



Board Report

File #: 2017-0706, File Type: Public Hearing

Agenda Number:

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2017

**SUBJECT: PUBLIC HEARING FOR CUSTOMER READINESS
EFFORTS FOR TRANSFER ON 2nd BOARDING**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. SCHEDULING a public hearing date on Wednesday, January 17, 2018 to receive public comment on possible customer readiness efforts for board approved Transfer on 2nd boarding; and
- B. AUTHORIZING publication of the attached legal notice (Attachment A).

ISSUE

In June, 2015, the Metro Board of Directors approved Transfer on 2nd Boarding. After obtaining all regional transfer agencies' approval, developing, testing and implementing new software and building campaign strategies for distribution of one Million TAP cards, final implementation has been set for Spring, 2018. Transfer on 2nd Boarding refers to the regional interagency transfer policy that eliminates the need for paper transfers for customers transferring between agencies. Transfer fare will be automatically paid with existing Stored Value on a TAP card when boarding a second transit agency within 2.5 hours from the first boarding. Customers will benefit from faster boarding time and will no longer need to carry exact change.

To prepare regional TAP customers for Transfer on 2nd, staff recommends the following: (1) replace Day Pass sales with ability to purchase Stored Value and Metro base fare onboard bus, (2) eliminate Metro tokens and transition customers to TAP, and (3) charge \$2 for TAP cards system wide to ensure consistency of pricing. By implementing these efforts, staff seeks to ensure successful implementation of Transfer on 2nd Boarding, as well as incentivize all riders to utilize TAP as their primary method of regional fare payment by enhancing the seamless use of the system.

In compliance with federal public hearing requirements and Metro policy, the Board is required to hold a public hearing and receive public testimony before approving customer readiness

recommendations for Transfer on 2nd Boarding. Additionally, the Board will consider the potential impacts these changes may have on the community.

The Notice of Public hearing is proposed for January 17, 2018 and includes a description of the changes, if approved, which help prepare customers for Transfer on 2nd Boarding. Plans call for the notice to be distributed beginning December, 2017. The Board will preside over the public hearing and receive testimony from the public on these matters. A report will then be prepared, summarizing the findings of the public hearing along with specific staff recommendations. The report will be presented to the Board of Directors in February, 2018 for action. Plans call for initial implementation of customer readiness recommendations in March 2018.

DISCUSSION

The following recommendations will help prepare TAP customers for Transfer on 2nd Boarding and support efficiency and consistency in fare collection.

...Replace Day Pass Purchases with Stored Value Aboard Bus

Onboard TAP Day Pass purchases have declined by over 50% since January, 2015. In comparison, Stored Value fare payments are growing and are expected to increase significantly once Transfer on 2nd Boarding is implemented. With approval, onboard Day Pass sales will be replaced with the ability to purchase or reload TAP cards with either Stored Value or base fare at the farebox. The findings from the Title VI analysis for Transfer on 2nd boarding (see ATTACHMENT B) also support the recommendation to add Stored Value reloading on bus. This change will align internal efforts with customer demand and increase accessibility of TAP card and Stored Value purchases.

...Transition tokens to TAP

The use of TAP cards has caused Metro tokens to become obsolete. Tokens are used as one-ride fares, are expensive to count, handle, secure and maintain. A Title VI evaluation of the proposed action found no Disparate Impact as the minority share of token users is not significantly different from the minority share of TAP card users. TAP Stored Value users below the poverty threshold are 6.1% higher than the share of token users. Additionally, tokens are no longer cheaper than the base fare, so there is no customer benefit to this method of fare payment. Transitioning token customers to TAP will provide customers with several benefits including faster and safer fare payment as well as the ability to transfer easily across regional TAP agencies. The proposed efforts help to ensure broad availability of TAP media in lieu of tokens, and the de minimis cost of the TAP card substantially mitigates this impact. (see ATTACHMENT C).

