procedure for assessing and collecting fines has not been established. Developing the fine collection process and implementing these procedures will be a key component of the Ordinance in future years, both to encourage companies to comply with the provisions of the law and provide required benefits to their employees and to penalize those companies that choose to disregard the Ordinance.

Overall, the Ordinance has clearly made a strong impact in the way that commuters travel to work in the city, making it less expensive and easier for San Francisco employees to choose a variety of sustainable commute modes.

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1. INTRODUCTION

1.1 SAN FRANCISCO COMMUTER BENEFITS ORDINANCE BACKGROUND

Based on the 2010 American Community Survey, 35 percent of those traveling to work in San Francisco drive alone, while 11 percent carpool and 38 percent use public transportation.³ Although a fair percentage of commuters currently use public transportation, these figures estimate that more than 200,000 commuters drive alone to and within San Francisco each day. Half of these workers arrive between 7 a.m. and 9 a.m.

To reduce the number of commuters driving alone to San Francisco and greenhouse gas emissions, former Supervisor Mirkarimi introduced the Commuter Benefits Ordinance as an amendment to the San Francisco Environment Code, Section 4.⁴ The Ordinance requires San Francisco employers to offer commuter benefits to encourage employees to use transit or vanpools. The mandate passed with strong support from the San Francisco business community, including the Chamber of Commerce and the Building Owners and Managers Association of San Francisco (BOMA).⁵ The SF Board of Supervisors passed the San Francisco Commuter Benefits Ordinance on the first reading with 11 votes and zero dissents on August 8, 2008. The Ordinance became effective in January 2009.

The overarching goal of the Ordinance is to reduce single occupancy vehicle (SOV) trips to and from San Francisco by encouraging commuters to walk, bike, take transit and rideshare to decrease GHG emissions. The Ordinance furthers San Francisco's Transit First policy⁶ and is part of the Healthy Air and Clean Transportation Ordinance.⁷

The Commuter Benefits Ordinance covers businesses with 20 or more employees nationwide and a location in San Francisco. Businesses realize several benefits in terms of tax savings, recruitment and retention and corporate citizenship. Businesses and employees both recognize financial savings as a result: employee's commutes cost less than paying out of pocket, and businesses reduce their payroll taxes with each employee participating. These programs also result in healthier and more productive employees, benefitting the company through increased productivity, better morale and decreased health insurance claims and sick leave.

3. U.S. Census, "2010 American Community Survey," 2 July 2012 <http://www.census.gov/acs/www/>

4. City of San Francisco, "San Francisco Environment Code Chapter 4: Healthy Air and Clean Transportation Program," 10 July 2012,

[http://www.amlegal.com/nxt/gateway.dll/California/environment/environmentcode?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:sanfrancisco_ca\\$sync=1](http://www.amlegal.com/nxt/gateway.dll/California/environment/environmentcode?f=templates$fn=default.htm$3.0$vid=amlegal:sanfrancisco_ca$sync=1)

5. Association of Bay Area Governments (ABAG), "Model Ordinance – Commuter Benefits," 10 July 2012,

http://www.abag.ca.gov/abag/events/agendas/1111909a-ABAG_Model_Ordinance-Commuter_Benefits.pdf

6. City of San Francisco, "Transit First Policy," 29 June 2012,

[http://www.amlegal.com/nxt/gateway.dll/California/charter_sf/articleviiiathemunicipaltransportationag?f=templates\\$fn=altmain-nf.htm\\$3.0?f=templates\\$fn=altmain-nf.htm\\$3.0#JD_8A.115](http://www.amlegal.com/nxt/gateway.dll/California/charter_sf/articleviiiathemunicipaltransportationag?f=templates$fn=altmain-nf.htm$3.0?f=templates$fn=altmain-nf.htm$3.0#JD_8A.115)

7. City of San Francisco, "San Francisco Environment Code Chapter 4: Healthy Air and Clean Transportation Program," 29 June 2012,

[http://www.amlegal.com/nxt/gateway.dll/California/environment/environmentcode?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:sanfrancisco_ca\\$sync=1](http://www.amlegal.com/nxt/gateway.dll/California/environment/environmentcode?f=templates$fn=default.htm$3.0$vid=amlegal:sanfrancisco_ca$sync=1)

1.2 ORDINANCE REQUIREMENTS

Employers have three main options when offering commuter benefits to their employees to comply with the Ordinance: a pre-tax employee-paid benefit, an employer-paid subsidy or an employer-provided shuttle service. Any combination of the three is also eligible.

- **Employee-Paid Pre-Tax Deduction:** Employees have the option to set aside pre-tax funds each month for transit, vanpool or parking expenses. By doing so, taxable income is reduced, translating into travel savings for employees of up to forty percent, based on their income bracket. As a result, business payroll taxes decrease, with up to a nine percent savings per participating employee. Effective January 1, 2012, the IRS pre-tax limit is \$125 per month for transit and vanpool expenses and \$240 per month for parking expenses.
- **Employer-Paid Subsidy:** Through this option, a business can subsidize employee transit, rideshare (carpool or vanpool) or bicycle commuting costs. Similar to the employee-paid pre-tax benefit, businesses do not pay payroll taxes and employees do not pay federal or payroll taxes on the benefit amount, up to the current IRS pre-tax limit. Subsidies are typically provided to employees in the form of a transit card or voucher. The value of the subsidy must be of equivalent value to the Muni Fast Pass 'A' but may not exceed the current IRS pre-tax limits. Employers may also opt to provide a bike benefit of up to \$20 per month for employees.
- **Employer Shuttles:** Employers may provide a shuttle service using a bus or van between employee residential areas or transit stations and their office location(s). This option has been more popular with larger businesses with employees concentrated in a few geographical areas.

Companies may qualify for an exemption to the Ordinance if they meet certain criteria. Businesses with fewer than 20 employees nationwide are not required to be in compliance. However, these businesses are encouraged to provide programs for their employees. Local, state and federal government agencies are also exempt. Other exemptions are provided on a case by case basis for companies with employees who solely telecommute, have contract work in San Francisco less than six months in duration or drive specialty vehicles to project sites.

1.3 SAN FRANCISCO INDUSTRIES

In San Francisco, professional, scientific and technical services are the top industries, which include legal services; accounting, tax preparation and bookkeeping services; architectural and engineering services; and computer systems design.⁸ State and local government is the next largest employment sector in San Francisco, followed by the hospitality sector. Health care and social services and the finance and insurance industries were among the top industries in the city.⁹

8. California Employment Development Department Labor Market Information Division, "Labor Market Information for San Francisco," 19 June 2012, <http://www.calmis.ca.gov/htmlfile/county/sanfran.htm>

9. Ibid.

Technology companies comprise the majority of the industry share in San Francisco. Given the nature of this industry, the size of companies in this sector tends to range from very small start-ups to large corporations with several hundred employees. The influx of employees in this industry and in associated supporting industries has contributed to an increased share of the local economy.

2. ADMINISTRATION OF THE COMMUTER BENEFITS ORDINANCE

Commute Smart, an initiative of the San Francisco Department of the Environment, administers and enforces the Commuter Benefits Ordinance. The management of this program involves both annual compliance activities and on-going program management and monitoring.

Commute Smart offers assistance to employers via an email and phone hotline, answering questions ranging from types of benefits programs that are available to setting up individual consultations to help with setting up programs. Staff also aid employees who call to report that their employers are in violation of the Ordinance. Annually, the Commute Smart team conducts the annual compliance cycle, requiring employers to submit a compliance form each year. This process includes developing the online compliance form, sending notifications to employers to complete the process, assisting employers with completing the form, analyzing the resulting data and sending compliance certificates and non-compliance warnings to each company.

2.1 COMPLIANCE FORM PROCESS

Compliance status is solicited from each employer by requiring the completion of an annual compliance form, due April 30th. A copy of the 2011 compliance form is included in this report in Appendix A. The form requires information on the company's compliance status, commuter benefits currently offered, number of eligible employees in San Francisco and the number of employees participating in the program. Full statistics for each question are available in Appendix B.

Businesses with 20 or more employees and locations in San Francisco were notified of the 2011 annual compliance deadline through several communication channels, including a joint mailing with the Health Care Security Ordinance (HCSO),¹⁰ links on the San Francisco Department of the Environment website and email notifications. The HCSO joint mailing was sent to roughly 5,700 employers in San Francisco. In total, close to 3,700 compliance forms were submitted by April 30, 2011. The majority of employers completed the compliance form through an online form. Those with no internet access submitted a paper survey.

2.2 COMMUNICATIONS METHODS

Many efforts are made to inform employers about the Ordinance and requirements. Commute Smart offers an employer guide on the department website and as a PDF to mail to businesses. This comprehensive guide includes information about the Ordinance and information on tax savings and other benefits for each program option. The guide features step-by-step instructions to determine the best fitting program for the company, how to involve other staff and departments to implement a program and the process for registering employees once the program is in place. The document also includes a vendor directory, listing options for self-administration and full service contracts.

10. City and County of San Francisco Labor Standards Enforcement, "Health Care Security Ordinance (HCSO)," 29 June 2012, <http://sfgsa.org/index.aspx?page=418>

Other materials include example surveys and marketing materials. The sample surveys assess employee commute patterns to help identify which benefit program would be the most effective for staff. The marketing materials include sample posters announcing the program and enrollment instructions, program marketing notices to slip in with paychecks and sample emails to send staff to announce the program. These materials are included in Appendix C.

Commute Smart also offers support services, the most popular being one-on-one employer consultations. Through in person meetings or phone calls, Commute Smart staff assists with determining the type of commuter benefit program to establish, and the necessary steps to implement the program. Staff are available by phone (via a hotline number) or email to answer any questions employers may have about the commuter benefits program options or completing the compliance form.

A variety of notification methods are also utilized to notify employers of the annual compliance cycle and how to complete the form. As seen in Figure 1, the majority of businesses heard about the Ordinance through the joint mailing with the Office of Labor Standards and Enforcement's Health Care Security Ordinance. This beneficial collaboration is possible because the two ordinances share many of the same requirements, including applying to the same size businesses. Additionally, annual compliance reporting deadlines are the same time of year. This mailing includes a letter informing employers about the Ordinance, and the CommuterBenefits.org website address for accessing the compliance form. The mailer was sent to approximately 5,700 employers with San Francisco business registration certificate numbers and 20 or more employees nationwide, a list compiled by the Office of the Treasurer and Tax Collector.

Almost one-third of employers reported hearing about the Ordinance through email, via an e-blast notification sent to all employers who have previously submitted compliance forms. Very few employers heard about the Ordinance through other means, including from a colleague or through a business association announcement.

