

FSI Task Force update

Executive Management
Committee

April 15, 2021



FSI Update

Purpose of the Fareless System Initiative Pilot:

To determine how Metro can provide financial relief to low income and student riders on the LA Metro system.

FSI Update

- Motion 43.1 responses focus on pilot; long-term where applicable
 - Pilot is essential in understanding a fully fareless system
 - Scope and scale of FSI remain *unprecedented* in LA and the nation
 - Pandemic impacts on future travel patterns remain unknown
 - Pilot provides empirical assessment of forecasted assumptions
 - Pilot positions Los Angeles County for opportunity to seek federal and state funding

1a. Municipal Transit Agencies

1a. How Metro is including municipal operators in the planning process, including what it would cost to fully include them and how many of their riders would qualify

FSI Ad Hoc Committee

- 12 meetings since last October
- Ad Hoc Committee volunteered to co-develop metrics for measuring regional pilot success

Task Force designing quick survey for 41 operators (excluding dial-a-ride)

- Pilot participation cost and willingness to participate
- Eligible ridership information
- Survey Findings to Metro Board of Directors - May 2021

1b. Subsidies and Passes

1b. All the subsidies Metro, Municipal Operators, and Cities already offer, including LIFE and U-Pass, and how those programs play a role in and inform a fareless initiative

Pass Type	Qualifier	Cost /Discount	Participants
Low-Income (LIFE)*	\$39,450 or less/yr.	Countywide Discounts ranging from \$8-\$24/mo.	79,000
Seniors	62+ years of age	Cost is \$20/mo.	241,858
Disabled/Veteran	Proof of disability	Cost is \$20/mo.	239,075
K-12 Student	Proof of enrollment	Cost is \$24/mo. or \$1 per boarding	57,224
College/Vocational	Proof of enrollment	Cost is \$43/mo.	10,289

Pass Type	Qualifier	Cost /Discount	Participants
U-Pass	Partner School	Cost ranges from \$16-\$43/mo.*	19,653
E-Pass	Partner Business	Cost ranges from*\$34-\$80/mo.	4,826
Small Employer Pass	Partner Business (less than 250 employees)	\$34/mo. with 50% of employees participating	10,199

FSI Task Force is seeking additional information from local and municipal operators

1c. FAP, State & Federal Grants, Access Services

1c. How fareless will impact the Formula Allocation Procedure (FAP), state and federal grants, and ACCESS Services;

The pilot will not change existing policy or legislation

- will provide basis and opportunities to reevaluate current approaches to policies and statutes.

FFGA is revenue neutral, a dollar-for-dollar requirement

- Lost fare revenue must be replaced with guaranteed, revenue neutral funds
 - FSI is premised on the need to replace lost fare revenue funds; i.e. 'fareless' not 'free'
 - Staff will monitor all grant programs during pilot

1c. Access Services (cont.)

- Metro will maintain its \$1.75 base fare for non-pilot participants
 - Access Services' fare structure would remain
- Access customers ride for free on most Los Angeles County fixed-route systems
 - FY 19, Access customers took 26.6 million free fare trips on the fixed-route system.

1d. Customer Surveys

1d. What Metro's customer surveys tell us about fareless and other priorities.

- Conducted October 2020 (prior to upcoming planned increase in service)
- 46k responses
- Across all demographic groups
 - 86% of Metro riders support Metro going fareless
 - 80% of non-Metro customers support Metro going fareless

Survey respondents expressed concerns

- Impacts to the quality of service, adequate service, crowding, safety and security, cleanliness, and the presence of persons experiencing homelessness (PEH)
- Cuts to system expansion, service levels, salaries, system upkeep, security, and cleaning.

1e. Fare Collection

1e. Potential cost savings and implications for what can be realized through a fareless program for all residents through elimination of TAP infrastructure, administration of pass and subsidy programs, etc.

