



Board Report

File #: 2022-0351, File Type: Fare / Tariff / Service Change

Agenda Number: 41.

EXECUTIVE MANAGEMENT COMMITTEE JUNE 16, 2022

SUBJECT: EXTEND SALE OF PROMOTIONAL HALF-PRICE PASSES AND UPDATE ON FARE CAPPING TIMELINE

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer to extend the sale of promotional passes at 50% of the cost of full price passes through December 2022 as a continuation of Motion 36: Emergency Relief; and
- B. RECEIVING AND FILING this report on the timeline and plan for Metro fare capping.

ISSUE

Motion 36 "Emergency Relief" by Directors Garcetti, Solis, Hahn, Kuehl, and Butts (Attachment A) instructed staff to initiate promotional pricing at 50% off full-price day passes, 7-day passes, and 30-day passes, and to report back on the status of pass sales and recommendations for permanent reductions to the cost of full-price passes. The sale of the promotional price passes will end in July 2022.

This report provides pass sales information and requests authorization to extend the sale of promotional 50% off pricing through December 2022. The extension will allow staff additional time to gather data on pass sales and usage at the 50% off promotional price and to develop recommendations for pricing options. As required by the Motion, the fare structure recommendations will be aligned with the implementation of fare capping/best fare system that allows riders to take advantage of pass products without having to pay up front.

BACKGROUND

In response to Motion 36, the 50% promotional pricing on full-price passes was implemented when Metro resumed front-door boarding in January 2022. Communications staff implemented a comprehensive marketing campaign to ensure riders are aware of and can benefit from the lower-price passes. Motion 36 also directed staff to prepare an implementation plan for a fare capping system that will allow riders to benefit from the same discounts without the upfront cash needed for a

pass.

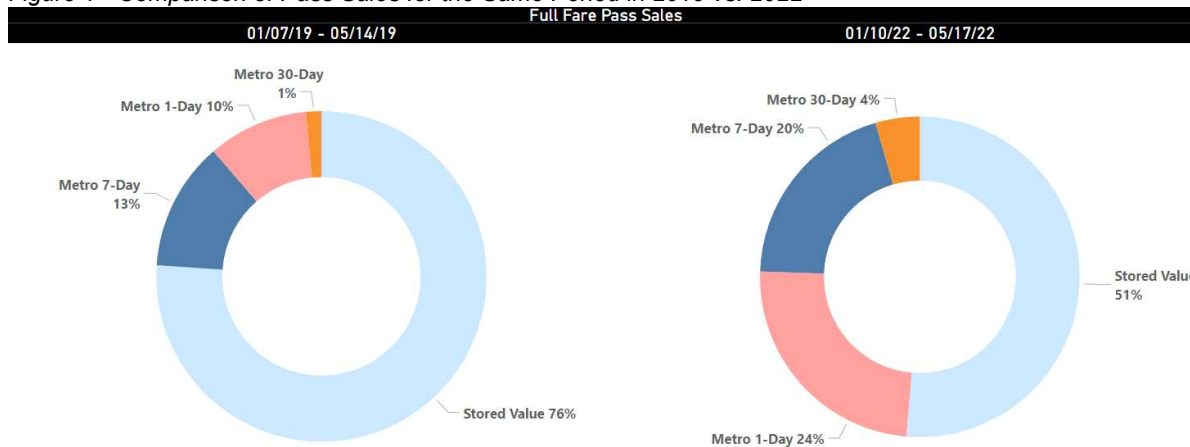
In regard to fare capping, at its September 2020 meeting, the Board received a report on the evaluation of fare capping. At its March 2021 meeting, the Board approved moving forward with the fare capping pilot, delegating authority to the CEO to execute project-related contract awards or modifications to implement fare capping.

DISCUSSION

Promotional Passes

Metro passes have increased in popularity due to the promotional prices. Since implementation in January, nearly 50% of Metro riders using TAP are now choosing to buy passes compared to 25% purchasing passes in 2019 (Figure 1).