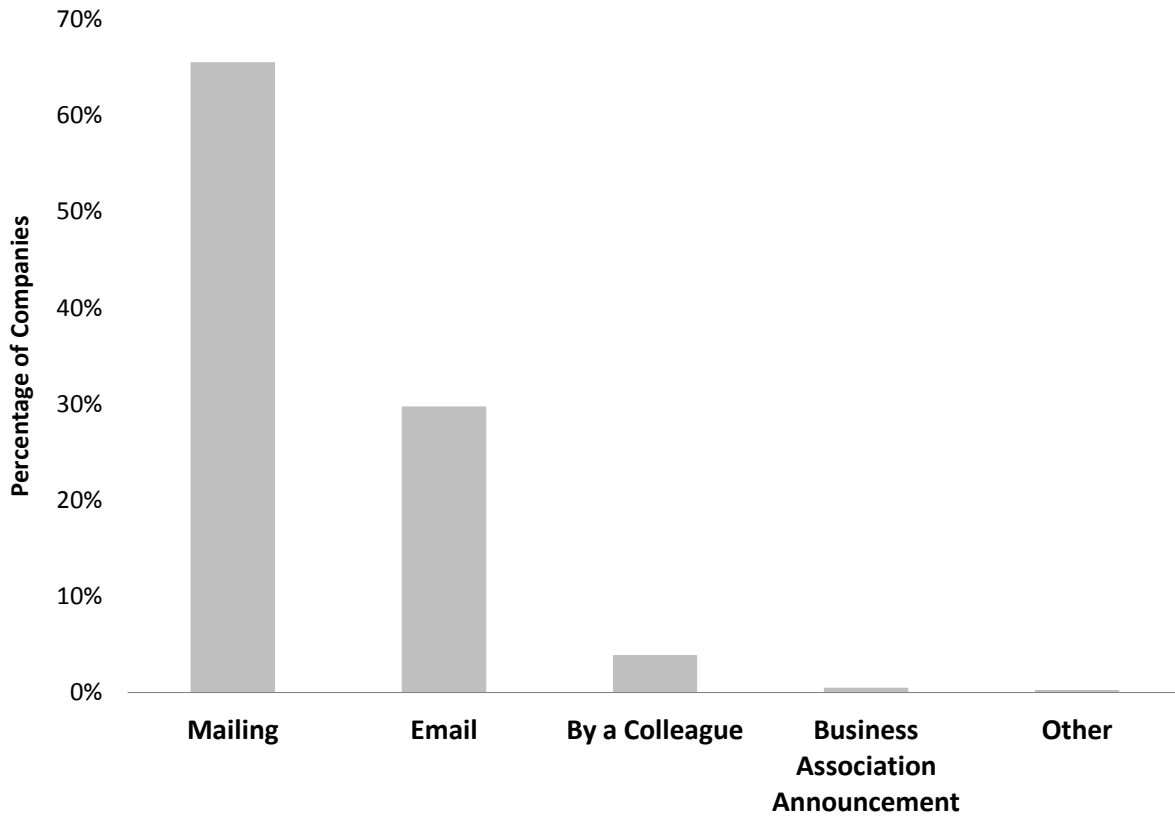


Figure 1. Notification Methods

n = 2,914

By knowing that the joint mailing and the email campaign were the most useful in announcing the compliance cycle and form deadline, activities can be focused in coming years on expanding these methods to reach wider audiences.

2.3 COMPLIANCE TRENDS

Since the Commuter Benefits Ordinance was first implemented in 2009, the number of businesses submitting compliance forms has steadily risen. From 2009 to 2010, the response rate nearly doubled, with a 90 percent increase in forms filed in 2010 as in the previous, inaugural year of the Ordinance. With the lessons learned in terms of notification, the response rate rose again, with a 70 percent increase in responses from 2010 to 2011. Looking at this response rate as a percentage of the total notifications sent in the joint HCSO mailing, approximately 64 percent of businesses submitted a compliance form.

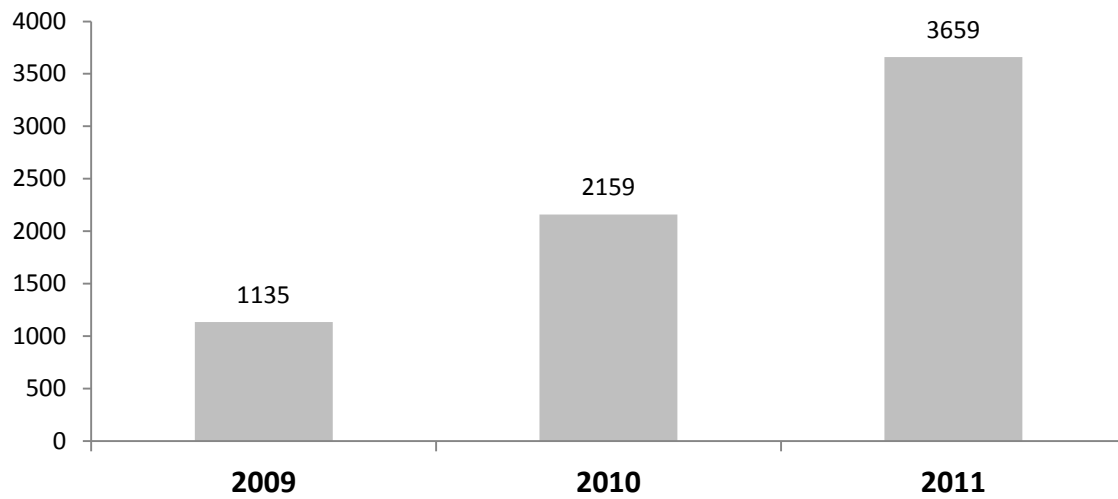


Figure 2. Compliance Forms Filed by Year

3. COMMUTER BENEFITS COMPLIANCE REPORTING RESULTS

The Commuter Benefits Ordinance successfully resulted in the adoption of benefits programs by nearly 40 percent of businesses that reported during the 2011 compliance cycle. Of these companies, more than one-third now offer a commuter benefits program at all company locations as a result of the Ordinance, highlighting the strength of the Ordinance beyond the City of San Francisco. The Ordinance has also resulted in an estimated carbon emissions reduction of 255,000 metric tons in 2011. With an overall average 30 percent employee participation rate among all San Francisco companies, the Ordinance has very clearly made a strong impact in the way that commuters travel to work in the city, making it less expensive and easier for San Francisco employees to choose alternative commute modes rather than driving alone.

3.1 ROLE OF THE ORDINANCE IN STARTING BENEFITS PROGRAMS

Nearly forty percent, or more than one thousand companies, reported implementing a commuter benefits program as a result of the Ordinance, while the remainder took their own initiative. The companies that began a program in response to the Ordinance reported approximately 7,000 employees participating in the programs offered, resulting in a reduction of just over 220,000 vehicle miles traveled each day.¹¹

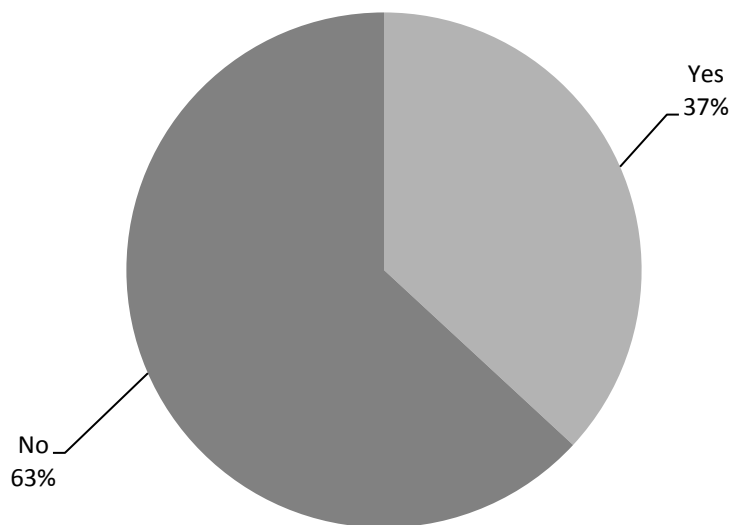


Figure 3. Programs Initiated due to Ordinance

n = 2,793

11. Based on average 16 mile one-way commute (from MTC's Commute Profile). Just over half of San Francisco's employee base live and work in San Francisco based on the 2000 U.S. Census. The remaining employees commute to San Francisco from other counties, primarily Alameda, San Mateo, Contra Costa and Marin Counties. These four counties contribute nearly 225,000 employees to San Francisco's labor force, and the long commutes from these residential areas contribute to this average one-way commute data. Labor Market Information Division: California Employment Development Department, "San Francisco County to County Commuting, 10 July 2012, <http://www.calmis.ca.gov/file/commute-maps/sanfrcommute.pdf>

Of the companies initiating a commuter benefits program to comply with the Ordinance, nearly forty percent have chosen to offer these benefits to all employees nationwide. Given the Ordinance solely governs employees based in San Francisco and, this data suggests over 430 companies have gone above the requirement to offer commuter benefits to all employees in the company. This speaks highly of the ability of the Ordinance to stimulate change outside the bounds of San Francisco.

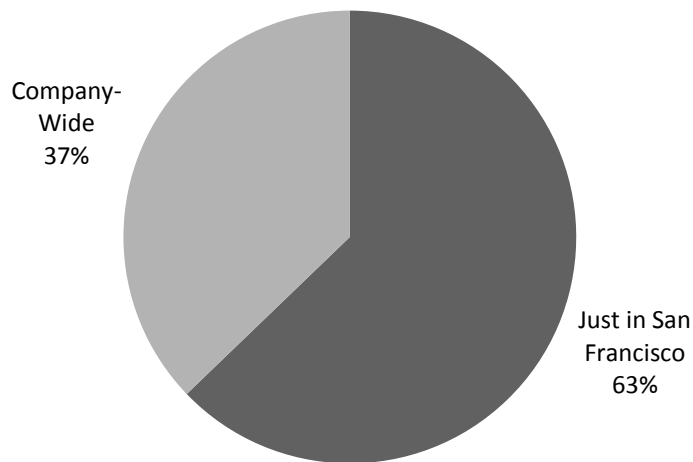


Figure 4. Regional Extent of Commuter Benefits Programs Initiated Due to Ordinance n = 1,113

3.2 COMMUTER BENEFITS PARTICIPATION RATES IN SAN FRANCISCO

The number of San Francisco employees eligible for commuter benefits provides the basis for calculating participation rates. Employee eligibility encompasses all full-time employees, part-time employees working an average often hours per week, and temporary employees working for compensation.

As demonstrated in Figure 5, the average participation rate varies quite a bit by company size. Companies with fewer than 100 employees had much higher participation rates than all other company size categories. On average, two-thirds of employees at these companies participate in commuter benefits programs. The data for this question is analyzed in greater detail in Appendix B. The analysis reveals that nearly half of companies with fewer than 100 employees boast an 80 percent or higher participation rate in their commuter programs.