The implementation plan for phasing out Metro tokens will take place over 13 months. The first 2 months will be dedicated to a customer friendly campaign notifying patrons of final token sale and use dates, and how to transition to TAP. During the third month, Metro token sales will end. However,

tokens will be accepted for at least one year. This length of time ensures that customers can utilize their existing tokens and obtain a TAP card. Additionally, a special token replacement plan will be implemented for social service agencies and other heavily token-reliant programs.

...TAP card cost consistency

Internal costs for TAP cards are currently \$2 per card. This includes manufacturing, processing, inventory oversight, distribution, testing, initialization and more. Currently, the customer cost for a TAP card varies depending on the purchase method. For example, the TAP card cost is \$2 when purchased online, by phone, at a Metro Customer Center or at a retail vendor. A TAP card costs \$1 if purchased at a TAP vending machine or on a Metro bus. These lowered prices were a result of a pilot program where Metro subsidized half the cost in order to stimulate TAP sales. Making this cost consistent across all point-of-sale locations will rectify inequities, reduce customer confusion and encourage customers to retain and reuse their cards (see Table 1). In addition, the life of a TAP card has increased from three years to ten years, so the cost of the card, amortized over ten years is quite low.

Reduced Fare Senior, Disabled, Student and College TAP cards are currently free and will remain so.

Table 1

	Taptogo.net	866.TAPTOGO	Metro Customer Center	TAP Vendors	TAP Vending Machines	Metro Bus
Current	\$2	\$2	\$2	\$2	\$1	\$1
Proposed	\$2	\$2	\$2	\$2	\$2	\$2

Notice of Public Hearing

Upon approval, pursuant to Metro’s Administrative Code Section 2-5-025, the notice for this public hearing will be provided to the general public as follows:

WEB

Metro Website

Fares page

Rotating banner on metro.net

Social Media

Facebook, Twitter, Instagram posts

The Source

E-Blasts

Metro general information e-mail lists

Key stakeholders e-mail lists

PRINT ADS

Printed legal notice of public hearing - published 30 days before hearing

Los Angeles Daily News

Long Beach Press - Telegram

Orange County Register

Torrance Daily Breeze

Asbarez Armenian Daily

Sarashi News

Panorama

LA Sentinel

Asian Journal Publication

La Opinion

Chinese Daily

The Rafu Shimpo

Korean Times

ON METRO SYSTEM

“Take One” brochure in English and Spanish

System Drop on bus and rail

DETERMINATION OF SAFETY IMPACT

Reducing the use of cash and increasing TAP use will enhance safety by speeding up boardings. TAP also provides registered cardholders with the benefit of Balance Protection to safeguard their TAP purchase against loss or theft.

FINANCIAL IMPACT

The proposed recommendations will enable Metro to operate more efficiently by reducing costs for fare collection (see ATTACHMENTS C and D). Based on current sales, TAP card \$2 cost consistency will bring an additional \$3,600,648 revenue from TVM sales per year and \$51,756 revenue from bus sales per year. Removing Day Pass purchases on board the bus and eliminating Metro tokens has no financial impact.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the request for a public hearing regarding the aforementioned recommendations, however this action would not be recommended or consistent with the Board approved Transfer on 2nd Boarding mitigation strategies.

NEXT STEPS

With Board approval, staff will initiate the publication of the legal notice and prepare for the upcoming public hearing.

ATTACHMENTS

- Attachment A - Notice of Public Hearing
- Attachment B - Transfer on 2nd Boarding
- Attachment C - Token Elimination
- Attachment D- Token Sale Analysis

Prepared by: Kyle Holland, Manager, Transportation Planning, TAP, (213) 922-2446

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



Phillip A. Washington
Chief Executive Officer



NOTICE OF PUBLIC HEARING
Los Angeles County Metropolitan Transportation Authority

The Los Angeles County Metropolitan Transportation Authority will hold a public hearing on January 17, 2018 to receive community input on the **proposed customer readiness efforts surrounding Transfer on 2nd Boarding**, set for implementation Spring 2018. Details of the hearing date, time, and location are shown below.

