



Board Report

File #: 2021-0497, **File Type:** Oral Report / Presentation

Agenda Number: 38.

REVISED
REGULAR BOARD MEETING
JULY 22, 2021

SUBJECT: FARELESS SYSTEM INITIATIVE (FSI) UPDATE JULY 2021

ACTION: ORAL REPORT

RECOMMENDATION

RECEIVE oral report on Fareless System Initiative (FSI) Update.

ATTACHMENTS

Attachment A - File # 2021-0372 Approved Motion on Fareless System Initiative (FSI) May 2021

Prepared by: Devon Deming, Interim Deputy Executive Officer, FSI (213) 922-7957

Reviewed by: Nicole Englund, Chief of Staff, OCEO, (213) 922- 7950

Stephanie N. Wiggins
Chief Executive Officer

**Board Report**

File #: 2021-0372, **File Type:** Motion / Motion Response**Agenda Number:** 45.

REVISED
REGULAR BOARD MEETING
MAY 27, 2021

Motion by:**DIRECTORS GARCETTI, MITCHELL, AND KREKORIAN**

Fareless System Initiative

Metro's Fareless System Initiative (FSI) is one of the most transformative efforts Metro can take to help Los Angeles County emerge from the pandemic, advance equity, reduce transportation emissions, simplify students' return to school, and increase ridership.

The pandemic has hit students hard. Once the Department of Public Health and schools deem it safe for students to fully return to in-person learning, Metro, municipal operators (munis), and school districts should do everything possible to make the transition back effortless for these families. Studies across the country have shown that the lack of access to transportation is a barrier to student attendance and, therefore, academic success.

Moreover, Metro riders' median household income is \$19,325 systemwide, with approximately 70 percent of Metro riders considered low-income under federal Department of Housing and Urban Development definitions. Many of our riders depend on Metro to reach their jobs as essential workers, and during the pandemic they suffered unavoidable financial impacts. Fareless transit would alleviate some of this burden, helping Los Angeles County get back on its feet.

As the FSI pilot has been developed, the following items remain to be finalized:

1. An efficient implementation process, as well as agreements with the school districts, needs to be put in place to distribute fareless K-12 and Community College student passes.
2. A final funding plan needs to be created.
3. A key concern of municipal operators is the continuation of existing funding agreements with community colleges. These funding agreements have, in many cases, taken years to negotiate. While FSI remains a pilot, these agreements and processes should be kept in place.
4. A mission statement and goals are necessary to help communicate the need for this program.
5. The existing FSI Task Force that developed the pilot should be re-formed to focus on implementation.

Board action is required to ensure these key areas of risk can be addressed and to provide clarity on

FSI's advancement and next steps.

SUBJECT: FARELESS SYSTEM INITIATIVE

RECOMMENDATION

APPROVE Motion by Directors Garcetti, Mitchell, and Krekorian that the Board direct the Chief Executive Officer to implement the Fareless System Initiative, subject to a final financial plan and while pursuing cost-sharing agreements.

WE FURTHER MOVE that the Board direct the Chief Executive Officer to:

Administrative Coordination

- A. Develop strategies to streamline and simplify the eligibility process for participants, striving to remove as many barriers to entry as possible;
 - 1. Include an evaluation of a self-attestation process for low-income riders;
- B. Partner with school districts on administrative coordination to enable availability at pilot launch to all LA County school and community college districts (based on each district's interest), including but not limited to any required Memoranda of Understanding or TAP coordination;

Funding

- C. In partnership with implementation partners and key stakeholders, pursue and support federal and state opportunities and legislation to fund the Fareless System Initiative, both the pilot phase and any permanent program (should the Board decide to continue past the proposed pilot period), including but not limited to the federal Freedom to Move Act;
- D. Pursue reasonable cost-sharing agreements with school districts;
 - 1. Seek to take advantage and leverage any existing student transportation fee programs (e.g., student-approved LACCD fees);
 - 2. Seek to preserve existing funding agreements between school districts and transit operators;
 - a. Wherever municipal operators have existing fareless agreements with community college districts, consider accepting muni student transit passes on Metro for the duration of the pilot;
 - 3. Seek new funding agreements for districts without any existing discounted or fareless student pass programs (e.g., U-Pass);
- E. Consider pursuing private funding opportunities, including but not limited to philanthropic partnerships;

Follow-Up

F. Report to the Board monthly on the development, launch, and performance of the Fareless System Initiative. The first update should include:

1. A mission statement and goals for the FSI pilot;
2. Lists of interested municipal operators, school districts, and community college districts;
3. An update on the refined FSI financial plan; and
4. Identification of a cross-departmental implementation team.

