



## Board Report

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**File #:** 2020-0704, **File Type:** Motion / Motion Response

**Agenda Number:** 34.

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**EXECUTIVE MANAGEMENT COMMITTEE  
MARCH 18, 2021**

**SUBJECT: REPORT ON FARE CAPPING IN RESPONSE TO MOTION 31.1**

**ACTION: APPROVE RECOMMENDATIONS**

**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to:

- A. APPROVE moving forward with the fare capping pilot; and
- B. NEGOTIATE and execute project-related contract awards, including contract modifications, up to the amount needed for software development and integration to implement fare capping.

**ISSUE**

In September 2020, the Board of Directors adopted Motion 31.1 by Director Butts and Director Barger that directed staff to return to the Board with a status report on the development of a budget and timeline for fare capping options to be phased in over time. Staff previously provided a report (File ID 2020-0565) on the evaluation of fare capping for Metro in response to Motion 36 “Emergency Relief: Full Price Passes”.

**BACKGROUND**

Fare capping provides an equitable fare payment option by offering customers the means to pay as they go while earning a day pass, a weekly pass or a monthly pass. No longer will customers have to pay \$100 upfront for a monthly pass. This feature allows everyone to benefit from traveling on Metro with the foreknowledge that they will pay the lowest price possible for travel.

**DISCUSSION**

Staff was instructed to examine if ridership growth could be anticipated from capping fares. In response, ridership growth is possible since implementation of fare capping will result in:

1. Accessible and equitable fare payment options
  - With no more passes to buy, customers will load their TAP card quickly and easily with Stored Value at TAP Vending Machines, bus fareboxes, retail outlets, on the mobile app

or online.

- Customers will know the best fare is calculated automatically for them, ensuring they pay the lowest possible price.
- With the newly launched TAP mobile app, customers can effortlessly purchase a TAP card on their phones and load Stored Value. The TAP card in the mobile app can be used immediately to pay and earn the same fare capping benefits as any TAP card.

## 2. Streamlined fare structure

- Refund requests will decrease since riders will not be able to purchase an incorrect pass.
- Software testing will decrease due to a simplified fare structure.

### Motion 36 - "Emergency Relief: Full-Price Passes"

As directed by the Board, TAP will initiate the sale of promotional passes at 50% of the cost of full-price passes when front-door boarding commences.

### Motion 31.1 - Fare Capping Coordination with Fareless System Initiative (FSI)

The TAP system is very flexible, and TAP can offer free fares to select groups such as Students K-12 and low-income riders, while all remaining customers benefit from fare capping.

For example:

1. If fare capping is approved, TAP will begin software development followed by a pilot test of fare capping of the Metro day pass.
2. TAP will then expand fare capping to all rider classes and passes.
3. FSI recommendations for a particular rider class or classes can be accommodated at any time (two months' notice).
4. All these programs can run concurrently or separately.

### Implementation Process (Schedule)

Staff recommends a multi-step approach for fare capping by first initiating an early pilot of daily capping for select Metro customers before expanding to all riders. Implementation of fare capping is considered a fare change therefore a Title VI analysis and public hearings must be conducted. Software development and testing efforts to implement the pilot will take between 6 to 9 months from Notice-To-Proceed (NTP) following contract executions.

#### **System Software Upgrade (6 to 9 months)**

- a. Software design
- b. Software development
- c. Lab and seed testing

#### **Step 1: Early Pilot**

- a. Limited launch with select group for day pass
- b. Monitor and evaluate

**Step 2:** Expanded Pilot (6 months); full Metro launch

- a. Expand fare capping to all rider classes; add capping of 7-day and monthly passes

**Step 3:** Regional Fare Capping (Simultaneous with Step 1 to 2)

- a. Work with TAP partner agencies to simplify regional fare structure. Participating agencies, including Metro, would replace local passes with regional passes valid for travel on all participating transit systems
- b. Update the Regional TAP Program and Service Center Operating Rules

Software Development

The current TAP system and TAP mobile app will require additional software design/development and testing to support fare capping. TAP cards will require a “fare capping” configuration written onto them, while fare collection equipment - TAP Vending Machines, faregates, station validators, bus fareboxes and mobile validators - will require a software upgrade. The upgrade will include a display of fare capping status showing the progress towards paying for rides and earning passes. A software modification will also be necessary on the Mobile Phone Validators, used by fare enforcement staff, to correctly check and process the fare capping status of TAP cards.