Figure 1 - Comparison of Pass Sales for the Same Period in 2019 vs. 2022



The promotional prices incentivize customers to use TAP as fare payment rather than cash since passes are only available on TAP. As TAP users, customers will immediately benefit from free Metro transfers, access to discounted fares, and balance protection, well in advance of fare capping. Furthermore, sales of these fare products have exceeded pre-pandemic levels, which shows that the lower price incentivizes the purchase of these passes (Figure 2). The data was normalized to compare pass sales between 2019 and 2022 since overall ridership recovered to only about 66%.

Figure 2 - Increase in 2022 Pass Sales Over Same Period in 2019

Pass Type	% Increase from Pre-COVID Sales*
Regular 30-day	105%
Regular 7-day	10%
Regular day pass	70%

*Data has been normalized to 2022 ridership

Metro understands that permanent full-fare pass prices should be adjusted to promote affordability

and to incentivize customers to purchase unlimited-use passes. The high up-front cost of a \$100 30-day pass, when compared with the \$1.75 base fare, means that a Metro user must take two separate trips for 29 days each month to break even. Staff will use the information gathered during the 50% off promotional period to develop recommendations for pricing options for full-price passes that include break-even points that are more in line with industry standards and are financially sustainable for current and future Metro Transit operations.

Title VI and Environmental Justice Considerations

Metro has received authorization from the FTA to extend the 50% promotional pricing past the six-month pilot limit for a Service and Fare Equity Analysis (SAFE). As legally required, a SAFE will be included in the final staff recommendation for the adoption of proposed pass prices.

Fare Capping Software Design and Development

Staff has been preparing the TAP system for fare capping implementation with a multi-step approach made up of several phases from proof-of-concept through public beta testing before fully launching to the public.

Notice-To-Proceed was issued to Cubic Transportation Systems, Inc. in October 2021 for software modifications to the existing TAP system to support fare capping. TAP cards will require a “fare capping” configuration written onto the cards, while fare collection equipment - TAP Vending Machines, faregates, station validators, bus fareboxes, mobile validators, and the TAP Mobile App - will require new software development to read the TAP card’s fare capping status. Software development will include building new screen flows to guide customers to purchase Stored Value rather than passes and display customer fare capping status, showing the progress towards earning unlimited rides with each paid ride. Staff are currently working with Cubic to complete design and development efforts.

TAP’s customer relationship management system, TAPforce, along with the *taptogo.net* website, TAP App and TAP vendor retail-point-of-sale devices will also receive upgrades to provide a seamless customer experience. Customers will be able to call into the TAP Customer Service Center or log into their TAP accounts on *taptogo.net* or the TAP app to see progress of their fare capping status, how much value has been deducted, and how much more is needed to earn unlimited rides.

In Winter 2023, Metro will launch a marketing campaign to introduce fare capping as an equitable fare payment option that offers customers the means to pay-as-they-go while earning a day pass or monthly pass. Additional information on fare capping proof-of-concept, testing methodology, marketing, and readiness is included in Attachment B.

FINANCIAL IMPACT

Based on pass sales information since implementation, extending the 50% off promotional pricing through December 2022 will result in additional Metro fare subsidies of approximately \$10 million.

Impact to Budget

ARPA federal relief funds will be used to mitigate the fare revenue losses resulting from the continuation of the promotional pricing.

EQUITY PLATFORM

The extension of 50% off promotional pricing through December 2022 will benefit full-fare Metro riders who do not qualify for a discount on the basis of age, school enrollment, or income. As Metro serves a transit ridership that is very low income, the promotional pricing benefits low-income riders. Additional data gathering and analysis is needed to develop recommendations for permanent pricing that will aim for more equitable pass pricing for all Metro riders.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Extending the sales of the promotional price passes 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 report back to the Board in December before the end of the promotional price extension with pricing options that are in alignment with the fare capping launch. Attachment C provides a detailed timeline of upcoming fare capping and fare change activities.