Large and very large companies (1,000 or more employees), have the lowest participation in commuter benefits programs among eligible employees, averaging approximately one quarter of their employees participating in commuter programs. As the detailed analysis in Appendix B identifies, more than 35 percent of very large businesses report fewer than 20 percent of employees participating in their programs. The majority of these very large companies fall into participation rates less than 40 percent, indicating very low usage of the commuter benefits programs available,

and also identifying the types of companies for more targeted outreach to increase the use of different commute modes.

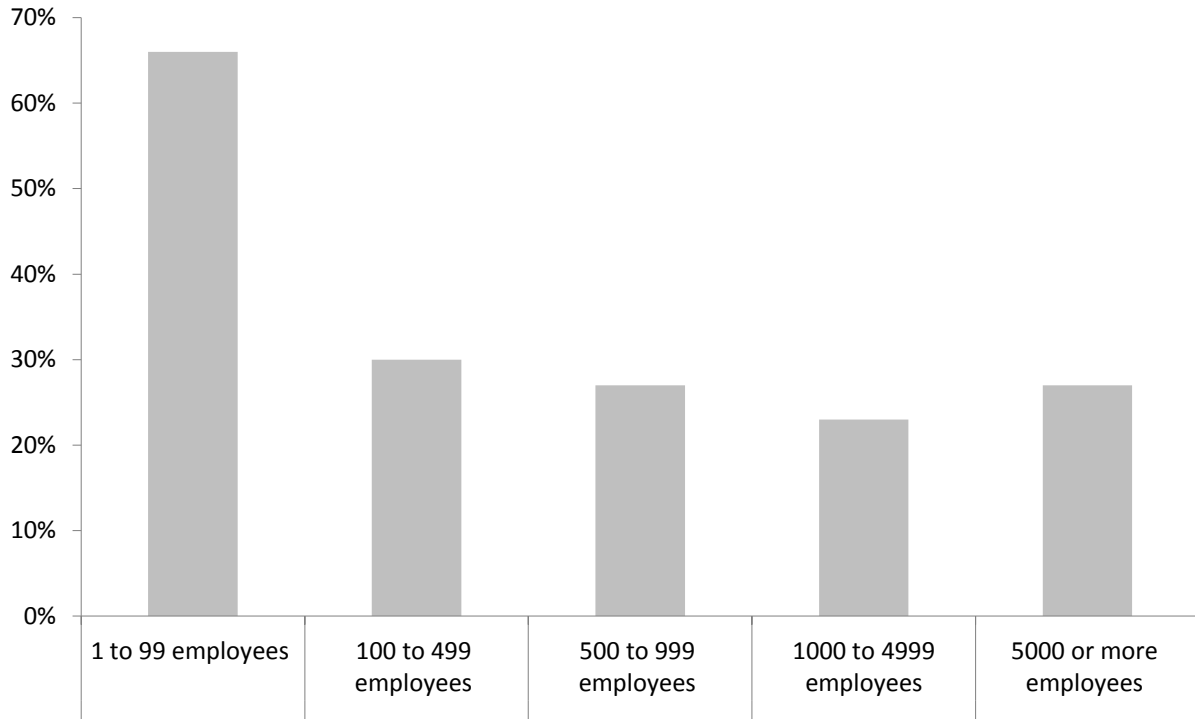


Figure 5. Average Participation Rate by Company Size

n = 2,811

Low participation in commuter benefits programs may be attributed to a number of factors, particularly the location of the business with respect to transit services. If the employer is not located near convenient regional transit service, the rate of participation in programs reducing the cost of transit is not likely to be high. Additionally, the availability of free parking is a disincentive to participate in a benefits program.

The use of varied commute modes is a personal choice, but also comes as a result of company culture. For example, some employers offer company vehicles or bicycles or pay the cost of car sharing for employee use during the workday for work-related tasks. Programs like this negate the need for employees to drive their personal vehicle to work, eliminating one reason for driving alone. Other companies require employees to purchase parking passes rather than offering free parking, creating an incentive to rideshare or use other modes to travel to work. These actions are further incentivized by parking cash-out programs, whereby employees who choose not to purchase a parking permit receive a cash payment in lieu of free parking. Employers may also create an encouraging environment for choosing sustainable commute modes by allowing a more flexible work schedule and enrolling in the San Francisco Emergency Ride Home program. Given these factors, overall company culture may be a variable to be considered in decreasing drive alone commuting.

3.3 ESTIMATED EMISSIONS REDUCTION

One of the primary goals of the Commuter Benefits Ordinance as a part of the Healthy Air and Clean Transportation Ordinance (HACTO) is to reduce air pollution from single occupancy vehicles. The City of San Francisco has committed to reducing carbon emissions to 20 percent below 1990 levels by the end of 2012, and by 80 percent by 2050. The efforts of the Commuter Benefits Ordinance and HACTO will help the City to achieve its air pollution and greenhouse gas reduction goals by encouraging reduction in drive alone commuting.

With the data collected during the 2011 compliance cycle, and the use of some basic assumptions, an estimate of greenhouse gas reductions achieved by the Commuter Benefits Ordinance can be calculated. Based on the number of employees participating in commuter benefits programs in the city, and an average commute distance of 16 miles one-way,¹² an estimated vehicle miles traveled (VMT) reduction was determined. This assumes all participants in the commuter benefits program are no longer driving, and are taking transit, vanpool or a company shuttle. This also assumes all employees participating would otherwise be driving alone to work, and not already taking transit, vanpool or other modes.

Taking the average 23.8 miles per gallon (MPG) fuel efficiency for passenger vehicles,¹³ the average gallons of gas saved is calculated. This calculation can then be applied to determine the amount of CO₂ emissions those gallons of gas would have produced, which can be used as a proxy for the CO₂ emissions reduction as a result of the Ordinance. These calculations estimate that as a result of the Ordinance, a reduction of 1,067 metric tons of CO₂ per standard commute day has been achieved. Assuming an average of 240 commute days per year,¹⁴ this translates into an overall estimated reduction of more than 255,000 metric tons of CO₂ per year.

Table 1. Emissions Reduction Calculations

Number of benefit program participants	89,000
Average commute distance	16 mi. one-way
Average daily VMT Reduction	2,848,000 miles (round-trip)
Average gallons of gas saved	119,664 gallons
Total daily reduction in CO₂	1,067 metric tons
Total annual reduction in CO₂	255,000 metric tons

In 2010, cars and trucks contributed more than 2.1 million metric tons of CO₂ emissions, accounting for 40 percent of all CO₂ emissions in San Francisco. The reduction in carbon emissions as a result of the Commuter Benefits Ordinance represents a 12 percent decrease in these emissions for the City.

12. Based on average 16 mile commute one-way (from MTC's Commute Profile).

13. Bureau of Transportation Statistics Research and Innovative Technology Administration, "Average Fuel Efficiency of U.S. Light Duty Vehicles," 20 June 2012,

http://www.bts.gov/publications/national_transportation_statistics/html/table_04_23.html

14. BAAQMD, "Appendix G: Information for Cost-Effectiveness Worksheets, 28 June 2012,

http://www.sfcta.org/images/stories/Programming/ffca/FY1213%20Call/ffca_fy_1213_local_expenditure_criteria_info%20for%20website.pdf

3.4 NUMBER OF NATIONWIDE EMPLOYEES

Both nationwide and local employee counts are tabulated in the compliance form. The number of nationwide employees determines if the company is required to be in compliance and the range of company sizes with a local presence in San Francisco. As seen in Figure 6, very small companies represented the majority of companies located in San Francisco, with 63 percent of companies counting less than 100 employees nationwide. Small sized companies, ranging in size from 100 to 499 employees nationwide, comprised only 17 percent of the companies housed in San Francisco. In total, 80 percent of companies operating in San Francisco have fewer than 499 employees nationwide.

Only five percent of companies based in the city have 500 to 999 employees. However, the number of large and very large companies is slightly higher, at eight and seven percent respectively. This highlights the draw of San Francisco as an economic base for these larger companies, likely particularly in the finance and technology sectors.

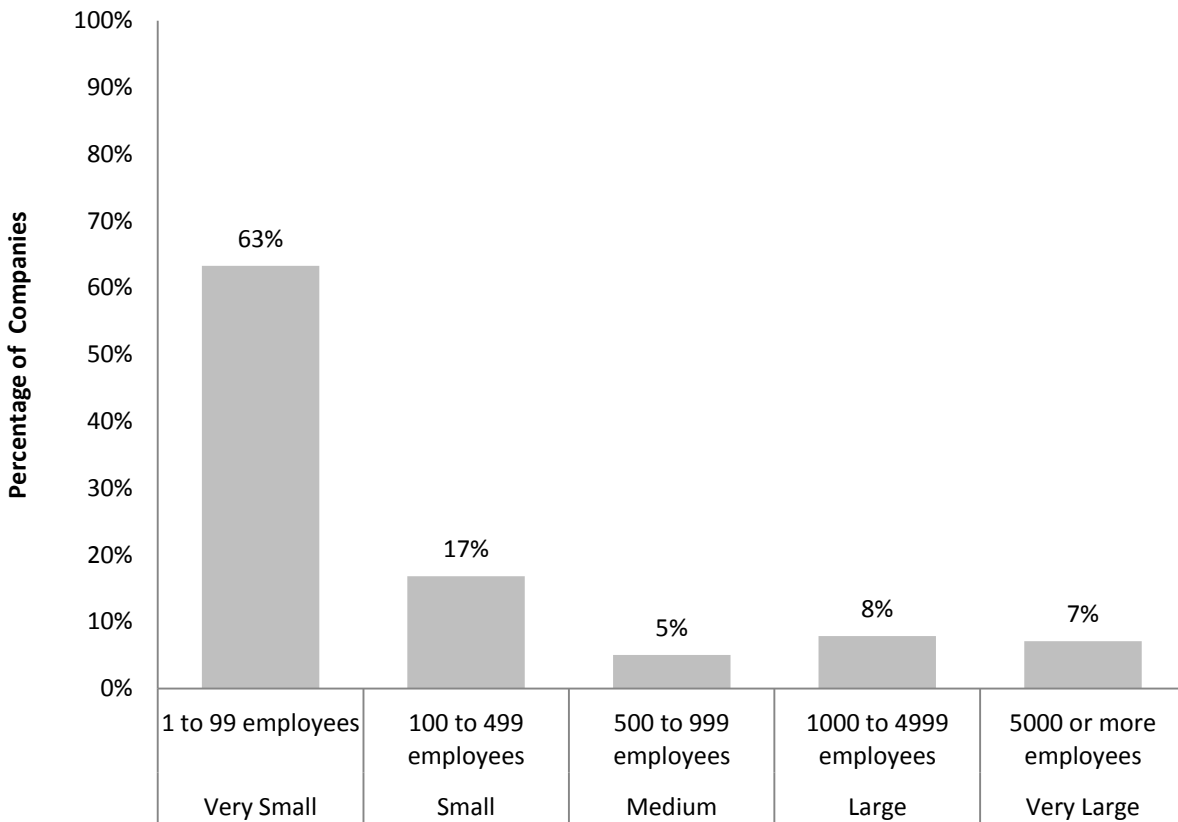


Figure 6. Company Size Distribution

n = 3,343

3.5 BENEFITS OFFERED

Figure 7 captures the variety of benefit options offered to employees, including those that offer a combination of two or three benefits. These combination benefits programs are depicted in red,

while the single option program benefits are shown in light gray. The vast majority of businesses offer the pre-tax transit/vanpool deduction benefit to employees. Of businesses that responded to the compliance form, nearly 80 percent offer this option to their employees.

