



## Board Report

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**File #:** 2020-0352, **File Type:** Motion / Motion Response

**Agenda Number:** 25.

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**EXECUTIVE MANAGEMENT COMMITTEE  
JUNE 18, 2020**

**SUBJECT: EMPLOYER PASS (E-PASS) PROGRAM**

**ACTION: APPROVE RECOMMENDATION**

### **RECOMMENDATION**

APPROVE recommendation to establish a permanent Employer Pass (E-Pass) Program based on the success of the current 2-Year E-Pass Pilot Program

### **ISSUE**

In October 2017, as part of an ongoing effort to pursue strategies to increase transit ridership, Board Motion 36 (File 2017-0715) requested “that the EAPP Program (which includes ATAP and BTAP) be amended to include a pay-per-boarding model similar to the U-Pass Program at a fare-per boarding (FPB) rate approved by the Office of Management and Budget (either as a pilot program or as a new payment option under BTAP).” (Attachment A)

### **DISCUSSION**

#### **Background**

In 2003, the Board adopted the Contracted Transit Pass Programs (Attachment B), which included the precursors to the ATAP and BTAP Programs, the Annual Pass Program and Employer Pass Program, respectively. These programs were designed to enable Metro to develop stronger partnerships with LA County businesses, institutions and major organizations to increase ridership; promote the use of transit; generate new revenue to support Metro initiatives; and provide businesses and organizations the opportunity to take advantage of federal income tax incentives that encourage the use of transit.

The programs also allowed Metro to establish a well-defined test group for the Universal Fare System (UFS) smart card by providing contracted pass program members with UFS test cards instead of a conventional paper pass, thus facilitating the transition to TAP. These programs have evolved over the years and are now collectively called the Employer Annual Pass Program.

The Employer Annual Pass Program (EAPP) includes:

Annual Transit Access Pass (ATAP) Program

Under the ATAP Program (Attachment C), employers may convert any type of Metro monthly or EZ Regional pass to an annual pass by paying the full fare cost for twelve months, plus a \$5.00 card fee for a custom card with the employee's photo. A Regular Metro ATAP is good on all Metro Bus and Rail Services, including Express services that would normally charge zone fees (such as the Silver Line and 400-500 series Express routes) for the flat rate of \$1200 per year, plus the card fee. An EZ Regional ATAP is \$1320 and is good for local travel on all 26 public transit carriers throughout the Greater Los Angeles region that participate in the EZ Regional Program. In FY '19, forty-two (42) businesses with 1,176 passes participated in this program, generating \$1.5 million in revenue.

Business Transit Access Pass (BTAP) Program / Small Employer Program (SEP)

Under the former BTAP Program, employers were required to purchase reduced fare annual passes for all employees at a worksite. A small percentage of employees could be exempted for approved reasons, such as using Metrolink or a vanpool to commute to work or working a graveyard shift. BTAP passes cost \$132 to \$276 per year, plus a \$5.00 card fee for a custom card with the employee's photo. Pricing was based on the level of transit service at the worksite. In FY '19, 509 businesses with 18,929 passes participated in this program, generating \$4.4 million in revenue.

In FY '17, Metro's systemwide average fare per boarding (FPB) was \$0.78, while the BTAP group rate pricing only generated \$.52 per boarding. Although BTAP increased to \$0.62 FPB in FY '18, it was still below the systemwide rate, and was no longer revenue neutral to Metro. It needed to be replaced by a program with a higher FPB.

Beginning January 2020, the former Business Transit Access Pass (BTAP) program was replaced by the Small Employer Program (SEP) for businesses with less than 250 employees (Attachment D). This change reduced the minimum pass purchase requirement from 100% of employees to 50% of employees, and increased the cost to \$408 per pass, per year. (Attachment B - SEP Take-One General). Because of the price increase implemented during the transition, we were only able to retain 68% of former BTAP businesses in the SEP program and several of them transitioned to E-Pass. As of March 2020, there were 377 businesses participating in the EAPP.