ATTACHMENTS

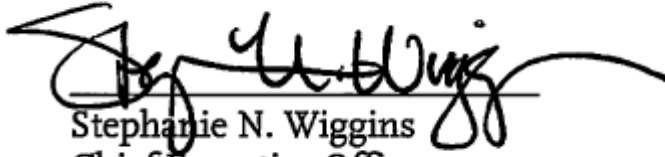
Attachment A - Motion 36: Emergency Relief: Full-Price Passes

Attachment B - Fare Capping Status Update

Attachment C - Fare Capping and Fare Change Timeline

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Board Report

File #: 2020-0355, **File Type:** Motion / Motion Response

Agenda Number: 36.

**EXECUTIVE MANAGEMENT COMMITTEE
MAY 21, 2020**

Motion by:

DIRECTORS GARCETTI, SOLIS, HAHN, KUEHL, AND BUTTS

Emergency Relief: Full-Price Passes

The collapse of the pre-COVID economy has left many families in Los Angeles County on the precipice of financial calamity. As economic distress from the COVID-19 emergency grows, Metro should provide emergency relief for transit-dependent Angelenos.

The economic impact of the COVID-19 emergency upon the residents of L.A. County has been swift and severe. The Los Angeles Economic Development Company (LAEDC) forecasts that the L.A. area will lose 1.7 million jobs and reach an unprecedented unemployment rate of 31.7 percent by May 2020.

LAEDC's forecast includes a nearly 70 percent decline in food service jobs and 60 percent decline in retail/sales jobs. Many of these jobs are held by persons of color, who are being disproportionately impacted by the COVID-19 emergency. Altogether, according to a current UCLA study, there are nearly two-thirds of a million low-income residents in L.A. County at high risk of becoming homeless due to the COVID-19 emergency. The households with these residents are concentrated in the most transit-dependent neighborhoods in the County.

At the same time, Metro continues to carry up to 400,000 boardings each weekday. According to Investing in Place, this is the least decline of any major American city. By Federal Transit Administration data, this would make Metro the 11th-busiest pre-COVID transit agency in the U.S. These 400,000 boardings are predominantly essential workers and Angelenos making essential trips, and are mostly female, persons of color, and low-income Angelenos, many of whom are without other mobility options.

L.A. County jurisdictions are working aggressively to lessen the impact of this economic distress. L.A. County, the City of L.A., and many other jurisdictions are providing eviction moratoriums, tax relief, small business support, and many different types of financial assistance, including food, legal, utility, direct cash, and more. All of these strategies are designed to protect struggling families' economic security.

While the Los Angeles region works to relieve this economic distress, Metro's current fare structure presents financial challenges for families who rely on transit or who can no longer afford to travel by automobile. A 30-day pass, for instance, requires \$100 upfront-a significant sacrifice out of reach for families in need.

Additionally, the high upfront cost of these passes means that Angelenos who rely on Metro do not save money if they ride frequently. With a base fare of \$1.75 and a two-hour free transfer window, a customer who takes two separate trips on Metro each day would have to ride 29 days each month to break even on a \$100 30-day pass.

This negligible incentive also extends to Metro's full-price one-day and seven-day passes, which are priced at \$7 and \$25, respectively. A customer would have to take four trips in one day and 15 trips in one week to break even on the cost of these passes. In effect, customers who ride frequently are unable to realize the financial benefits of these passes.

In fact, Metro's groundbreaking Understanding How Women Travel study included similar detail on how Metro's current fare structure penalizes low-income women:

The high up-front cost of a monthly pass is difficult for low-income women, and the potential cost-savings of the pass are uncertain since one would need to ride nearly every day, twice a day, in order to realize a cost savings over pay-per-ride...Payment for Metro services is a critical interaction that every rider must have with the system. By prioritizing a fare structure, payment options, and enforcement strategies that do not penalize women for their unique travel patterns and responsibilities, Metro can help to relieve some of the disproportionate burden.

Reducing the cost of full-price passes would have only a marginal impact on Metro's fare revenue. In February 2019, the last month before Stay-at-Home and Safer-at-Home orders went into effect, Metro sold only about \$2 million in full-price 30-day, seven-day, and one-day passes.