Slightly less than 14 percent of businesses offer employer-paid subsidies. The regulations for this option may be more difficult for employers to understand, given the required value of the subsidy and how to offer the paid subsidy to employees while maintaining adherence to IRS guidelines. Some employers wish to reimburse employees for travel costs, but under IRS regulations, reimbursements are subject to certain restrictions. This analysis identifies a program area where efforts can be targeted to increase awareness about subsidy options and their potential tax savings to increase the number of employers who are offering these programs.

Less than one percent of employers offer a shuttle service for employees. Given the cost of the program and the size of the employee base necessary for cost-effectiveness, the low number of employers offering this benefit is expected.

Some employers opt to offer a combined program, such as the five percent of businesses that have a combined pre-tax and subsidy program. In this case, an employer may opt to offer employees a small subsidy for transportation costs, and offer a pre-tax program to pay the difference. Nearly all employers offering a shuttle program also provide a pre-tax option, likely to cover any groups of employees not served by the shuttle. A small number of employers offer all three program options.

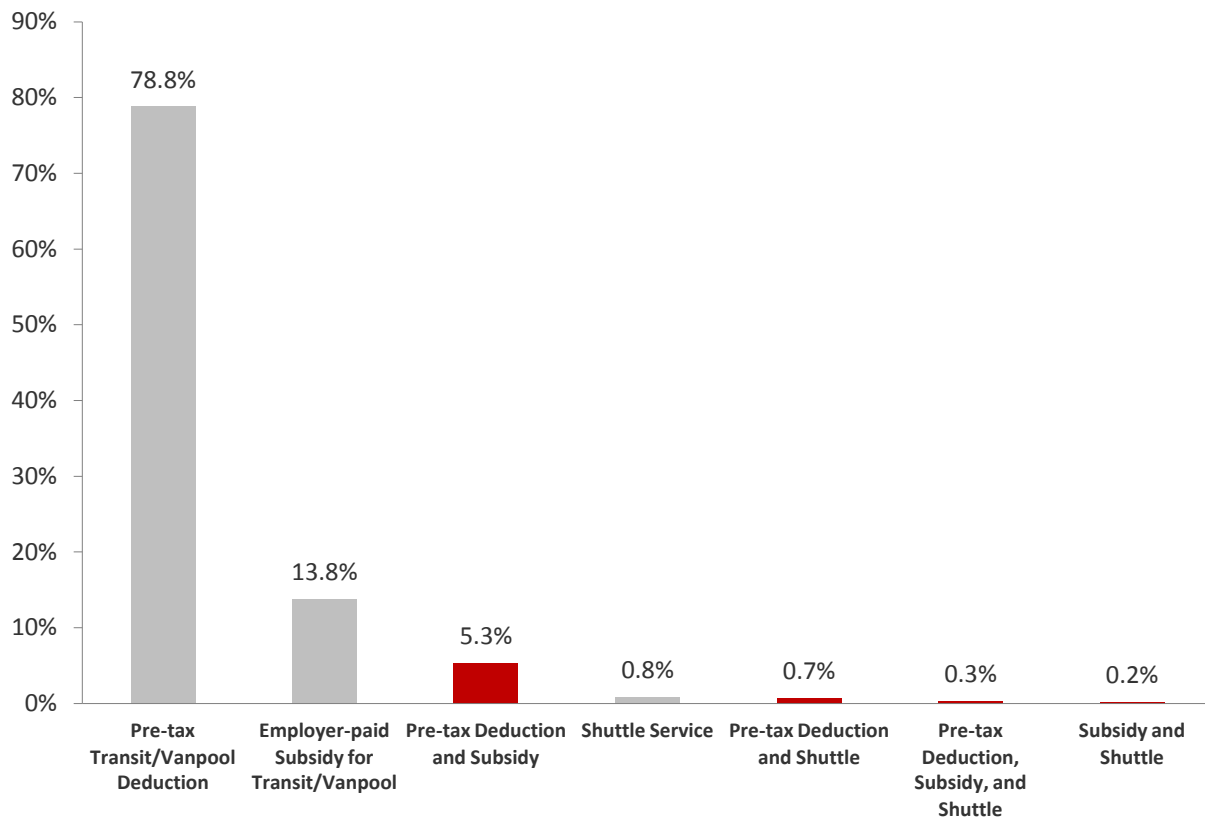


Figure 7. Benefit Options Offered

n = 2,794

Figure 7 suggests the popularity of offering the pre-tax option is not dependent on the size of the business, given most employers chose to offer this option. However, subsidies were offered by very small companies at a slightly higher rate. This may be due to a variety of factors, including the ability of companies with fewer than 100 employees to offer this benefit cost-effectively, and the desire to recruit talented employees with a competitive benefits package in order to grow.

Company shuttles are an expensive program to implement and operate, and would likely be more frequently offered by larger companies. The data does support this, indicating that approximately five percent of medium and very large sized companies offer this option. Conversely, only 1.4 and 1.7 percent of very small and small companies, respectively, offer this benefit, confirming these size companies very rarely offer this incentive to employees, likely given the inefficiency of offering such a costly program for less than 500 employees unless their residences are concentrated near each other or the shuttle operates from one universal place, such as a transit stop, directly to the office.

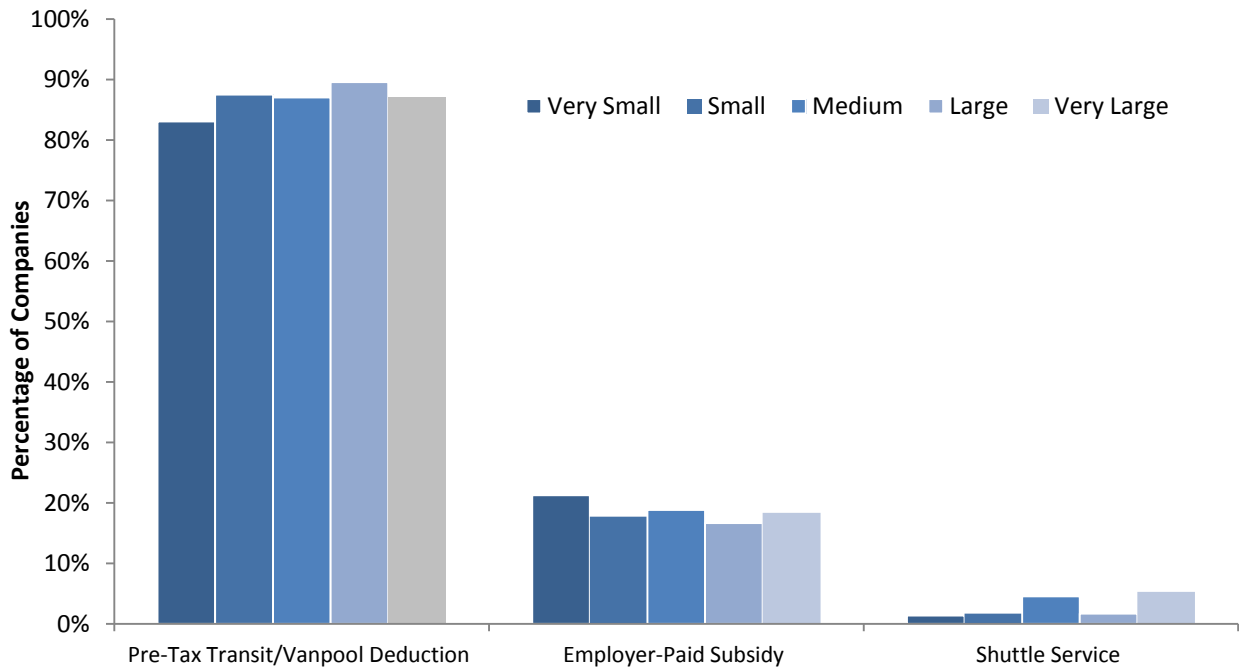


Figure 8. Benefits Offered in Relation to Company Size

n = 2,795

3.6 VENDOR ADMINISTRATION FOR BENEFITS PROGRAMS

Vendors assist with administering commuter benefits programs, including making deductions, distributing fare media and providing customer service to participants. Vendors typically charge \$5 or less per participant per month, depending on services provided and the number of employees participating.

Employers may opt to administer their own program and only involve a vendor minimally to purchase the benefit, resulting in lower vendor costs. In this case, the employer takes benefit orders

from the employees, makes the payroll deductions if necessary, provides the orders to the vendor, and distributes the benefit to employees. Given the amount of work involved in administering a program, this option is more popular with smaller companies with fewer than 75 employees participating.

Businesses choosing not to self-administer, vendors undertake the bulk of the work involved in offering the benefit, including taking employee orders, answering questions, distributing the benefit and purchasing the benefit. This method may result in higher vendor fees, but lessens the burden on the employer and administrative staff time.

In completing the compliance form, businesses were asked if they were using a vendor to administer the program. The responses, tabulated in Figure 9, indicated that the use of these vendors is evenly divided, with just under half of employers using a benefits vendor and the remainder administering the program in-house.

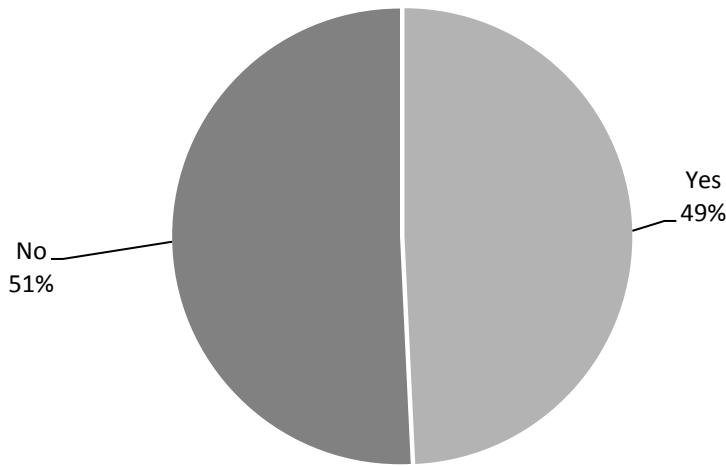


Figure 9. Vendor Administration

n = 2,794

In small companies, administering the program in-house is a good option to keep costs at a minimum. Administration of the program includes taking orders from employees, setting up deductions (in the case of pre-tax programs) and answering employee questions. For larger companies, these activities would likely become too resource intensive unless a staff person is dedicated to program administration. Just over 80 percent of very large employers use a vendor, and only 30 percent of very small companies make the same choice, as shown in Figure 10.