HAHN AMENDMENT: Direct the Chief Executive Officer to prepare a financial plan for the implementation of a Fareless System Initiative that meets the conditions provided below to the Board's satisfaction:

1. Municipal and local operators that choose to participate will be fully included and provided the same type of fare subsidy as Metro transit operations, in order to ensure a seamless rider experience regardless of geographic location or transit provider;
2. The initiative is funded without reducing existing transit operations or state of good repair expenditures or by using regional funding typically committed to bus and rail transit operations or intended for the capital program;
3. Opportunities to expand or adjust existing fare subsidy programs to maximize community benefit have been studied and presented to the Board; and,
4. An initiative can be scaled and/or targeted in a manner that best aligns with Metro's Equity Platform, adopted by the Board in March 2018.

MITCHELL AMENDMENT: Direct Metro CEO to Continue the current fare collection policy in perpetuity until the Metro Board is satisfied with a financial plan for Fareless.

BONIN AMENDMENT:

1. Report back in the financial plan with information on the costs, including administration, technology, and enforcement, of the proposed pilot program compared to a universal fare-free system.
2. Include in the overall final program evaluation:
 - a. Reach of the program, including student and low-income participation rates.
 - b. Effectiveness of the program in improving mobility, increasing student attendance and performance, shifting travel behavior, reducing automobile use, and increasing transit ridership.

- c. The net cost of the program and cost per rider.

SOLIS AMENDMENT: Report back on the feasibility of using the Federal American Rescue plan funding for the pilot.

Metro's Fareless System Initiative (FSI)

Fareless System Initiative (FSI) Update
Board of Directors Meeting
Thursday, July 22, 2021

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May Board Motion

Requested implementation of the Fareless System Initiative, subject to a final financial plan, while pursuing cost-sharing agreements, with reports to the Board monthly on the development, launch, and performance of FSI.

Requirements included:

- Streamlined, efficient application and administration
- Cost-sharing agreements with K-12 districts and community colleges
- Maintaining existing agreements between colleges and transit agencies
- Identifying new funding source

Background for Phase 1

- 69% of 1.4 million K-12 students qualify for Free and Reduced-Price Meal programs for low-income families
- 20% of junior high school students and 23% of LA adults are obese
- People who take transit are 44% less likely to be overweight
- An AA degree increases income potential by up to 47%
- Only 30% of community college students graduate, and only 26% of African American students and 22% of Latino students

Program Goals - Phase 1 (K-14)

Increase ridership, increase student success, and improve student health by building on existing Metro and regional student pass programs, to make access to transit fareless for all K-12 and community college students in LA County through cost-sharing partnerships with districts (school and community college) and transit agencies

K-12 District Partnerships: Status

Proposed cost-sharing for District K-12 Partnerships would be \$3 per student per year for all students in district and would include:

- Distribution of free TAP Cards through District
- Unlimited rides on all participating transit agencies in LA County

38 districts have expressed interest in becoming Partners representing:

- 1,139 schools
- 695,610 students
- \$2,086,830

K-12 District Partnerships: Ready to Mobilize

1. **Culver City Unified**
9 schools, 7076 students, launching a paid program with Culver CityBus when school starts on August 19
2. **Los Angeles Academy of Arts and Enterprise (LAAAE)**
Downtown Los Angeles, 275 Students
3. **North Valley Military Institute**
Sun Valley, 759 Students
4. **San Gabriel Valley School of the Arts**
Duarte, 1130 Students
5. **Youth Build Charter Schools**
Compton, East LA, El Monte, Hollywood, Lennox, Norwalk, Palmdale, South LA, Whittier, 1500 Students