Furthermore, the ratio of Metro's base fare to 30-day pass cost is far out of step with other American transit agencies. Among 81 transit agencies representing the largest metropolitan areas and cities in the United States and California, 70 (86%) of those agencies price their full-price 30-day pass at no more than 40 times the cost of their base fare. Metro's 30-day pass-at 58 times the cost of the base fare-has the highest break-even point of all of these 81 American agencies.

Ultimately, customers should not have to worry about the decision to purchase a pass in the first place. Metro's TAP system has the capability to cap fares once a customer reaches a certain number of trips in any period. This fare capping system -or "Best Fare"- is already provided by several American transit agencies, including in Portland, Miami, Indianapolis, St. Louis, San Jose, and Houston. Under a Best Fare system, customers' fares are automatically capped once the amount they spend in pay-per-ride reaches the price of an equivalent pass. Implementing Best Fare at Metro will take time.

However, given the serious financial challenges burdening many families in L.A. County because of the COVID-19 emergency, Metro should act with urgency to provide relief for customers who rely on transit and ride frequently. Metro's Recovery Task Force is considering a recommendation to eliminate fares during the off-peak period, which would provide direct financial relief for riders. However, more can be done.

Under Federal Transit Administration Circular 4702.1B, Metro may provide promotional fare products for up to six months without a public hearing.

Reducing the cost of full-price passes would provide economic relief for struggling families as Los Angeles County enters the recovery phase of the COVID-19 emergency.

SUBJECT: EMERGENCY RELIEF: FULL-PRICE PASSES

RECOMMENDATION

APPROVE Motion by Directors Garcetti, Solis, Hahn, Kuehl and Butts directing the CEO to:

- A. Provide relief for current frequent riders by initiating the sale of promotional passes at 50% the cost of full-price passes:
 - 1. Promotional Day Pass: \$3.50
 - 2. Promotional 7-Day Pass: \$12.50
 - 3. Promotional 30-Day Pass: \$50.00;
- B. Provide these promotional passes for not less than six months from the date regular boarding practices resume;
- C. In conjunction with the debut of these promotional passes, suspend the sale of full-price passes;
- D. Prepare a marketing plan to engage frequent riders on these fare changes, with particular focus on helping cash-paying frequent riders take advantage of these promotional fare products and transition to cashless, TAP-enabled payments;
- E. Develop recommendations for cost reductions of the Regional EZ Pass (Base and Zones 1 through 15) that meet the same affordability goals as the 50% pass reductions above;
- F. Report to the Executive Management Committee within 120 days after the initiation of the sale of promotional passes with a report on the status of pass sales and recommendations for permanent reductions to the cost of full-price passes that promote affordability by making break-even points more in line with industry standards; and
- G. Report to the Board in 120 days with an implementation plan for a fare capping/best fare system that allows riders to take advantage of pass products without having to put up money upfront.

**Fare Capping Status Update
June 2022**

Proof-of-Concept – Daily Capping

Fare capping software for faregates was delivered and deployed to five rail gates at four Metro Rail stations as a proof-of-concept in January 2022. Ongoing testing feedback has remained positive.

For the proof-of-concept, TAP cards will require a “fare capping” configuration written onto the cards. Daily capping is configured at \$3.50 (two full fare rides with transfers), equivalent to the cost of a Day Pass for full fare riders with the current 50% off promotional pricing. After the cap is reached, subsequent rides are at no additional cost for the remainder of the day period.

With consistent results from testers and minimal issues with software and reporting, the fare capping software has been published to ten more rail stations throughout LA County as of March 2022. The proof-of-concept will soon grow to include Reduced Fare TAP cards, such as Senior/Disabled, Student K12, and College/Vocational.

TAP will continue with this proof-of-concept event as testing starts on new devices and the whole system. Once the entire system is complete, field testing will expand, followed by a broader public beta test.