Historically, the EAPP Programs have been extremely successful in growing ridership and revenue. Based on a Board Box Report from March 2017 (Attachment E), Ridership data indicates that the EAPP group pricing models resulted in a substantial increase in transit ridership over an eleven (11) year period:

- From FY06- FY16 revenue increased 417% from \$315,000 to \$6.37 million with an average annual growth rate of 38%.
- Number of accounts increased 625% from 22 to 601 with an average annual growth rate of 57%.
- TAP card holders increased 418% from 1,557 to 20,209 with an average annual growth rate of 38%.

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In FY 2019, there were 551 companies participating in these programs, which represents 0.13% of the 438,802 companies in Los Angeles County as reported by the Los Angeles Economic Development Corporation (LAEDC) as of 2014. Due to the restrictions placed on businesses in the ATAP, BTAP, and SEP programs, only a small percentage of the total employer population participates in the programs. Because of that, Metro Commute Services is seeking to broaden opportunities for additional businesses to participate in the EAPP.

### E-Pass Pilot Program

In July 2018, with approval from Executive Management, the Office of Management and Budget (OMB), and the TAP Office, MCS launched a limited pilot program to evaluate the success of replicating the U-Pass concept with employers. The E-Pass Pilot Program has done the following:

1. Initially targeted a limited number of businesses to participate in the program and required additional business participants to be approved by the Office of Management and Budget (OMB). Initial participants were NBCUniversal, City of Santa Monica and UCLA.
2. Established a goal of increasing employee participation by 20% over existing levels
3. Utilized embedded TAP chip stickers affixed to the employee's work identification (ID) card to transform their IDs into TAP Cards
4. Transitioned businesses to a pay per boarding model as follows:
  - a. Charged an estimated boarding fee of \$1.40 per boarding, which was the fare per boarding (FPB) equivalent of the ATAP program when it was launched. (This rate has been included in OMB's ongoing fare analysis).
  - b. Invoiced businesses quarterly for all boardings used during each quarter.
  - c. For the introductory quarter, estimated boardings based on existing ridership data and required payment up front. If the employer did not have existing data, the initial participation was estimated at 10% of eligible employees at the full-time maximum of \$80 per month.
5. Capped the maximum cost per participant at \$80 per month as a marketing incentive for businesses to utilize their own resources to grow ridership
6. Encouraged employers to cover the full cost of the program or recoup costs from employees through implementing a pre-tax payroll deduction under the Commuter Tax Benefit (IRS Code Section 132(f)). If businesses chose to charge employees for participation, fees collected from employees were not permitted exceed the total amount due to Metro.
7. Required employers to assist Metro in administering the program by ensuring completion of the required Title VI analysis through verifying employees' online registration for the program, verifying that each participant was a current employee with a valid ID, and distributing and activating E-Pass TAP stickers/cards for eligible participants

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8. Required employers to report all issued E-Pass TAP card/sticker numbers to Metro quarterly for tracking purposes and to facilitate replacements
  9. Created a reimbursement process for Municipal Transit Agencies to add the E-Pass fare product to their fare table and be reimbursed at their TAP boarding rate, up to the E-Pass Rate of \$1.40 per boarding. Payment from these boardings is collected from the employer at the end of each business quarter and reimbursed to the agencies as a separate line item on their monthly regional settlement check.

### E-Pass Pilot Program Results

Prior to launching the E-Pass Pilot Program in July 2018, NBCUniversal (NBCU) only had 39 employees using regular 30-day Metro Passes and EZ Passes. By November 20, 2018, they had distributed stickers to 446 employees. This represents an increase of 1,044% over four months. For the first business quarter, (July 18-Sept 30, 2018) NBCUniversal had 9042 boardings at \$1.40 at a cost of \$12,658.80. The data from the initial group of participants shows that 26% were new to transit and 59% were previously occasional riders using stored value. As of March 2020, NBCU had 1,020 active participants with 22,347 boardings generating \$31,180.00 in revenue for the quarter.

