

**Board Report**

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**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.