



Board Report

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Agenda Number: 18.

EXECUTIVE MANAGEMENT COMMITTEE MARCH 16, 2023

SUBJECT: MOBILITY WALLET PILOT UPDATES

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

APPROVE:

- A. the finding that Mobility Wallets are exempt from federal income tax because the payments promote the general welfare of low-income eligible participants and do not represent compensation for service; and
- B. an amendment to the existing Mobility Wallet Pilot Memorandum of Understanding (MOU) between the City of Los Angeles and Metro to increase funding from the City by \$3,743,230, increasing the total funding from \$756,770 to \$4.5 million for Metro to lead the implementation and distribution of the Mobility Wallets. (Attachment A).

ISSUE

Metro is working with the City of Los Angeles to build and test a pilot mobility wallet program that will include 5,000 people including a 2,000-person low-income subscriber base to receive the wallet and a 3,000-person comparison group of pre-enrolled LIFE and Go-Pass participants in South LA. The Mobility Wallet is an all-in-one account payment solution for public transit (bus & rail, Metro Micro) and on-demand mobility options (carshare, ride-hail, taxi, shared scooters, and bikes, including Metro Bikeshare).

Board authorization is necessary in order to ensure that qualified participants in South LA will benefit from a federal income tax exemption.

BACKGROUND

Since 2021, Metro has been working with City of Los Angeles and community partners, including the Los Angeles Cleantech Incubator (LACI), CicLAvia and Slate-Z, to deliver the Universal Basic Mobility (UBM) Pilot project. As part of this larger project, Metro will build and test a mobility wallet

that will serve up to 2,500 low-income residents in South LA. The Mobility Wallet is an all-in-one mobility account payment solution. The wallet can be used for public transit (bus & rail, Metro Micro) and on-demand mobility options (carshare, ride-hail, taxi, shared scooters, and bikes, including Metro Bikeshare). The pilot includes 5,000-people including a 2,000-person low-income subscriber base to receive the wallet and a 3,000-person comparison group of pre-enrolled LIFE and Go-Pass participants in South Los Angeles in the following ZIP codes: 90016, 90018, 90089, 90007, 90015, 90011, 90037, 90062, 90008, and 90043. The program utilizes the same income eligibility threshold as the LIFE program. The LIFE program thresholds are the following:

Household Size	Annual Income
1	\$41,700 or less
2	\$47,650 or less
3	\$53,600 or less
4	\$59,550 or less
5	\$64,350 or less
6	\$69,100 or less

The initial grant submitted I to the California Air Resources Board (CARB) by the City of Los Angeles identified the geographic boundaries for the pilot based on an existing South Los Angeles Transit Empowerment Zone in partnership with Slate-Z (Federal Promise Zone). CARB awarded the City of Los Angeles \$13,8 million in a Sustainable Transportation Equity Project (STEP) grant in 2021. The Mobility Wallet Pilot project received \$2 million in STEP funds supplemented by \$2 million in general funding granted to the City of Los Angeles.

Pilot Phasing

Metro is exploring various technology development paths, including a prepaid Visa/Mastercard with restrictions on the merchant category codes (MCC) and Pay with TAP options. Participants in the pilot will get \$150 a month for mobility services for 12 months. Staff plans to launch phase one of the pilot in spring 2023 and the second phase by the end of 2023. The solicitation took place online through a sign-up portal and in person. Staff is working with a group of 10+ hyperlocal community-based organizations (CBOs) in South Los Angeles as an extension of the LA Metro CBO Partnership Strategy work started under the Vermont Corridor project to develop, plan and deliver mobility workshops to support pilot participants that receive the wallet in-person. Staff also utilized these networks to let communities know about the opportunity to participate and sign-up. Staff opened an application portal at [taptogo.net/mobility wallet](https://taptogo.net/mobility-wallet) from 9/26/22 - 11/14/22 and received over 2000 sign-ups. Staff will select up to 1000 participants at random for the first phase and will notify applicants via

email this spring.

DISCUSSION

1. Income Tax Exemption - Finding of General Welfare

Staff requests that the Metro Board make a finding that Mobility Wallets for income eligible participants are for the promotion of general welfare (that is, based on need) and do not represent compensation for services in order to support an exemption for the Mobility Wallet Pilot from Federal income tax. This exemption will enable low-income participants to receive their transportation services through the Wallet without jeopardizing their eligibility for other social services due to minor changes in their income bracket. The exemption would reduce the administrative burden on the program to issue 10-99 forms to participants.