- TAP remains in place during pilot (no near-term savings during pilot)
- Long-term estimate of fare collection savings is \$74.4m annually
- Metro shoulders costs of TAP for Munis
- Cubic contract expires in 2024

- Boarding DATA: TAP boarding data-only 51% of customers use TAP
 - must also rely on combined data reporting by bus operators, field observations, APC data, & TAP
- Demographic DATA (required by FTA) – can only be captured by Ridership Survey
 - Cash boardings and TVM purchased TAP cards do not yield FTA required demographic data

- Potential Labor Savings
 - Metro's needs would be evaluated during the FSI pilot.

2a. Pilot Costs and Funding

2a. Funding source details, including what those funds could go to if not fareless transit

(A) Funding Need (\$ in million)	Alt FY22	Alt FY23	Notes for Alternative
Transit Service Increase*	\$ -		Board Directed 7 million RSH, by 9/2021. Projected increased FSI pilot ridership is absorbed in 7m RSH. Will monitor & report service need monthly throughout the piloting period
Communications, Data Infrastructure, and Eligibility Processing	3.6	3.0	Communications and Eligibility processing cost should increase; will monitor and report
Defeasement General Purpose Bond	80	-	Total bond expense under review
P&I Payment	-12	-12	
Fare Loss	16.3	134.4	FY22 assumes gradual return to ridership, \$73m in fares; with 60% of Low-income riders participating in FY22, and increase to 75% by FY23
Funding Need Total	\$88	\$125	

*Every 1% bus service increase will require funding of \$12 to \$14 million. Will monitor closely.

2a. Pilot Costs and Funding (cont.)

2a. Funding source details, including what those funds could go to if not fareless transit

(B) Budget Prioritization Opportunities	Preliminary Budget	
	FY22	FY23
*Efficiency Savings on Bus and Rail Operating and Maintenance (O&M)	\$2,038.9	\$2,230.8
*MicroTransit Pilot Evaluation	39.6	40.7
*Assessment of SGR Cashflow Needs	452.3	462.7
*5% Agency Overhead, Adm and Support Department Cost Reduction	131.9	134.9
Continue VSIP program		
Reallocate LIFE to Pilot Pass	13	13.3
Potential Saving		
<i>*Ongoing discussions between Operations, FSI Task Force, OMB, and OCEO</i>		

Potential Savings		Notes
FY22	FY23	
(\$40.8)	(\$44.6)	Due to new buses and newer rail lines, there is potential to reduce bus and rail unit cost from OT, Parts and Facility cleaning contracts accounts. Recommend start with 2% reduction per year
-7.3	-7.4	Consider more gradual expansion to 9 zones until assessment of pilot
-37.6	-37.6	Align cashflow requirement based on actual expenditure rate of SGR, with no reduction to SGR projects
-6.6	-6.7	
-5	-10	1/2 year for FY22 and full year for FY23
-8.4	-8.4	Metro portion only
(\$106)	(\$114)	

2a. Pilot Costs and Funding (*cont.*)

Student Fare Revenue

FY19 K-12 Fare Revenue	\$27m	69% of total 1.4 million total K-12 Students in LA County are low-income
FY19 Community College Fare Revenue	\$4.9m	75% of Community College Students in LA County who ride transit are low-income (U-Pass surveys)

FSI Ridership Estimates:

- 64% of Pre-COVID Ridership in FY 22 (11 Months); 95.5% of Pre-COVID Ridership in FY 23 (12 Months)

2a. Pilot Costs and Funding (cont.)

All K-12 students in Los Angeles County

<u>Original K-12 Pilot assumptions:</u> Low-income students to start in January 2022; all K-12 Students in August 2022.	Low-income K-12 students, starting January 2022	Low-income K-12 FY 23	Non-low income K-12 (August 22) FY 23	*Original Total Pilot costs of K-12
	\$5,961,600	\$17,791,650	\$7,327,238	\$31,080,488
<u>Revised K-12 Pilot Assumptions</u> all income, starting earlier: August 2021		All K-12 students, starting August 2021 (FY22)	Advancing Non-low income (July 2023 only)	*Revised Costs of moving up students to August 2021
		\$9,878,400	\$666,113	\$10,544,513
	*K-12 Student Pilot Costs (lost fare revenue)			\$41,625,000

*Lost Fare Revenue Only; Assumes Added Service Covered in 7m RSH; Pilot may lead to revised forecasts

2a. Pilot Costs and Funding (cont.)