K-12 District Partnerships: Expressed Interest

1. Academia Avance Charter
2. Alhambra Unified
3. Alma Fuerte Public School (Altadena)
4. Azusa Unified
5. Baldwin Park Unified
6. Basset Unified
7. Claremont Unified
8. Davinci Schools
9. El Monte Union High
10. El Rancho Unified
11. Environmental Charter Schools
12. Girls Athletic Leadership School Los Angeles (Charter)
13. Glendora Unified
14. Hacienda - La Puente Unified
15. Hughes-Elizabeth Lakes Union Elementary Unified
16. Inglewood Unified
17. ICEF Public Schools
18. LA Alliance Charter Schools
19. Larchmont Charter
20. LA Promise Fund Charters
21. Lawndale Elementary
22. Little Lake City Elementary
23. Los Angeles Unified (LAUSD)
24. Montebello Unified
25. Mountain View Elementary
26. Monrovia Unified
27. Newhall
28. Palmdale Elementary
29. Pasadena Unified
30. Santa Monica-Malibu Unified
31. South Whittier Elementary
32. Time Community Schools
33. William S. Hart Union High

Community College Partnerships: Update

- Maintain all existing agreements between colleges and transit agencies
- Recommend schools transition from opt-in to opt-out programs
- Proposed cost-sharing for new Community College Partnerships for Year 1 would be \$7 per student per year for all students in district for first year:
 - Distribution of free TAP Cards through District
 - Unlimited rides on all participating transit agencies in LA County
- Cost difference based on Community College average ridership of 7 boardings per week vs. K-12 average ridership of 3 Boardings per week
- This would give colleges time to assess usage and pass student referendum for student fee for Year 2, if desired
- Under Muni/College agreements, student fees range from \$7-\$9.50 per term

Regional Transit Agencies

- Ready to launch (4)
 - City of Commerce
 - City of Culver City Transportation
 - City of Santa Monica Department of Transportation (CC pending)
 - Norwalk Transit System
- Interested, Pending Board Approval (6)
 - Arcadia Transit
 - City of Gardena (GTrans)
 - Foothill Transit
 - Long Beach Transit
 - Torrance Transit System
 - One agency that didn't want response shared

Phase 1 Costs

Due to scope of Phase 1, projections are limited to fare revenue losses

- Defeasance of bonds (\$80M) not necessary for implementation of Phase 1
- Administration, operations, and security will be covered by existing budget

\$ in millions	FY19 (pre-COVID)		FY22		FY23		Estimated Fare Revenue Losses
<u>Fare Revenue Losses</u>							
Metro K-12 Students ⁽¹⁾	\$	27.0	\$	7.7	\$	25.8	\$ 33.5
Muni/Local K-12 Students ⁽²⁾		8.2		8.2		8.2	16.4
Community College Students ⁽³⁾				-		-	-
			\$	15.9	\$	34.0	\$ 49.9

NOTES:

- Metro fare revenue loss:
 - FY22 based on FY22 budgeted amount of \$73.2M and 10.5% K-12 share
 - FY23 based on estimated 95.5% of pre-covid ridership levels
- Muni/Local fare revenue loss:
 - Estimates are based on Metro percentage shares of K-12 fare revenues applied to countywide 2019 NTD data (pre-pandemic levels)
- Regional U-Pass program and existing community college agreements held by muni/local operators will continue under current contracts, except that all community college passes will be accepted as valid fare on all participating FSI Operators

Phase 1 Funding Plan

Identified new funding for Phase 1:

- Metro plans to propose ARPA to fund Metro's participation
- In consultation with regional transit operators, Metro is recommending use of their ARPA allocations to fund their participation

Potential new funding

- K-12 school districts interested in cost-sharing
- Continue to seek additional funding to support the pilot

Metro Youth Council

- Missing youth voices in existing planning process, advisory councils and committees.
 - Youth Council is aimed at students between 14 and 17 who represent the diverse demographics and geographic areas of LA County.
- Youth Council will be made up of 26 members representing Metro's nine sub-regions.

Fareless System Initiative

- FSI Plan-Phase 1 will leverage the Youth Council efforts

Public Participation

- Build a pipeline of riders and transit leaders as it moves towards engaging K-14 students in LA County.

Next Steps

Report back to the Board in September 2021 with:

- Comprehensive funding plan for Phase 1 (K-12 and community college) and Phase 2 (low-income)
- Cost of current fare collection
- Ways to engage community college students



Fareless System Initiative