



File #: 2021-0464, File Type: Oral Report / Presentation

Agenda Number: 36.

**EXECUTIVE MANAGEMENT COMMITTEE
JULY 15, 2021**

SUBJECT: FARELESS SYSTEM INITIATIVE (FSI) UPDATE JULY 2021

ACTION: ORAL REPORT

RECOMMENDATION

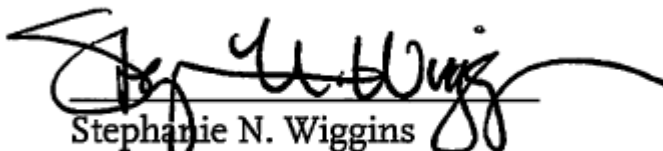
RECEIVE oral report on Fareless System Initiative (FSI) Update.

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
Executive Management Committee
Thursday, July 15, 2021

Devon Deming
Interim Deputy Executive Officer
Fareless System Initiative (FS)
demingd@metro.net
(213) 978-7957



May Board Motion

Requested implementation of the Fareless System Initiative, subject to a final financial plan and while pursuing cost-sharing agreements, and to report 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

Equity Analysis

FSI Task Force used the Rapid Equity Assessment Tool to analyze the impacts of the proposed FSI Pilot Program.

Phase 1 of the FSI Program seeks to increase access to transit for all K-12 and Community College students by:

- Eliminating payment of fare at boarding
- Reducing application barriers by streamlining card distribution and registration through school partners
- Providing program materials in multiple languages
- Including a phone registration process

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

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

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:

1. 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

2. 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)

3. 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

Program Analysis

- Program Analysis will be done by combination of national and local organizations and will include:
 - Increase in riders/boardings
 - Increase in frequency of usage
 - Improvements to K-12 attendance and K-12 and Community College success
 - Improvements in student health and wellness
 - Effect on customer experience
 - Equity analysis
 - Cost of program / Future funding
- Program data for each group will be analyzed separately

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.

Recommendation

1. August 2021 implementation of Phase 1 of the Fareless System Initiative, including proposed cost-sharing agreements for K-12 and Community College Districts ;
2. Adoption of the final financial plan for Phase 1, including utilizing Metro's portion funding of American Recovery Plan Act (ARPA) funds to cover Metro's fare revenue loss not covered by cost-sharing agreements

Next Steps

- Upcoming meetings with regional transit agencies to finalize funding recommendations
- Finalizing research on fare collection cost
- Preparing written board report for distribution on July 16 to seek Metro Board approval of Phase 1 funding and implementation plan with anticipated August 2021 launch date
- Continuing discussions with school districts, community colleges, and transit agencies who have expressed interest in participating



Fareless System Initiative