In 2018, UCLA converted its employer program from a regular Metro-only pass to an E-Pass valid on additional transit agencies. In one year, they saw an increase of 12% in participants and 5% in boardings. Overall, as of March 2020, there were 11 companies with 1,435 active participants in the E-Pass Pilot Program, which generated \$239,824.10 in Q3 of FY '20. The E-Pass Pilot Program has generated nearly \$1.9 million since its inception.

### Title VI

During the pilot program, the FTA advised Metro that the E-Pass fare reduction does not create a disparate impact or disproportionate burden because the benefit falls on the employer, who is paying the cost of the pass as an employee benefit, and the passes are not being sold directly to individual riders. The discount is provided as marketing incentive for the employer to help stimulate program growth and to help cover the employer's cost of outreach and administration.

### **DETERMINATION OF SAFETY IMPACT**

This program does not affect the incidence of injuries or healthful conditions for patrons or employees. Therefore, approval of this request will have no impact on safety.

### **FINANCIAL IMPACT**

This project will be managed by existing staff in Metro Commute Services included in the FY21 budget in the Marketing Department under Cost Center 7140 and Project and Task Codes 300014-01.01 (Regional Activities) and 306006-01.001 (Systemwide Bus Ops Management & Administration).

The E-Pass Pilot Program generated \$1,889,398.35 in the 21-month pilot period prior to the COVID-

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19 pandemic. The average monthly cost per participant paid by all participating employers during the pilot period was \$40. While this is 60% below the regular monthly pass cost of \$100, it also represents the highest fare per boarding being collected in the Metro system at \$1.40 per boarding. In addition, 26% of the participants are new riders who were not paying any fare prior to joining the program.

### Impact to Budget

Funding for this effort comes from ordinary operating sources including fares, sales tax and grants. Eighty percent of the existing funds for this project are budgeted in Project Code 306006-01.001 Systemwide Bus Ops Management & Administration. The goal of the E-Pass Program is to increase participation by 20% each year. The overall goal of the Employer Annual Pass Programs is to increase revenue by 3% each year.

### ALTERNATIVES CONSIDERED

1. Make no changes - Continue only to offer the ATAP and SEP programs. While this option would continue to serve participating businesses, MCS staff believes that continuing to offer the E-Pass Program will create more opportunities for ridership and revenue growth, especially during these uncertain times.

### NEXT STEPS

Upon approval, staff will:

1. Establish E-Pass as a permanent program;
2. Continue to expand E-Pass to include new businesses and additional transit agencies;
3. Include data from this program in the ongoing OMB fare analysis;
4. Continue to offer the ATAP and SEP programs for businesses not participating in the E-Pass program
5. Continue to assess changes in ridership on key lines near worksites

### ATTACHMENTS

Attachment A - File #:2017- 0715, Board Report on Countywide Transportation Demand Management

Attachment B - Executive Management and Audit Committee Report on Metro Contracted Pass Programs, February 20, 2003

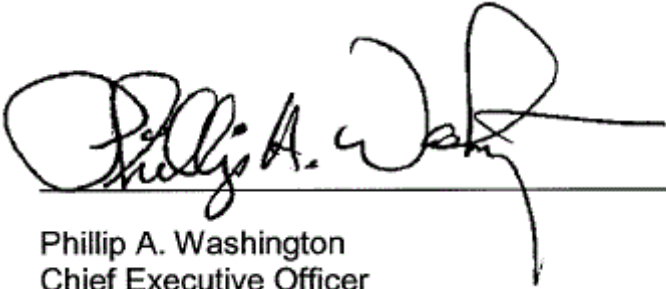
Attachment C - ATAP Take-One General

Attachment D - SEP Take-One General

Attachment E - Board Box #170303-2017 on 2017 Employer Annual Pass Program Renewals

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