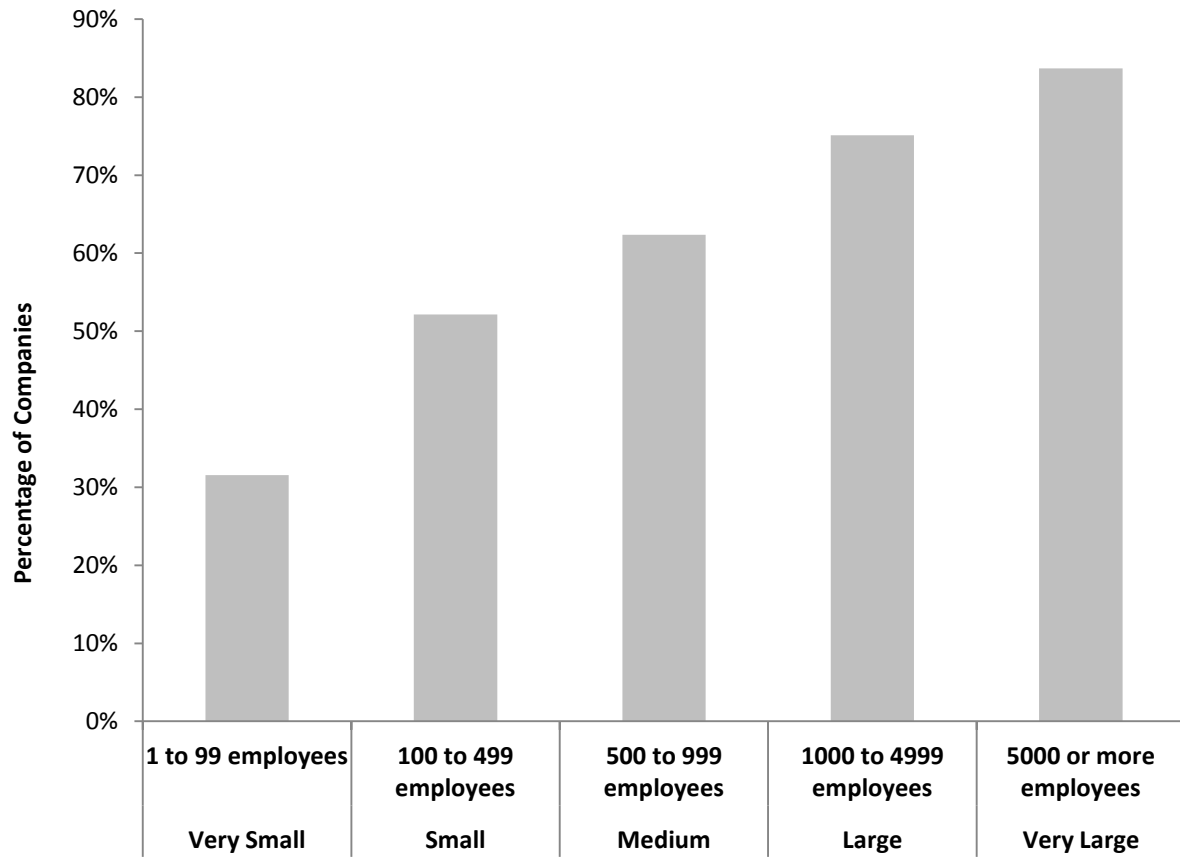


Figure 10. Use of Vendors by Company Size

n = 2,794

4. CONCLUSION

The 2011 compliance cycle identified a number of very positive conclusions and some areas for improvement in coming years. Overall, the results demonstrate that the Ordinance has succeeded in urging a substantial number of employers offering a commuter benefits program. Having the program in place provides employees with opportunities to use a variety of commute modes, or increased the use of these modes. It then follows that the reduction in commuter vehicles driving to and from San Francisco has summarily reduced the greenhouse gas emissions attributed to commute traffic by 1,067 metric tons per day. By these metrics, the Commuter Benefits Ordinance is succeeding in meeting the program goals, and will continue to increase the influence of the law.

4.1 AREAS FOR FUTURE IMPROVEMENT

Although the Ordinance has demonstrated significant results in the three short years that it has been in effect, there are aspects of the program that could be considered:

1. **Outreach to companies with low participation rates.** Larger companies typically have lower rates of participation in these programs, indicating an area where additional outreach efforts may be concentrated. Although these companies are compliant with the Ordinance in offering their employees commuter benefits, increasing the number of employees using those programs is key to achieving the overarching goals of the program. With the data at hand and a local contact within the business available, creating a targeted campaign aimed at those companies may be a prime way to boost overall participation levels and decrease drive alone rates. For example, inviting those companies to participate in the Great Race for Clean Air, or a similar incentive-based program, to encourage employees to try using alternate modes for a short period of time may lead to mode change lasting beyond the time period of the event. Additional outreach to these audiences will be dependent on staff time and resources available.
2. **Communications.** Analyzing the most successful communications methods in notifying companies about the Ordinance and required compliance form proved that a combination paper mailing and email campaign is most effective. Building on this knowledge, and knowing the other, less effective, forms of communication, may help in developing a more targeted outreach plan for future compliance cycles. Rather than spreading effort across a number of communications methods, focusing on a more frequent email campaign, more robust website linked from that email, and a mailing including all businesses required to comply may help in increasing the number of compliant companies and thus the impact of the Ordinance in reducing vehicle trips.
3. **Enhanced information on subsidies.** Data collected revealed that employee-paid pre-tax programs are the most popular commuter benefit offered by San Francisco businesses. The employer-paid subsidy program is a very distant second place, and represents a great opportunity for improvements in offering a wider variety of options for employees. Providing a subsidy for employees who choose to take transit, rideshare or bike to work is a helpful incentive to increase use of those modes. In order to increase the availability of this option,

more information should be made available to employers about how to set up the program, what the benefits are for businesses to provide this option, and the resulting employee satisfaction and productivity associated with using alternate modes and having a robust commuter benefit available for use.

4. **Enforcement.** Enforcement of the Ordinance will be a primary focus of staff efforts moving forward. The Ordinance provides for a fining structure for businesses that are not in compliance, but a procedure for assessing and collecting fines has not been established. Developing the fine collection process and implementing these procedures will be a key component of the Ordinance in future years, both to encourage companies to comply with the provisions of the law and provide required benefits to their employees and to penalize those companies that choose to disregard the Ordinance. The funds collected may help to offset the considerable staff time necessary for this process.

While partnering with OLSE to conduct a joint mailing regarding the Commuter Benefits Ordinance and the Health Care Security Ordinance has been an effective way to reach businesses, efforts to reach all businesses required to comply with the Ordinance need to be enhanced. Developing a strategy to obtain a full list of all businesses that have 20 or more employees nationwide and a presence in San Francisco will result in the ability to contact all of those employers to educate them about the Ordinance, offer assistance in implementing benefits programs if needed, and share information about how to complete the annual compliance form. This will result in increasing the number of employers aware of the Ordinance, and in effect increase the number of employees who have access to benefits to make alternative modes less expensive and more appealing for their commute.

APPENDIX A – 2011 COMPLIANCE FORM

Commuter Benefits Ordinance 2011 Compliance Reporting Form

The Commuter Benefits Ordinance requires San Francisco businesses with 20 or more nationwide employees to offer one of the following benefits to their San Francisco employees:

- 1) A monthly pre-tax deduction, up to \$230/month, to pay for transit or vanpool expenses.
- 2) A monthly subsidy for transit or vanpool expenses equivalent to the value of the San Francisco Muni Fast Pass (including travel on BART), currently \$70/month.
- 3) Shuttle service on a company-funded bus or van between employee home and place of business.

In addition, all businesses, whether or not you need to comply with the Ordinance, must fill out an Annual Compliance Reporting Form by April 30, 2011.

Please submit completed forms:

- By mail to 11 Grove Street, San Francisco, CA 94102
- By email to commuterbenefits@sfgov.org.
- By fax to (415) 554-6393

If you have any questions about the 2011 Compliance Reporting Form or need assistance complying with the Ordinance, please call (415) 355-3727 or email CommuterBenefits@sfgov.org.

Required questions are marked with an *. Incomplete forms will not be accepted.

Employer Information	
Business Name:*	
Business Website:	
Business Street Address (Headquarters):*	
Business Suite/Floor (Headquarters):*	
Business City (Headquarters):*	
Business State (Headquarters):*	Business Zip Code (Headquarters):*
Contact Name & Title:	
Please list addresses for all San Francisco locations:*	
Program Information	
Question 1. <input type="checkbox"/> Check this box if your business is exempt and justify in the "notes" section.	
Question 2a. How is your business exempt from the Ordinance?	
Question 2b. Even though you are exempt, do you offer a commuter benefits program?	

Question 3. My business offers the following benefit(s):* (check all that apply)	<input type="checkbox"/> Pre-tax Transit <input type="checkbox"/> Employer-paid Subsidy <input type="checkbox"/> Shuttle
Question 4. Did you start your commuter benefits program because of the Ordinance? *	<input type="checkbox"/> Yes <input type="checkbox"/> No
Question 5a. Is your commuter benefits program: * (select one)	<input type="checkbox"/> Company-wide <input type="checkbox"/> Just in San Francisco
Question 5b. Do you offer company-wide benefits because of the Ordinance?*	<input type="checkbox"/> Yes <input type="checkbox"/> No
Question 6. Do you use a benefits company to administer your commuter benefits program? *	<input type="checkbox"/> Yes <input type="checkbox"/> No
If using a Third Party Company, please specify the company name:	
Question 7. As of today, how many San Francisco Employees are eligible for your commuter benefits program? *	
Question 8. As of today, how many San Francisco employees are participating in your commuter benefits program? *	
Question 9. How were you notified to fill out the Compliance Reporting Form?*	<input type="checkbox"/> Email from SFE <input type="checkbox"/> Mailing with the Healthcare Ordinance <input type="checkbox"/> By a colleague <input type="checkbox"/> Business association announcement <input type="checkbox"/> Other
Is there any additional information you would like to include?	
<input type="checkbox"/> Check this box you would like to receive periodic email updates on the Commuter Benefits Ordinance, transit changes, and other San Francisco transportation news.	
Thank you filling out your 2011 Commuter Benefits Ordinance Compliance Reporting Form! In addition to administering the Ordinance, the San Francisco Department of the Environment's Clean Transportation Program offers programs and incentives for commuters to use alternative transportation, including: The Emergency Ride Home Program - a free ride home for personal emergencies to commuters using alternative transportation The Rideshare service brings together commuters interested in joining a carpool or vanpool For more information about the Ordinance and/or our programs, email us at CommuterBenefits@sfgov.org , call us at (415) 355-3727, or visit us online at www.SFEnvironment.org/DrivingAlternatives .	