The upcoming public hearing is being held in conformance with federal public hearing requirements outlined in Section 5307 (d) 1 of Title 49 U.S.C., and public hearing guidelines adopted by Metro's Board of Directors in 1993, as amended.

Transfer on 2nd Boarding was approved by the Board in June, 2015 and refers to the approved interagency transfer policy that eliminates the need for paper transfers for customers transferring between agencies. Transfer fare will be automatically paid with Stored Value on a TAP card when boarding a second transit agency within 2.5 hours from first boarding. Customers will benefit from faster boardings and will no longer need to carry exact change.

In order to prepare customers for Transfer on 2nd Boarding, the following efforts are recommended:

Replace Day Pass and Add Stored Value sales aboard Buses

Discontinuation of Day Pass sales on bus will enable the sale of Stored Value. Replacing onboard TAP Day Pass purchases with the ability to reload Stored Value will allow passengers to add fare immediately to their TAP card, which is necessary in preparation for transfer on 2nd boarding.

Transition Tokens to TAP

Phase out of Metro tokens as a payment option they are obsolete due to advances in TAP acceptance. The TAP card is a viable, cost effective replacement that enables simpler, safer and automatic farebox collection.

Implementation of a consistent \$2 TAP card price to customers across all purchase touch points

It is recommended that the cost of TAP cards be consistent by making them \$2 across all purchasing platforms. Costs of cards remain the same at TAP vendors, Metro Customer Centers and online. The card will go from \$1 to \$2 onboard buses and TAP vending machines. The extra cost of the TAP cards in vending machines and buses is negligible as amortized over its life of 10 years.

PUBLIC HEARING SCHEDULE

1:00 PM
Metro Headquarters Building
January 17, 2018
Board Room
One Gateway Plaza
Los Angeles, CA 90012-2932

Additional details about these proposals will be available for public review after **December 1**. To obtain this information contact the address listed below, or visit your nearest Metro Customer Relations Center. Information can also be accessed at: www.metro.net

Note these proposals may be approved in whole or in part at a date following the public hearings. Approved changes may also include other alternatives derived from public comment. Interested members of the public are encouraged to attend the upcoming hearing and provide testimony on the fare proposals under consideration. Persons unable to attend the hearings may submit written testimony postmarked through midnight, January 17, the close of the public record. All written testimony should be addressed to:

Metro Customer Relations:

Attn: Transfer on 2nd Boarding Readiness
One Gateway Plaza, 99-PL-4
Los Angeles, CA 90012-2952

Comments can also be sent via e-mail with “**Transfer on 2nd Boarding Readiness**” as the subject to:

customerrelations@metro.net
Facsimile at: 213-922-6988

Upon request, foreign language translation, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 hours) in advance of the scheduled meeting date. Please telephone (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday.

**Title VI Evaluation
Replacement of Existing Interagency Transfers
With TAP-Based Method**

This is a Title VI evaluation of the replacement of current methods of providing Interagency Transfers (IATs) with a TAP-based method. The affected operators are those Los Angeles County fixed route service providers that receive some form of formula operating subsidy from the Los Angeles County Metropolitan Transportation Authority (Metro)(Table 1).

**Table 1
Los Angeles County
Formula Funded Fixed Route Operators**

Antelope Valley
Beach Cities Transit
Culver City
Foothill Transit

Gardena
Long Beach
Los Angeles DOT
Metro
Montebello

Norwalk
Santa Clarita
Santa Monica
Torrance

For this evaluation the Universe of potentially impacted persons is all persons within one-quarter mile of any bus stop served by one or more of the above operators, and/or within one-half mile of any rail station. Ethnic data for this population is obtained from the 2010 US Census, and Household Income data for this population is obtained from the 2006-2010 American Consumer Survey (ACS). Because the Census data is provided at the block group level, and the ACS data is at the tract level the size of the impacted population is slightly greater for the ACS data (block groups that are more than one-quarter mile from a bus stop would be excluded from the Census data, but could be included in the ACS data if the tract containing such block groups was within that one-quarter mile of a bus stop).

