Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2021-0013, **File Type:** Oral Report / Presentation **Agenda Number:** 43.

EXECUTIVE MANAGEMENT COMMITTEE
FEBRUARY 18, 2021

SUBJECT: FARELESS SYSTEM INITIATIVE UPDATE

ACTION: ORAL REPORT

RECOMMENDATION

RECEIVE Oral report on Fareless System Initiative.

Phillip A. Washington
Chief Executive Officer

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FARELESS SYSTEM INITIATIVE TASKFORCE

Executive Management Committee

February 18, 2021

Metro

Fareless System Initiative (FSI)

Task Force set up in September: 19 Metro staff members from throughout the agency

Research and analysis of all issues associated with implementing fareless

- Operational needs
- Ridership impacts
- Equity considerations
- Safety and security considerations
- Costs to implement and ways to pay for fareless
- Relation to other transit operators in Los Angeles County

Why is Metro Considering a Fareless System?

- Equity benefit for many riders— 70% of all riders have annual incomes under $35,000
- Fareless would save riders up to $1,200 each annually; savings can be spent within local economies
- Incentive to return to transit in safe post-pandemic period
- Supports state's GHG reduction goals
- Creative national leadership for innovation and equity

Fareless Options Metro is Considering

Many different concepts are being examined

- Scenario 1 – Low-Income & K-12 Students (leading concept)
- Scenario 2 - Fully Fareless Pilot
- Scenario 3 - Peak/Off-Peak
- Scenario 4 - Bus Only
- Scenario 5 - Rail Only
- Scenario 6 - Geographic

Leading Concept: for Full Public Consideration and Comment

Phased Pilot Introduction: Low-Income & K-12 Students

Jan 1, 2022	August 1, 2022	June 30, 2023	July 1, 2023 forward
• Fareless for Low-income Riders (70% of Metro riders) • *Launch of pilot contingent on Vaccinations/acceptable level of COVID-19 containment*	Fareless for students	Completion of pilot	Continuation and possible expansion subject to securing financing

Pilot Details

- Pilot will cover Metro bus and rail services
- Municipal Operators, Access Services, Metrolink would not participate in pilot phases
- Metro Bikeshare and Metro Micro not included in pilot
- TAP remains functioning throughout pilot (for Metro and Municipal Operators)

Fareless Pilot – Ridership & Operations

Pilot Boardings Projections

- 2019 boarding: 1.2 million boardings
- Current (COVID) boardings is 500k+
- Pilot current boarding estimates:
  - 740K+ (remainder of FY22), with increases throughout FY23
- Projected Increase in Daily Boarding: 138-141K
- Projected Increase in Annual Boarding: 76-77m

Operational and Security Readiness

- Additional fleet vehicles not required for pilot
- Additional Bus and Rail Operators are needed
- Evaluating Security Readiness

Pilot Costs for Leading Concept

($ millions)		
	FY2022 (6 months)	FY2023 (12 months)
Fare revenue loss	$13.6 - $16.3	$134.4
Increased Transit Service	$16.5 - $24	$72-96m
Increased Security	$2.6	$5.2
Marketing/Design/Admin	$.6	$-
Bond Defeasement	$ 80	$ -
Bond Defeasance Savings	$-12	$-12
Total	**$101 - $112m**	**$199-223m**

Assumes 50%-60% utilization in FY22, 75% utilization in FY23

Total costs = (added service + admin + fare revenue not collected)

Preliminary 18-month pilot costs: $301-$335m

Funding to Cover Costs of Initiative

Examining all possible sources of Federal, State, and Local funding

- Different funding sources have different eligibility requirements
- Examples of potential sources

Federal	State	New/Proposed
CMAQ (annually apportioned) *availability being reviewed*	The Transit and Intercity Rail Capital Program (TIRCP)	Freedom to Move demonstration grants (new bill pending in Congress)
FTA Innovation Grants	Low Carbon Transit Operations Program (LCTOP) *availability being reviewed*	

- From all of the existing and possible new funding sources, and Board funding discretion, reasonable to project funding for 18-month pilot

Fare Capping

September 2020: Directors Butts and Barger put forth Motion 31

- Directed development of budget & timeline for fare capping options
- To be presented in same Board cycle as FSI

Fare capping can work with FSI by offering a benefit to riders who do not participate in the FSI pilot

Next Steps

- Engagement with regional service providers:
  - Municipal Operators, Access Services, and Metrolink
- Communications and Outreach:
  - Virtual updates/briefings to be scheduled
  - Digital, social media, and print
- FSI Board Update (March and April 2021)
- Fare Capping Board Report (March 2021)
- Board Recommendation and Title VI Approval (May 2021)

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Marketing/Design/Admin	$1.6	$2.0
Bond Defeasement	$ 80	$ -
Bond Defeasance Savings	$-12	$-12
Total	$102-$113m	$201-225m

Assumes 50%-60% utilization in FY22, 75% utilization in FY23

Total costs = (added service + admin + fare revenue not collected)

Preliminary 18-month pilot costs: $304-$338m

Funding to Cover Costs of Initiative

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