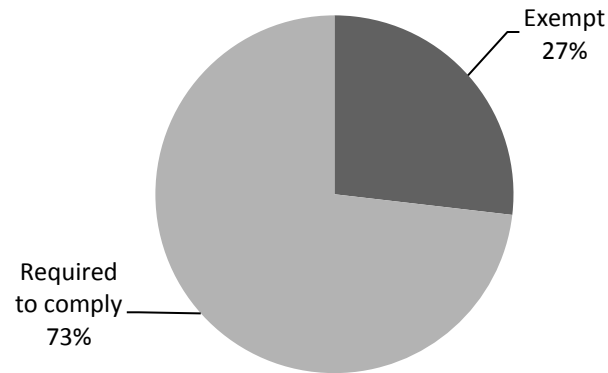
I certify that the information on this Compliance Reporting Form is accurate and true to the best of my knowledge. *

Signed by:	Date:
Signature:	

For more information on the Commuter Benefits Ordinance, please visit www.commuterbenefits.org or contact the San Francisco Department of the Environment at (415) 355-3727 or commuterbenefits@sfgov.org.

APPENDIX B – RESULTS BY QUESTION

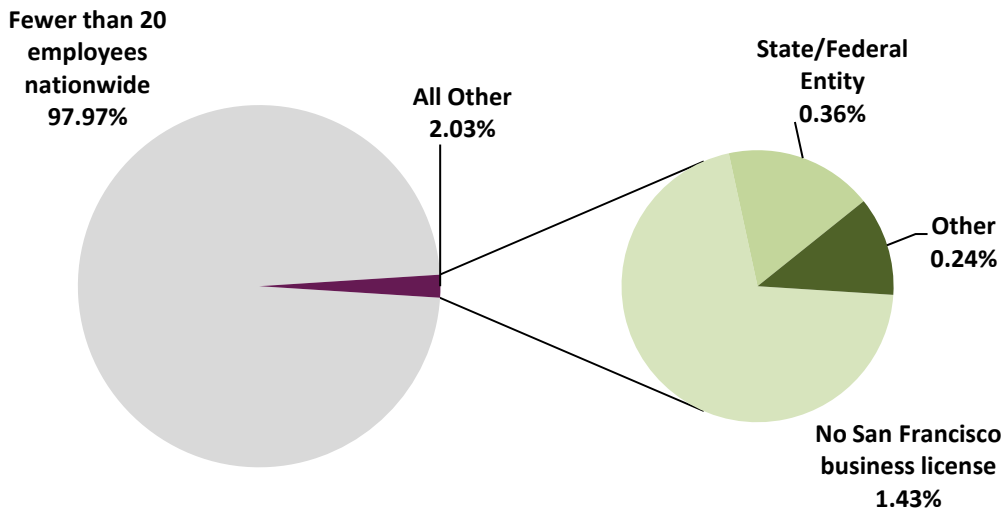
Nearly three-quarters of businesses were required to comply with the Ordinance and to submit a compliance reporting form for 2011. As many companies claiming exemption do not submit a form, the overall percentage of exempt businesses may be higher than reported.



Question 1: Check this box if your business is exempt and justify in the “notes” section.

n = 3,435

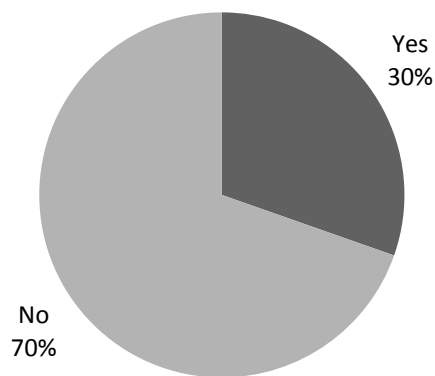
Nearly all businesses claiming exempt status reported that they had fewer than 20 employees nationwide. The other exemptions were from local, state or federal entities or those businesses that do not have a San Francisco business.



Question 2a: How is your business exempt from the Ordinance?

n = 838

While the Commuter Benefits Ordinance is focused on ensuring that employers who are subject to the requirements offer programs to their employees, the overall goal is to reduce the number of San Francisco commuters driving to work. This goal includes businesses that are exempt from the Ordinance. Fewer than one-third of these exempt companies offer a commuter benefits program to their employees as of 2011, signifying an opportunity for increased outreach to businesses with less than 20 employees nationwide or those that are exempt for other reasons.



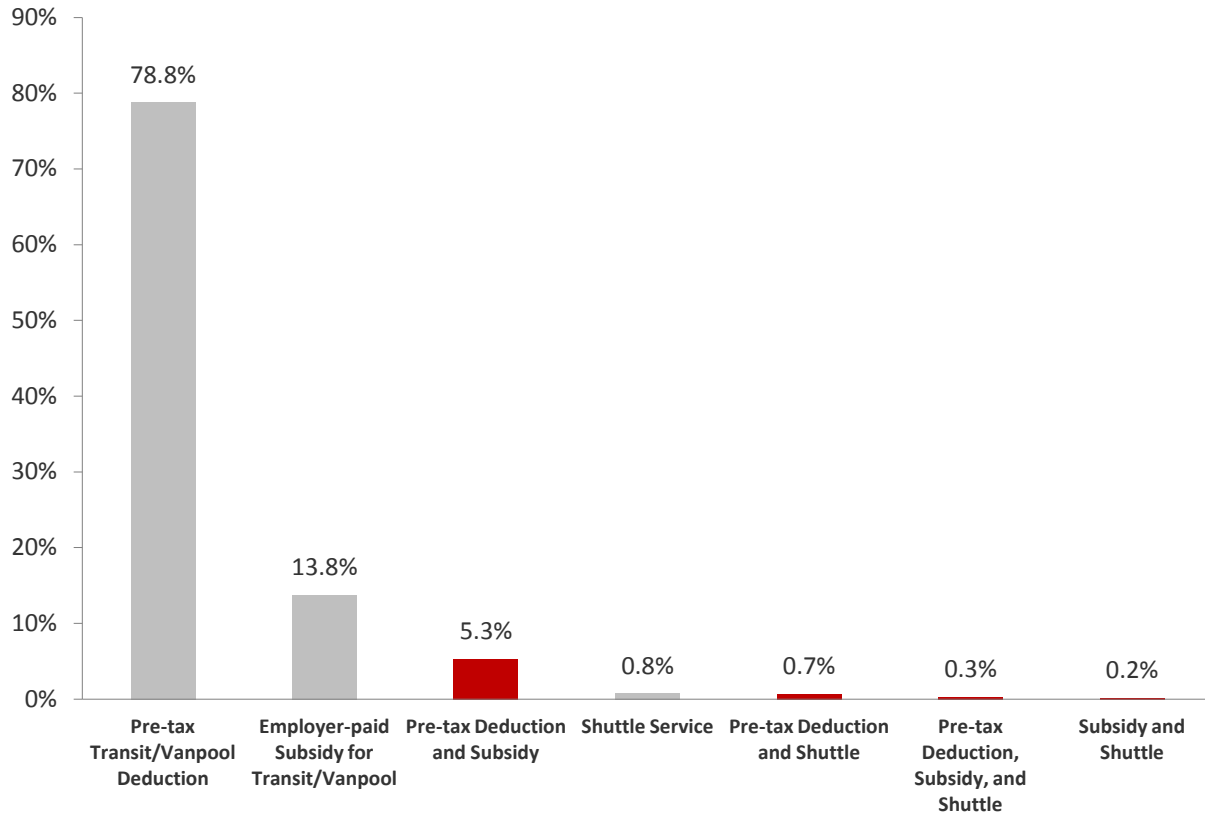
n = 925

Question 2b: Even though you are exempt, do you offer a commuter benefits program?

n = 925

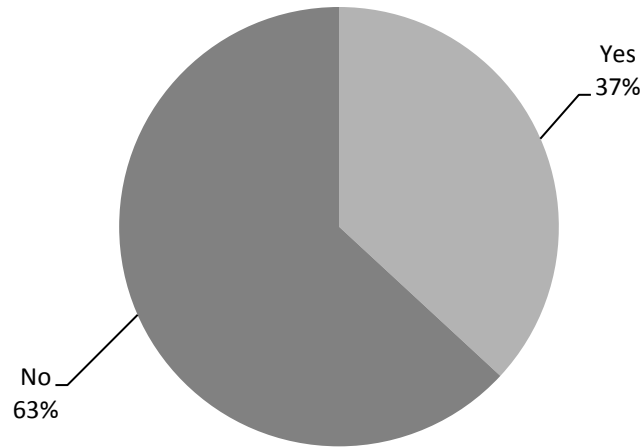
Nearly 80 percent of businesses offer the pre-tax transit/vanpool deduction benefit to employees. These programs are also generally the easiest to implement and administer.

The next most popular benefit option is the employer-paid subsidy, with approximately 14 percent of businesses offering this program to employees. The regulations for this option may be more difficult for employers to understand, given the required value of the subsidy and how to offer the paid subsidy to employees while maintaining adherence to IRS guidelines. Some employers wish to reimburse employees for travel costs, but under IRS regulations, reimbursements are subject to certain restrictions. This analysis identifies a program area where efforts can be targeted to increase awareness about subsidy options and their potential tax savings to increase the number of employers who are offering these programs.



Question 3: My business offers the following benefit(s) – check all that apply:* n = 2,794

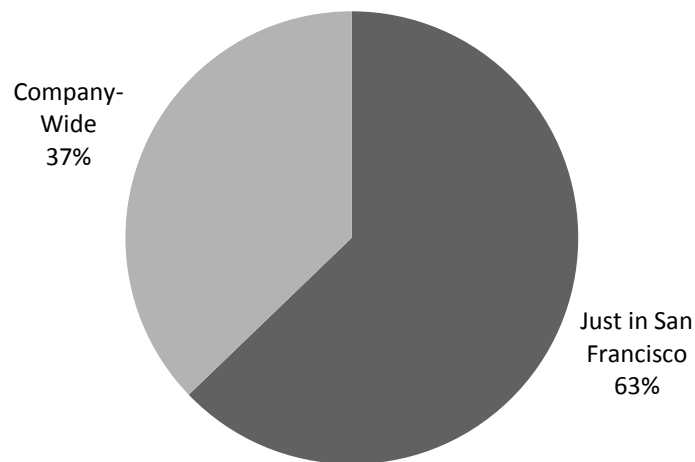
Nearly 40% of non-exempt businesses completing the 2011 compliance reporting form indicated that they offer their employees commuter benefits as a result of the Ordinance.