For reference purposes this evaluation will refer to the Ethnic population as the Title VI data, and the Household Income population will be referred to as the Environmental Justice data. The Title VI population consists of 9,648,798 persons of whom 6,826,725 are minorities (70.8%). The Environmental Justice population consists of 9,742,481 persons of whom 1,531,488 are living in households below the federally defined Poverty income levels (15.7%).

Evaluation Methodology

The Universe of potentially impacted persons has been defined as essentially all persons who can walk to fixed route transit. Under current methods any passenger

desiring an IAT may purchase it at the time that they board a bus, or at a rail station at the time that they purchase their rail ticket. In order to be unaffected by the introduction of TAP-based IAT's a passenger must still be within walking distance of the means to purchase the IAT before taking their transit ride. Otherwise, a person would be adversely affected by the new method.

The mechanics of the proposed IAT process require that the passenger have a TAP card with a cash purse holding sufficient value to purchase an IAT. Such a rider would pay their initial fare by whatever means they normally use (either a cash deduction from the TAP card purse, or the use of whatever pass is stored on the TAP card). When the transfer boarding occurs, the cost of the transfer would be debited from the TAP card purse.

The relevant factors for this evaluation are 1) does the rider have a TAP card, or not, and 2) can the rider add value to that TAP card to ensure the ability to pay for the trip. The ability to add value to a TAP card adds an additional level of complexity to this evaluation – some of the fixed route operators have the ability to add value to a TAP card on board a bus and some do not have this capability. In the latter instance, whether a rider remains unaffected by the proposed method will depend on whether or not they are within walking distance of an alternative means of adding value to the TAP card. The alternatives consist of rail and Orange Line stations which have TVM's capable of issuing and upgrading TAP cards, or customer service outlets which can sell and/or upgrade TAP cards (there are several hundred of these). The possible combinations of these factors and nature of rider impacts are shown in Table 2.

This evaluation assumes that having to purchase a TAP card is inconsequential because the \$1-\$2 cost of the card can be amortized over its multiple year validity. Therefore, the No TAP Card riders whose only potential adverse impact would be the need to buy a TAP card are considered to be Not Impacted as long as they are otherwise able to walk to a location where they can add value to the card.

As can be seen from Table 2 there are three scenarios that result in an adverse impact for riders so situated:

1. The rider has No TAP Card and adding value to the TAP purse on the bus has no value because they are not within walking distance of a location where they could obtain the TAP card itself;
2. The rider has a TAP Card but cannot add value to it anywhere; and
3. The rider has No Tap Card and cannot add value to it or buy one.

Table 2
Rider Impact Categorizations

	<u>TAP Card</u>	<u>No TAP Card</u>
Can Add Value Can Walk to Outlet	No Impact	No Impact
Can Add Value Cannot Walk to Outlet	No Impact	Adverse Impact
Cannot Add Value Can Walk to Outlet	No Impact	No Impact
Cannot Add Value Cannot Walk to Outlet	Adverse Impact	Adverse Impact

Results of Evaluation

The next step in this evaluation was to determine the number of persons associated with each Impact Category, and for the potential Adverse Impact categories, whether or not the resulting impacts were Disparate (disproportionately affecting minorities) or imposed a Disproportionate Burden (disproportionately impacted persons in Poverty).

Metro has defined a Disparate Impact as an adverse impact affecting a group having an absolute 5% greater minority share than the overall population (Universe) (in this instance, $70.8\% + 5\% = 75.8\%$ or greater) or a 20% greater share ($70.8\% \times 1.20 = 85.0\%$). This evaluation uses the lesser threshold of 75.8%. A Disproportionate Burden has been defined as an adverse impact affecting a group having an absolute 5% greater Poverty share ($15.7\% + 5\% = 20.7\%$), or a 20% greater Poverty share than the overall population (in this instance, greater than $15.7\% \times 1.20 = 18.8\%$ or greater). This evaluation uses the lesser share of 18.8%.