To qualify under the “general welfare exclusion” for the IRS (See Bailey v. Commissioner, 88 T.C. 1293, 300 (1987)); , payments must:

1. Be for the promotion of the general welfare (that is, based on individual or family need),
2. Be made from a governmental fund (under legislatively provided social benefit programs), and
3. Not represent compensation for services.

The Mobility Wallet passes each test for the general welfare exclusion because it is:

1. for the promotion of general welfare only for low-income individuals in South LA,
2. made from a governmental fund that is legislatively approved by 2 legislative bodies- California Air Resource Board (CARB), and the City of LA, and will be approved by a third legislative body with the approval of this board recommendation.
3. not a compensation for service.

2. Update Funding and Scope in MOU

Staff requests authority to amend the Mobility Pilot MOU between Metro and the City of Los Angeles to include additional funding up to \$4.5 million. The existing MOU includes \$756,770; however, it did not contemplate Metro serving as lead to implement and distribute the Mobility Wallet. As a result of the additional scope, the funding MOU requires amendment to increase the funding. These funds are available for the Mobility Wallet allocated from the STEP CARB grant

and from City of LA (Attachment A). The additional funding will allow for a flexible deployment of the Phase 1 and Phase 2.

DETERMINATION OF SAFETY IMPACT

There is no anticipated impact on safety for this action.

FINANCIAL IMPACT

There is no impact or amendment required to the FY 2023 budget or future budgets for this action. The Mobility Wallet Pilot is funded by \$2.5 million from a CARB STEP grant and \$2 million from General funds allocated to the City of Los Angeles. The project costs are reimbursable to the City of LA for these grant funds.

EQUITY PLATFORM

The proposed Mobility Wallet will provide South Los Angeles residents opportunities for more access and mobility through the use of transportation funds for public transit and private shared mobility and will prioritize (through the predetermined CARB STEP geography in South LA) those from historically underserved communities. The geography proposed and selected in the competitive CARB STEP grant is located in several LA Metro Equity Focused Communities (EFC) and would directly benefit residents by providing improved access and mobility. The South Los Angeles Transit Empowerment Zone (Federal Promise Zone) includes 92% are people of color - primarily Latinx (72%) and Black or African American (20.4%), with a large immigrant population (41.2% foreign-born). The unemployment rate is over 12%, and almost 56% of residents live below 150% of the federal poverty level, compared to 30% countywide. Workforce participation is low, with only 59% of 18 to 64 year-olds, compared to 64% in the county, indicating that there are many deep seated barriers to accessing and identifying work. SLATE-Z has a relatively young population: 66% are of working age (18-64), 25% are youth under 18, and only 8% are 65 years or older. However, low educational attainment remains a major obstacle to quality employment. Nearly half the population older than 25 years (47.2%) has less than a high school education, and only 10.6% have a bachelor's degree or higher (compared to 30.4% countywide). The Mobility Wallet will help South LA residents use and pay for transportation, making it easier for them to get to jobs, schools, shopping, and everywhere else they need to go.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Mobility Wallet Pilot directly supports Vision 2028 Initiative 2.2 "Metro is committed to improving legibility, ease of use, and trip information on the transit System" under the action matrix "Transit Access Pass (TAP) card integration across all services - progress towards completion of TAP integration across network of transportation services with five years." This pilot demonstrates how transit can integrate with non-Metro public transit like Metrolink and Amtrak and private mobility services.

ALTERNATIVES CONSIDERED

The Board has the option to not authorize these requests. This alternative is not recommended as it does not align with the Board's goals to improve equity and mobility, and access and could jeopardize the use of state and federal funding.

NEXT STEPS

Staff will work with the City of Los Angeles to deploy Phase 1 of the pilot this Spring.

ATTACHMENTS

Attachment A - Memorandum of Understanding (MOU Between the Los Angeles County Metropolitan Transportation Authority and the City of Los Angeles for the California Air Resources Board Sustainable Transportation Equity Project (STEP) Grant

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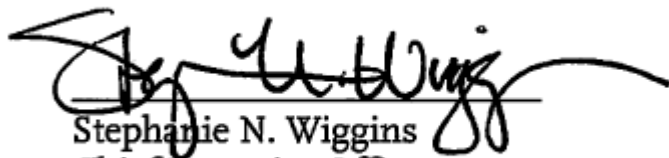
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