TAP’s customer relationship management system, *TAPforce*, as well as the *taptogo.net* website and TAP vendor sales devices will require upgrades to provide a seamless customer experience. Customers will be able to call into the TAP Call Center or log into their *taptogo.net* accounts to see a progress bar on how much value has been deducted and how much more is needed to earn a pass.

Marketing and Accessibility

A thorough marketing and public information campaign will be necessary to ensure customers understand the benefits of fare capping and the pay-as-you-go model. Messaging would be consistent throughout a traditional print and digital marketing campaign to include important customer education tools, as well as highlight the TAP mobile app. The campaign would include strategies to distribute up to one million TAP cards in advance of implementation - this was proven successful during the transfer on second boarding and token elimination efforts to ensure cash customers transition seamlessly to TAP. Staff will also prepare internal campaigns to support in-person trainings, on-site division marketing and materials for operators to distribute to customers.

Staff will focus on promoting existing touchpoints where TAP cards are readily available. Customers can purchase and load Stored Value onto TAP cards with cash or debit/credit card at over 1,000 TAP vendor locations, 495 TAP Vending Machines, about 2,500 bus fareboxes, *taptogo.net*, on the TAP mobile app or by calling the TAP Service Center.

**DETERMINATION OF SAFETY IMPACT**

No adverse safety impacts are anticipated.

**FINANCIAL IMPACT**

The budget for Steps 1 and 2 as described above is estimated between \$6 to \$8 million. Contract awards to various vendors are necessary for full system software development and integration for fare capping on Metro. This is a preliminary estimate which does not include an amount for Metro's labor and related overhead costs.

Fare revenue loss from capping fares is anticipated. Staff will monitor closely and keep the Board updated.

Upon Board approval, funding for the fare capping project will be identified and included into the FY22 budget. Since this is a multi-year effort, the Executive Officer of TAP and Project Manager will be responsible for budgeting costs in future years.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Pilot and implementation of fare capping would support:

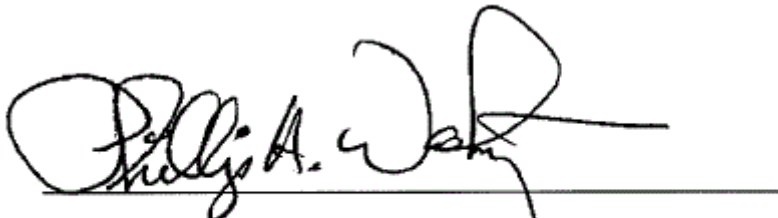
- Strategic Plan Goal #1: Provide high quality mobility options that enable people to spend less time traveling as part of an effort to manage transportation demand through fair and equitable pricing structures.
- Strategic Plan Goal #2: Deliver outstanding trip experiences for all users of the transportation system by improving legibility, ease of use, and trip information on the transit system.

### **NEXT STEPS**

Staff will negotiate and execute necessary contracts and contract modifications for full system software development and integration for fare capping on Metro. Staff can report back to the Board, if requested, on project-related contracts and contract modifications executed under this delegated authority.

Prepared by: David Sutton, Executive Officer, TAP, 213.922.5633

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088

A handwritten signature in black ink, appearing to read "Phillip A. Washington", written over a horizontal line.

Phillip A. Washington  
Chief Executive Officer

# **Fare Capping Response to Motion 31.1**

Executive Management Committee  
March 18, 2021



# Fare Capping/Best Fares

- Instead of paying upfront for a pass, customers use their TAP cards to pay-as-they-go to earn 1-day, 7-day or 30-day passes
- Once a customer reaches the fare equivalent for each specific pass period, the remaining rides are at no cost
- Implementation of fare capping will result in more streamlined fare structure, and provide accessible and equitable fare payment options
- Preliminary cost estimate for full system software development and integration for fare capping on Metro is between \$6 and \$8 million

# Fare Capping Implementation Strategy

## Step 1 - Early Pilot

Limited launch with select group for day pass. Pilot can be implemented after 6 to 9 months from Notice-To-Proceed

## Step 2 - Expanded Pilot (6 months)

Expand to all groups and passes; full Metro launch

## Step 3 (Simultaneous with Step 1 to 2)

Work with TAP partner agencies to simplify regional fare structure

# Fare Capping Coordination with FSI

- TAP is flexible and can easily coordinate with Fareless System Initiative (FSI) recommendations
- Various programs can run concurrently or separately

For example:

1. Once approved, TAP will begin software development followed by pilot of fare capping of Metro's day pass
2. FSI recommendations for a particular rider class or classes can be accommodated at any time with two months' notice