The first adversely impacted group consists of those riders who do not have a TAP card, but could add value to it if they did. This is the non-TAP card portion of the second group in Table 3. The minority share of this group (75.9%) exceeds the Disparate Impact threshold (75.8%) so this group is **Disparately Impacted**. The Poverty share (14.7% is less than the threshold for Disproportionate Burden (18.8%) so there is no Environmental Justice consequence for this group.

Table 3

**Intra Agency Transfer Tap Proposal
Title VI and Environmental Justice Analysis Results**

Scenario	Sub Categories	Title VI			Environmental Justice		
		Total Population	Minority Population	% Minority	Total Population	Poverty Population	% Poverty
Existing Universe		9,648,798	6,826,725	70.8%	9,742,481	1,531,488	15.7%
Existing Conditions							
	Can add value Can walk to Tap Local	1,968,742	1,553,530	78.9%	2,553,977	533,158	20.9%
	Can add value Can't walk to Tap Local	2,874,232	2,181,275	75.9%	3,220,858	473,102	14.7%
	Can't add value Can walk to Tap Local	3,990,023	3,060,150	76.7%	4,901,898	970,510	19.8%
	Can't add value Can't walk to Tap Local	8,270,940	5,816,187	70.3%	8,492,017	1,364,653	16.1%

Notes

1. Title VI is performed at the census block group level using 2010 Census Data
2. Environmental Justice is performed at the census tract level using 2010 5 Year American Community Survey Data
3. Transit buses and stations where one can add value to the tap card - AVTA, Foothill, Gardena, Montebello, Torrance and Metro Orange Line and Rail
4. Transit buses where one can't add value to the tap card - Metro buses, Beach Cities, Culver City, Long Beach, LADOT, Norwalk, Santa Monica and SCVTA
5. Used quarter mile buffers for bus stops and half mile buffers for rail stations.

The remaining two adversely impacted groups comprise the totality of the fourth category in Table 3 (whether or not they have a TAP card, they have no way to add value to it). Both the minority share (70.3% compared with 75.8%) and the Poverty share (16.1% compared with 18.8%) are less than the thresholds for Disparate Impact and Disproportionate Burden, respectively, so there are no Title VI or Environmental Justice consequences for these groups.

Findings

The group of riders having no TAP card, and not within walking distance of a place to obtain one (though they could add value to it if they had one) was found to be **Disparately Impacted** by the proposed TAP-based IAT. The most recently processed Customer Satisfaction Survey indicates that about 72% of Metro riders have a TAP card (probably a higher percentage now as this data is over a year old). This yields a group of approximately 800,000 people who are constituents of Antelope Valley, Foothill Transit, Gardena, Montebello, and Torrance (those affording the opportunity to add value to the TAP purse at the trip origin). This group constitutes about 8.3% of all persons within walking distance of fixed route transit.

The proposed TAP-based IAT should be pursued given that more than 91% of the population would not be Disparately Impacted nor Disproportionately Burdened by the program. Customer convenience for those having to transfer would be improved with faster boarding times, and not having to carry added cash for transfer charges. It is clearly in Metro's interest to pursue improved multi-operator coordination and the provision of seamless fare mechanisms for riders which the proposed program would accomplish. Given the significant investment in TAP, there is no other cost-effective mechanism for providing a consistent multi-operator transfer program without printed fare media than the proposed TAP program.

EVALUATION OF DISCONTINUED TOKENS

Federal Transit Administration (FTA) Circular 4702.1B provides guidance for the conduct of equity evaluations of proposed service and fare changes. A transit operator must have a locally adopted process for determining when public hearings, and the equity evaluations associated with such proposals, are required. Impacts to both minority and poverty level persons must be assessed, and there must be locally adopted standards for when differences between impacted persons and everyone else are significant.