Question 4. Did you start your commuter benefits program because of the Ordinance?

n = 2,793

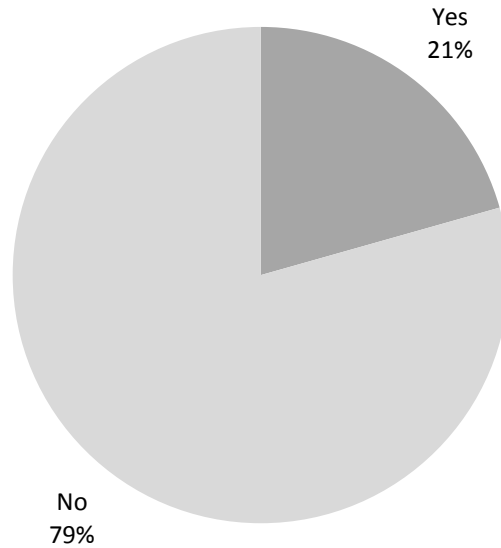
Of the nearly 2,800 businesses that responded, approximately two-thirds offer a commuter benefits program throughout their company, not limiting the program solely to San Francisco employees.



Question 5a. Is Your Commuter Benefits Program Company-wide or Just in San Francisco

n = 2,793

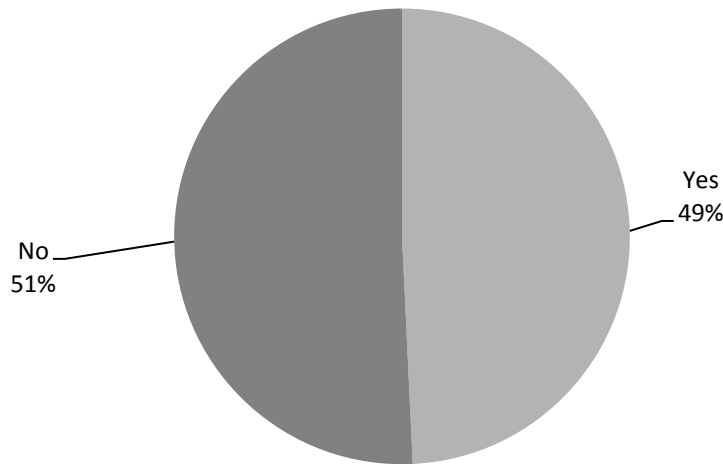
Approximately 20 percent of companies report that they began offering commuter benefits company-wide when required to do so in San Francisco under the Ordinance.



Question 5b. Do you offer company-wide benefits because of the Ordinance?*

n = 1,882

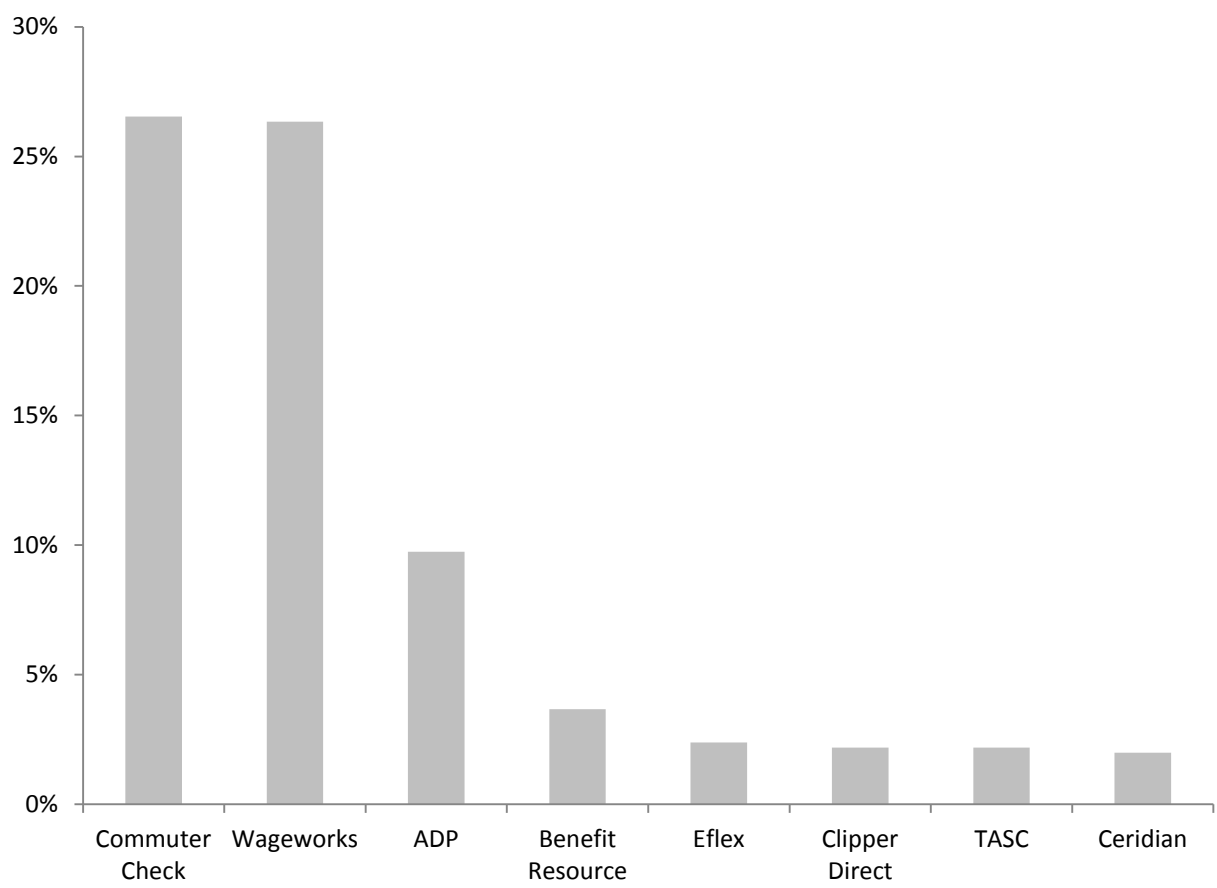
When offering commuter benefits, companies may choose to self-administer the program or hire a vendor for administration. In 2011, this choice was split roughly evenly between both administration options.



Question 6. Do you use a benefits company to administer your commuter benefits program?

n = 2,794

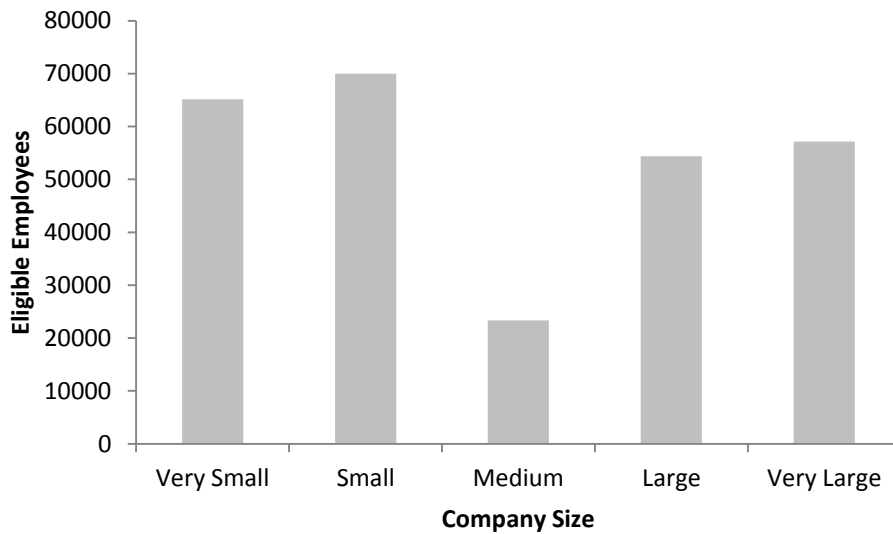
Companies indicated the vendors that they work with to provide commuter benefits. Commuter Check and Wageworks are the most popular, with just over a quarter of businesses working with each.



Question 6. Name of vendor

n = 1006

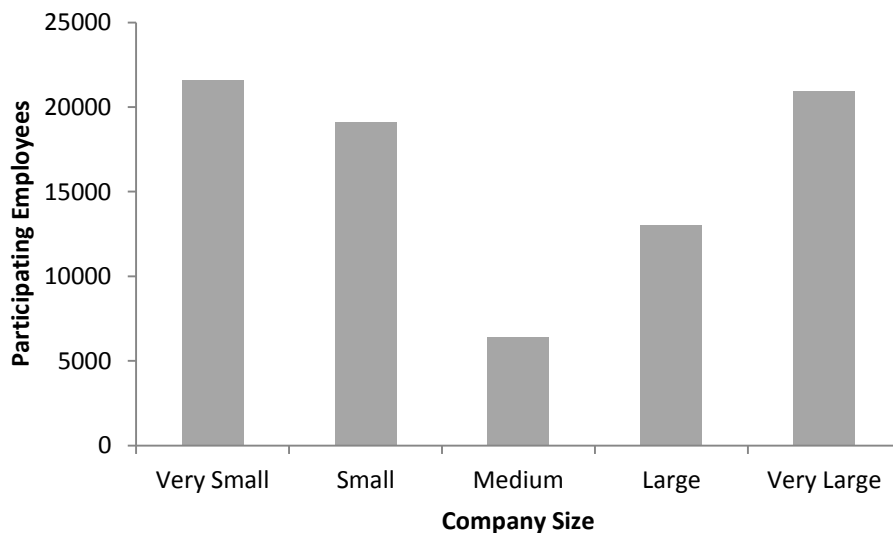
Companies reported approximately 270,000 total employees in San Francisco are eligible to participate in commuter benefits programs. Most of these eligible employees work at very small and small businesses with fewer than 500 employees total.