Testing Methodology

Implementing fare capping is a complex change that affects every part of the TAP system. Both TAP cards and fare collection equipment will require a fare capping configuration and new software development to read and update a card’s fare capping status. The fare capping configuration will allow TAP cards to track fare deducted and counted towards fare capping buckets. Modified customer displays on TAP Vending Machines (TVM) and TAP vendor retail point-of-sale devices will guide customers to load Stored Value rather than passes in order benefit from fare capping.

The fare capping software will undergo several sets of testing to ensure the public launch provides customers with a seamless experience and the best fare for their rides:

1. The first series of tests consists of device level testing of each type of TAP equipment as the software is being developed.
2. The second series of tests is System Integration Testing to ensure all devices, equipment and subsystems are functioning properly with the fare capping application.
3. The third series of tests will ensure the fare capping software integrates with the existing TAP functionality without issues.

Each series of tests will verify accuracy of the functionality and ensure system integration readiness to support the public launch. Test cases will include scenarios to mimic customer purchases and uses of Stored Value on TAP cards, overall regression test, and field test.

After the software is approved for deployment, it will launch systemwide as a public beta pilot to all bus and rail devices, TAP app, *taptogo.net*, and TAP vendor retail-point-of-sale devices. The beta pilot will continue for at least one month. Field testing performance will be carefully tracked, and any necessary updates will be made at this time. Staff will carefully monitor the success of this process to ensure systemwide customer readiness prior to the full public launch.

Marketing and TAP Card 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. TAP's communications strategy will begin with a regional campaign in Fall 2022, with the goal of first converting cash-paying customers to TAP. This will ensure cash-paying customers become familiar with TAP and enjoy existing benefits, such as free Metro transfers, discounted fares, and balance protection, as soon as possible and well in advance of fare capping. Messaging for this campaign will be consistent throughout traditional print and digital channels and will be available in English, Spanish and additional languages upon request.

In Winter 2023, a fare capping campaign will launch to officially introduce fare capping as an equitable fare payment option that offers customers the means to pay-as-they-go while earning a pass. Customers will no longer have to pay the full cost of a pass upfront. This feature allows everyone to benefit from traveling on Metro with the foreknowledge that they will pay the lowest price possible for travel.

The following key messages will be highlighted throughout traditional print and digital channels, including important customer education tools, such as video tutorials and in-depth FAQs:

- Pay-as-you-go for the lowest price
- Easy to pay and easy to understand
- Equitable fare payment for everyone
- Download the TAP app for real-time progress towards fare cap

Up to one million free TAP cards will be distributed to customers in advance of fare capping implementation, which has proven to be a successful strategy for converting cash-paying customers to TAP. The distribution of these free TAP cards will target high cash-paying bus stops, social service agencies and community events. Customers can also purchase and load Stored Value onto TAP cards with cash or debit/credit card at: over 1,000 TAP retail vendor locations; 495 TAP Vending Machines at rail stations, J Line (Silver), G Line (Orange), municipal bus transit centers; about 2,500 bus