Metro's Administrative Code contains these rules and definitions in Section 2-50. A public hearing and equity evaluation is required for any fare change. The difference between the minority/poverty shares of impacted riders and all others is deemed significant if the absolute difference is 5% or greater, or the relative difference is 35% or more, whichever is less.

Proposal for Evaluation

At the present time, Metro riders may purchase Tokens in packages of 10 for \$17.50. Each token is good for one boarding on Metro and has a value equivalent to the Cash base fare of \$1.75. Tokens are also used as a means of funding transit travel for participants in Metro's Immediate Needs Program with each Token providing one boarding on Metro.

The proposed action would discontinue the availability of Tokens. Patrons who buy tokens would need to obtain or use a TAP card to load passes or Stored Value to fund travel. TAP cards and the ability to add stored value or Metro passes to them are available at the same places where Tokens can be obtained, and are also available through Ticket Vending Machines (TVM's), online at taptogo.net, by calling 866.TAPGO and from Metro Customer Centers.

In addition, if a TAP card with stored value is used to board Metro, then the patron receives an added benefit of free transfers for up to two and a half hours from the initial boarding. While the TAP card initially costs \$1 to \$2 depending on where it is purchased, its 10-year expected lifetime (it is reusable) means that the costs of the card is inconsequential.

For those who receive Tokens through the Immediate Needs Program, there is a separate action being undertaken to replace that benefit with another form of media. Thus, the benefit would be maintained using different media, and the added benefit of free transfers as described above would also be conferred. A separate Title VI evaluation of proposed changes to the Immediate Needs Program (as well as the Rider Relief Program) has been prepared. (See attached.)

Title VI Evaluation and Findings

The most current available ridership data was collected as part of the Fall 2016 Customer Satisfaction Survey. The relevant data provided by this survey includes method of payment, ethnicity, and poverty status. Comparative statistics for Token and TAP users are provided in Table 1.

Table 1

	<u>TAP Users</u>	<u>Token Users</u>	<u>Absolute Diff.</u>	<u>Relative Diff.</u>
Minority Share	87.9%	91.4%	3.5%	4.0%
Poverty Share	56.1%	74.0%	17.9%	31.9%

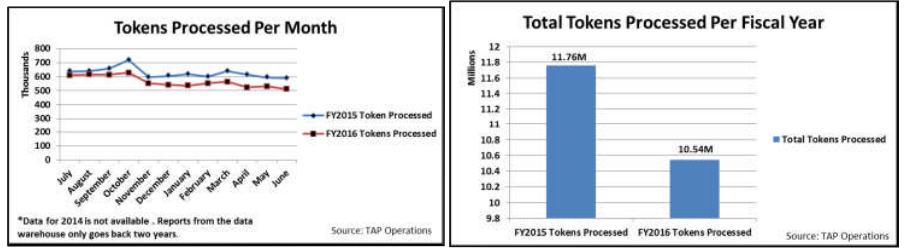
The minority shares of Token and TAP card users are not significantly different, so the proposed action would have **no Disparate Impact** on Token users.

On the other hand, the share of Token users is significantly poorer than TAP card users. With poverty level incomes significantly greater than for TAP card users, this creates a Disproportionate Burden on Token users from the proposed action. However, because the replacement media will have greater availability than Tokens, it will confer a greater benefit when used by virtue of the free transfers provided. Therefore, there is **no Disproportionate Burden** on poverty level income Token users from the proposed action.

**Attachment D
Decline in Token sales & processing**

Tokens Processed

Token processing from 2015–2016 has decreased by **1.2M** or **.10%** system-wide (bus and rail). Refer to the below chart for processed token counts.



Token Sales

Token sales from 2014–2016 has decreased by **\$1.8M** or **.17%** system-wide (bus and rail). Refer to the below chart for token sales.