Question 7. As of today, how many San Francisco employees are eligible for your commuter benefits program?

n = 2,690

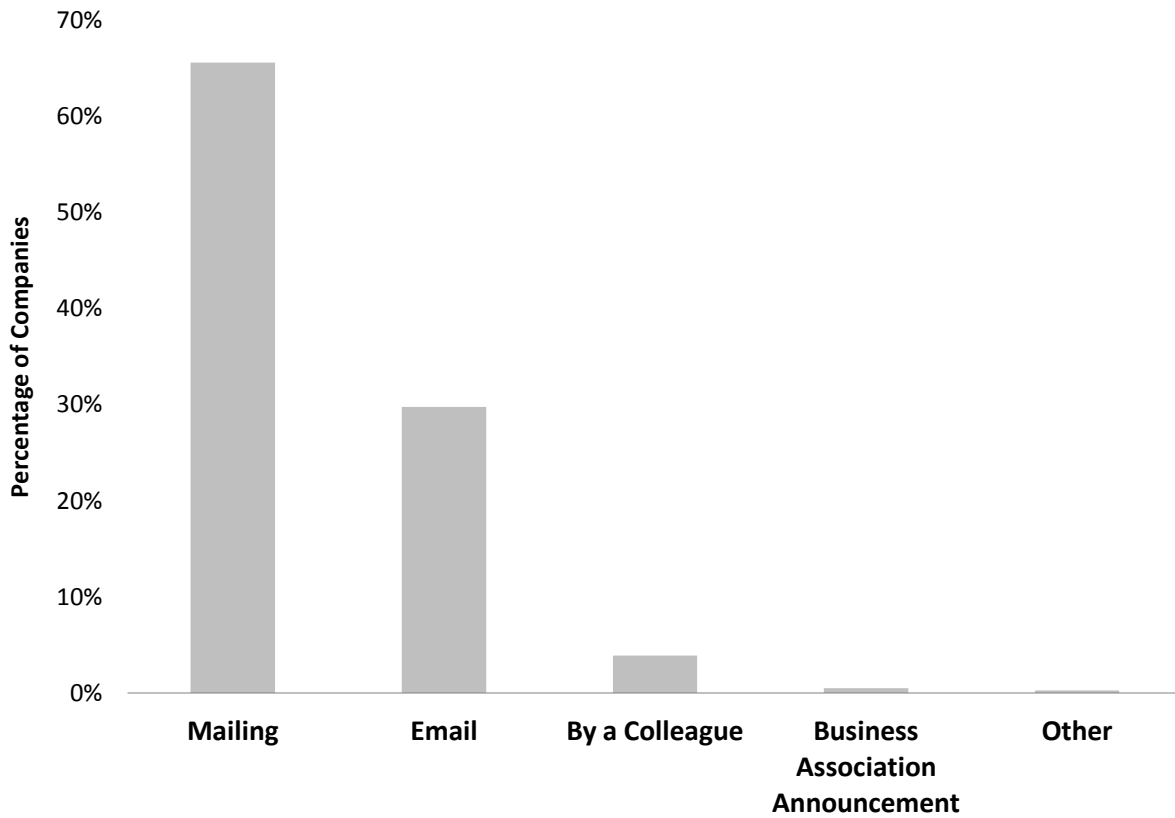
Of those eligible employees, a total of 81,000 employees were participating in commuter benefits programs in 2011. The majority of participating employees work at very small and small companies with fewer than 500 employees or at very large companies with 5,000 or more employees total.



Question 8. As of today, how many San Francisco employees are participating in your commuter benefits program?

n = 2,690

Businesses primarily reported that they were notified of the annual compliance process through the annual joint mailing with the Health Care Security Ordinance (HCSO). Given the success of this method, this outreach should be continued in future years. To a lesser extent, companies were notified via email. Better outreach strategies via email and web sources may be addressed in coming years.



Question 9. How were you notified to fill out the Compliance Reporting Form? n = 2,914

APPENDIX C – SAMPLE PROMOTIONAL MATERIALS

FRONT OF SAMPLE PAYCHECK INSERT

<Enter Company Name> is pleased to offer Commuter Benefits to you!

Insert
Company Logo

What is Commuter Benefits?

Commuter Benefits is a federal transportation benefit program that allows employees to save on their transit costs by deducting their commute expenses pre-tax from their paycheck each month. You, the employee, save money because you don't pay taxes on the money you deduct. When you sign up for Commuter Benefits pre-tax deductions, we will make your requested deduction on the <enter monthly deduction date> of the month and deliver your transit benefits to you by <enter date each month employees will receive their benefit>.

Example: <change this example to reflect your program procedures.> It's the month of February. You enroll in Commuter Benefits and you elect to have \$62 deducted from your paycheck pre-tax and would like to get that \$62 as a monthly Muni Fast Pass "M". You will see a \$60 pre-tax deduction on the last paycheck of the month. You will receive a voucher to purchase your Muni Fast Pass "M" from your employer prior to the 1st of March.

Quick Questions:

How much can I deduct each month? You can deduct up to \$125/month from your paycheck on a pre-tax basis.

How will I receive my benefit?

Employees can choose to receive their benefit in these forms:

<enter what you will be offering (i.e. transit vouchers/debit cards, Clipper Cards, etc)>

How do I sign up?

Employees need to fill out an enrollment form, they can be found at <enter location>.

BACK OF SAMPLE PAYCHECK INSERT

Important Dates to Remember:

- <Here you want to tell employees when they can enroll, change, or cancel orders>
- <Here you want to tell employees when they will receive their transit orders>
- <Here you want to tell employees where their benefit will be delivered or where they can pick it up>
- <Include any other relevant dates for your business here>

Need More Information?

Contact Name: _____

Office Hours: _____

Office Location: _____

at <ADDRESS, EMAIL, PHONE>

Insert Company
Logo Here

Commuter Benefits Employee Enrollment Form

<edit this form to fit your benefit program>

Please complete this form to enroll in the Commuter Benefits Program through <enter Company Name>. Return this form to <enter contact name or office location> by <enter enrollment deadline>.

What is Commuter Benefits?

Commuter Benefits is a federal transportation benefit program that allows employees to save on their transit costs by deducting their commute expenses pre-tax from their paycheck each month. You, the employee, save money because you don't pay taxes on the money you deduct.

Important Dates to Remember:

<enter enrollment and order change/cancellation deadlines>

<enter monthly date when employees will be deducted

<enter monthly date employees will receive their benefit>

1. How would you like to receive your benefit? Choose one of the following options.

<enter what you will be offering (i.e. transit vouchers/debit cards, Clipper Cards, etc)>

2. How much would you like to deduct from your paycheck?

\$ _____

If you have any further questions about the Commuter Benefits Program, please contact:

<enter Contact Name>

<enter Contact Phone Number>

<enter Contact Email>

<enter Contact Office Location>

By signing below, you agree to have the amount in Question #2 to be deducted from your paycheck each month on a pre-tax basis and have read and understood all of the terms above.

Employee Signature

Date

Employee Name (Print)

Date

Insert Company
Logo Here

Commuter Benefits Employee Interest Survey

<Edit this survey to fit your organization>

Dear Valued Employee,

We are in the process of implementing a new employee benefit for transit and vanpool riders. To help us create a program to match your needs, we are conducting an interest survey. **This is not an enrollment form.**

How would it work?

By enrolling in the commuter benefits program, you could save money each month on your transit, rideshare or bicycle commute.

1. Would you be interested in participating? **Yes** **No**

2. How do you currently get to work? Circle all that apply.

Personal Car **Transit** **Carpool/Vanpool** **Bike** **Walk** **Other:** _____

3. If you ride transit, which transit agencies do you ride? Check all agencies that apply.

- | | |
|--|---|
| <input type="checkbox"/> AC Transit | <input type="checkbox"/> St. Helena VINE |
| <input type="checkbox"/> ACE | <input type="checkbox"/> Tri Delta Transit |
| <input type="checkbox"/> Alameda Harbor Bay Ferry | <input type="checkbox"/> Union City Transit |
| <input type="checkbox"/> Alameda/Oakland Ferry | <input type="checkbox"/> Vacaville City Transit |
| <input type="checkbox"/> American Canyon Transit | <input type="checkbox"/> Vallejo Baylink Ferry |
| <input type="checkbox"/> Amtrak | <input type="checkbox"/> Vallejo Transit |
| <input type="checkbox"/> Angel Island-Tiburon Ferry | <input type="checkbox"/> VINE (Napa County) |
| <input type="checkbox"/> BART | <input type="checkbox"/> WestCAT |
| <input type="checkbox"/> Benicia Breeze | <input type="checkbox"/> WHEELS |
| <input type="checkbox"/> Blue & Gold Fleet | <input type="checkbox"/> Yountville Shuttle |
| <input type="checkbox"/> Caltrain | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> County Connection | |
| <input type="checkbox"/> Dumbarton Express | |
| <input type="checkbox"/> Fairfield and Suisun Transit (FAST) | |
| <input type="checkbox"/> Golden Gate Ferry | |
| <input type="checkbox"/> Golden Gate Transit | |
| <input type="checkbox"/> Hornblower Alcatraz Ferry | |
| <input type="checkbox"/> Petaluma Transit | |
| <input type="checkbox"/> Rio Vista Delta Breeze | |
| <input type="checkbox"/> SamTrans | |
| <input type="checkbox"/> San Francisco Muni | |
| <input type="checkbox"/> Santa Clara VTA | |
| <input type="checkbox"/> Santa Rosa CityBus | |
| <input type="checkbox"/> Sonoma County Transit | |

- a. Does your transit agency accept the Clipper Card? **Yes** **No**
- b. If yes, would you want your commuter benefits order on a Clipper Card? **Yes** **No**
- c. What benefit (pass/ticket/e-cash) would you order through Commuter Benefits?
- _____
- d. How much does this benefit (pass/ticket/e-cash) cost?
- _____

Please complete this survey before **<enter date>** and return to **<enter contact name or office location>**. After we have a program in place, we will issue a follow-up announcement with enrollment information.

In the mean time, if you have further questions about Commuter Benefits, please contact:

<enter Contact Name>

<enter Contact Phone Number>

<enter Contact Email>

<enter Contact Office Location>

Insert Company
Logo Here

Sign-Up for Commuter Benefits!

What is Commuter Benefits?

Commuter Benefits is a federal transportation benefit program that allows employees to save on their transit costs by deducting their commute expenses pre-tax from their paycheck each month. You, the employee, save money because you don't pay taxes on the money you deduct.

When you sign up for Commuter Benefits pre-tax deductions, we will make your requested deduction on the **<enter monthly deduction date>** of the month and deliver your transit benefits to you by **<enter date each month employees will receive their benefit>**.

How much can I deduct each month?

You can deduct up to \$125/month from your paycheck on a pre-tax basis for transit, and an additional \$240/month for parking at your transit or carpool pick-up location.

How will I receive my benefit?

Employees can choose to receive their benefit in these forms:

<enter what you are offering (i.e. transit vouchers/debit cards, Clipper Cards, etc)>

How do I sign up?

Employees need to submit an enrollment form. These can be found at **<enter location>**.

For more information:

Contact Name:

Office Hours:

Office Location:

APPENDIX D – EMISSIONS CALCULATIONS

Number of San Francisco employees participating in benefits programs	89,000
Average commute distance	16 mi. one-way
Average VMT Reduction	1,424,000 miles one-way = 2,848,000 miles per round-trip commute
Average MPG for passenger vehicles	23.8
Average gallons of gas saved	119,664 gallons
Metric tons of CO ₂ per gallon of gas ¹⁵	8.92x10 ⁻³
Total reduction in metric tons CO ₂	1067 metric tons per day
240 commute days per year	255,000 metric tons annually

¹⁵. EPA, Calculations and References, <http://www.epa.gov/cleanenergy/energy-resources/refs.html> (Accessed June 20, 2012)