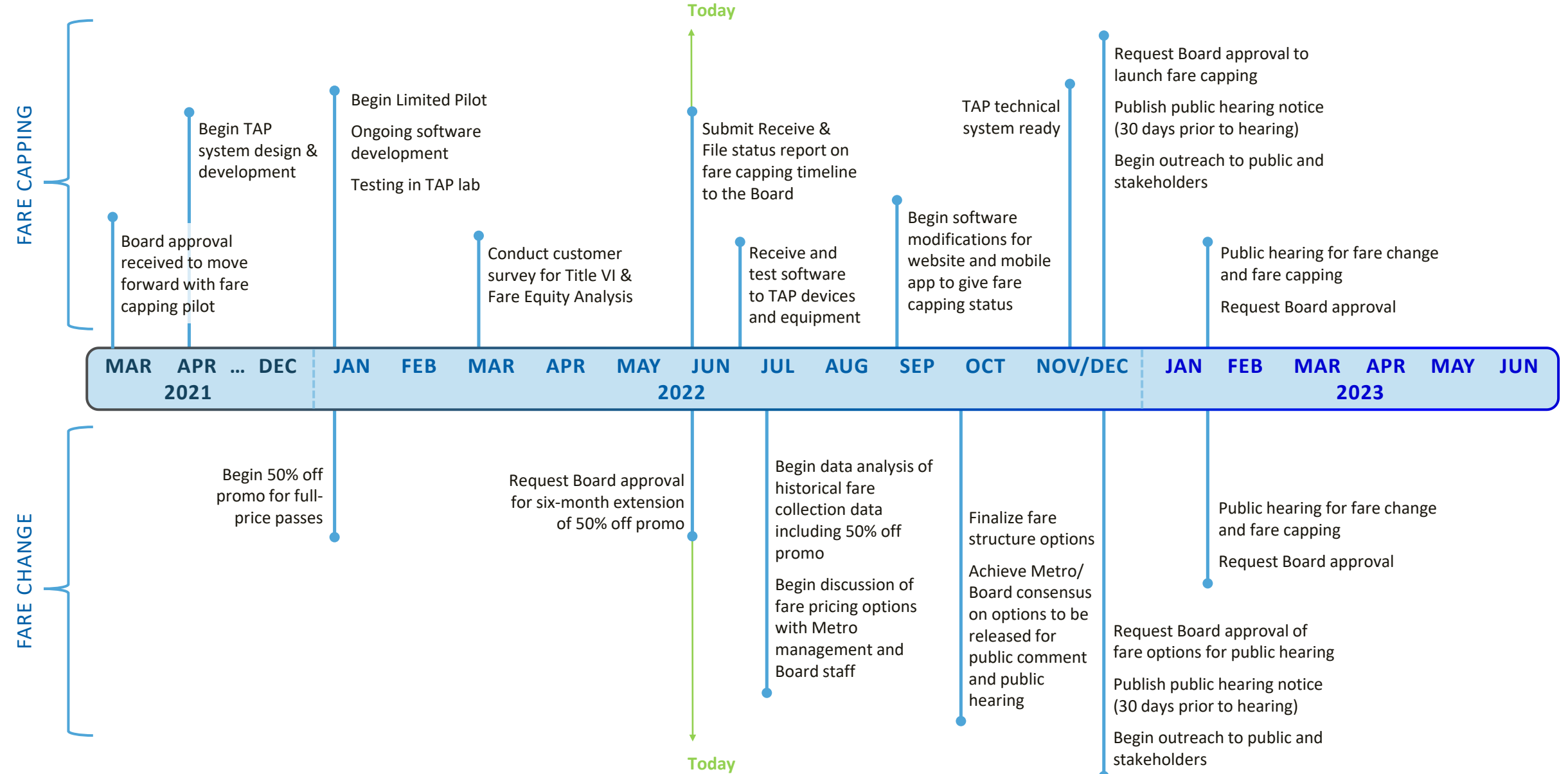
fareboxes; online at *taptogo.net*; on the TAP app; or by calling the TAP Customer Service Center.

Training and Readiness

A successful transition to fare capping will also depend on the participation of internal Metro departments and external stakeholders that interface with Metro customers. TAP staff will prepare training materials to support ongoing in-person and virtual trainings for various Metro departments.

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Fare Capping and Fare Change Timeline