Community College Students

<u>Original Community College Pilot assumptions:</u> Low-income students to start in January 2022	Low-income Community College students, starting January 2022	Low-income Community College students (FY 23)	Non-low income Community College students (August 22) (FY 23)	*Original Total Pilot costs for Community College students
	\$1,176,000	\$3,509,625	\$-	\$4,685,625
<u>Revised Community College Student Assumptions (all income) starting earlier: August 2021</u>		All Community College students, starting August 2021 (FY22)	Revised Community College students (FY23)	*Revised Costs of moving up students to August 2021
		\$1,698,667	\$1,169,875	\$2,868,542
	*Community College Costs (lost fare revenue)			\$7,554,167

**Lost Fare Revenue Only; Assumes Added Service Covered in 7m RSH; Pilot may lead to revised forecasts*

Additional Pilot & Long-term Funding Considerations

Additional Funding Strategies

- Incremental advertising revenues from naming right and corporate sponsorship \$23.8 FY21 budget
- Discussions forthcoming w/LA Unified School District and other school districts to partner on funding K-12 and pass distribution coordination
- Traffic Reduction Program -funds generated through a future program could be available to permanently invest in a fareless system

Note

- Preliminary budgets include all transit operations eligible resources, including Board adopted and anticipated CRSSAA and ARPA distributions.
- These options follow Board motion to maintain 7 million RSH, maintaining high quality customer experience, and no impact to SGR program.
- Federal and State funding.
- Potential long-term costs for Access Services are being reviewed.

2b. Pilot Evaluations

2b. A plan to decide how to evaluate the success of the program, including permanent funding sources and what would trigger an end to or continuation of the program

- Evaluation plan will be developed, brought for consideration before Pilot commencement; Ad Hoc Committee volunteered to co-create metrics
- Potential performance criteria & thresholds for continuation/discontinuation of FSI
 - equity, financial viability, program participation, boarding increases, successful reassignment/repurposing of Metro staff in support of the FSI pilot, acceptable level of service and safety on system.
- FSI Pilot will generate empirical qualitative and quantitative data and understanding
 - instrumental in justifying and seeking permanent funding
- Task Force is recommending that to continue on a permanent basis Federal and State funding is essential

2b. Pilot Evaluations (*cont.*)

Sample Draft Pilot Performance Criteria Metrics (currently in development)

Criteria	Effectiveness	Sustainability	Efficiency	Impact
financial sustainability				
pilot program participation				
increased boarding by pilot participants				
level of service				
quality of service				
increased trip by low-income riders				
employee safety				
rider safety				
system security				
additional criteria				
additional criteria				
additional criteria				

2c. Service, SoGR, Customer Experience

2c. A commitment to not cut service, state of good repair, or customer experience priorities

- Staff recognizes quality of public transit affects people's economic and social opportunities
- Board approved 7m Revenue Service Hours standard in September 2021
- Strong staff commitment to preserve all assets in a state of good repair
 - State of Good Repair commitments
 - \$452 million in FY22
 - \$463 million in FY23
 - Better Bus Initiative commitment
 - \$208m in FY22
- FSI pilot to complement other Metro programs and initiatives
 - Vision 2028, NextGen Bus Improvement Plan, Customer Experience Plan.
 - Any necessary adjustments to service or change in the agency's priorities would require Board approval.

2d. Service, SoGR, Customer Experience

2d. If a FSI pilot is approved, regular reports back to the Board on how the initiative is impacting ridership, equity, Metro's finances, and the customer experience.

- If a FSI pilot is approved, Metro staff will provide monthly reports to the Metro Board
- Updates to include evaluation criteria status

Fare Capping

March Board Report, [Item 13](#)

- Fare Capping can be offered to riders *not* participating in an FSI Pilot
- \$6 to \$8 million
- System Software Upgrade (6 to 9 months)
- Fare revenue loss from capping fares is anticipated

Questions and Answers