Extend Sale of Promotional Half-Price Passes and Update on Fare Capping Timeline

Executive Management Committee
June 16, 2022

Background

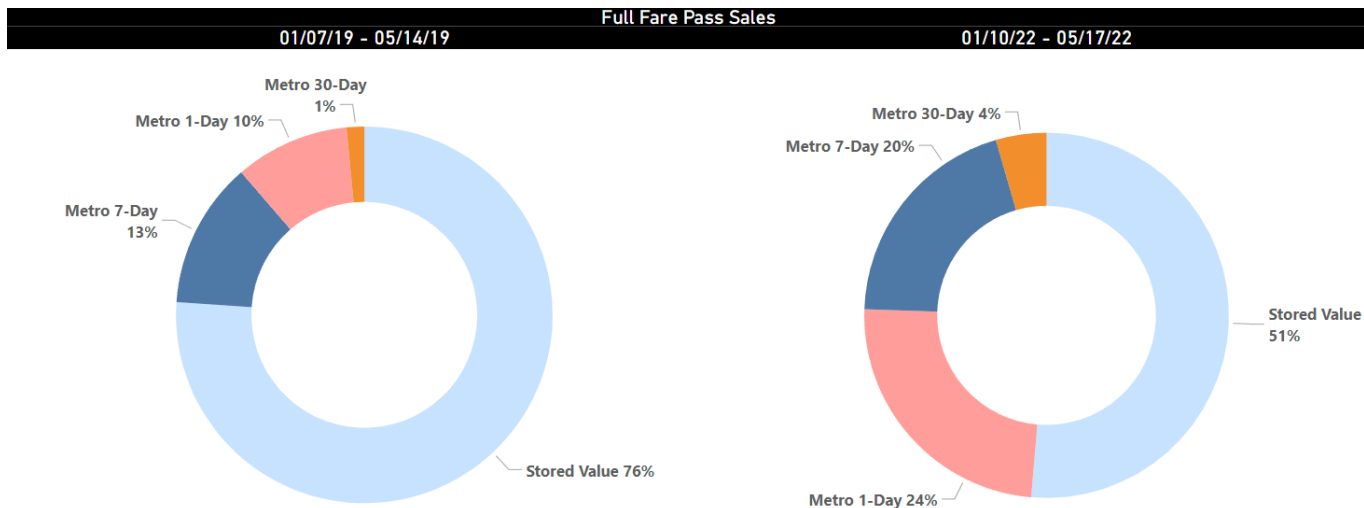
- Non-enforcement of fares and rear door boarding on buses began in 2020 due to COVID
- May 21, 2020 –Motion 36 “Emergency Relief”
 - Full-Price Day Pass, 7-Day Pass and 30-Day Pass reduced by 50% for six months after regular boarding resumes
- Extension required to assess impacts of various promotional prices, develop discounted pricing options and conduct required steps for adoption of permanent pricing

Recommendation: Extend the sale of promotional passes through December 2022 as a continuation of Motion 36: Emergency Relief

- Regular boarding and fare enforcement resumed in January 2022
- Six-month promotional fare prices would expire July 2022
- Metro received authorization from FTA to extend 50% promotional pricing

Preliminary Impacts of Promotional Price

- Sales of Metro passes have increased due to the promotional prices
- More Metro riders are using TAP and purchasing passes over Stored Value



- Recommendations for permanent reductions to full-price passes will include break-even points that are more in line with industry standards, and which are financially sustainable for current and future Metro Transit operations
 - With a \$100 30-day pass, customers must ride 57 times to break even
 - With a \$50 30-day pass, customers must ride 28 times to break even

Fare Capping

- Fare capping is an equitable fare payment option
 - “Pay as you go” system - does not require payment upfront for passes
 - Pay base fare for each ride until they reach the threshold for a pass. Each ride after that is free for remainder of the pass period
- Fare capping is complex and affects every part of TAP system
 - TAP cards, TAP fare collection equipment, and TAPforce (customer relationship management system) requires modification
- Fare capping status update
 - Fare capping software development is ongoing
 - Testing in progress for the following:
 - Pilot/field testing of daily capping software at select Metro Rail Stations
 - TAP lab testing of TAP reader and fare gate software
- TAP technical system will be ready by end of year

Next Steps

- Continue to assess impacts of promotional pricing
- Begin discussions of fare pricing options and estimated impacts with Metro management and Board staff
- Return before the end of the promotional period to request Board approval:
 - Schedule public hearing date
 - Fare options/fare capping released for public comment (prior to public hearing)
- Board approval of final staff recommendation that considers public hearing and comments received
- Extensive public outreach prior to launch

Coordinated Timeline

