



Board Report

File #: 2015-0449, File Type: Fare / Tariff / Service Change

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE JUNE 17, 2015

SUBJECT: REGIONAL INTERAGENCY TRANSFER (IAT) POLICY
ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATIONS

ADOPTED ON CONSENT CALENDAR:

- A. the **proposed change to the Policy on Use of Interagency Transfers** as described in Attachment A;
- B. finding that the proposed policy change results in a Disparate Impact but there is substantial legitimate justification for the proposed change and there are no alternatives that would have a less disparate impact on minority riders; and
- C. the recommendation to distribute up to 1 million TAP cards free to bus riders purchasing transfers in advance of the effective date of the policy to address the underlying cause of the Disparate Impact finding (current TAP card possession).

ISSUE

As of May 2015, the last of the County's transit providers that participate in a regional fare program - EZ transit pass or Inter-Agency Transfers (IATs) - are on TAP. The region is now poised to fully realize the seamless travel across the County envisioned when the TAP program was launched in 2002, improving customer convenience and improving boarding times.

The proposed Policy on the Use of Inter-Agency Transfers (Attachment A) makes the following changes to the current policy by:

- 1) eliminating the paper inter-agency transfer by requiring all transfers to be made with a TAP card;
- 2) paying the transfer fare upon second, rather than first, boarding;
- 3) extending the inter-agency transfer window from 2 to 2 ½ hours; and,
- 4) providing for a single inter-agency transfer within the transfer window.

The new policy would not change the transfer price charged by each transit operator; transfer fares would still be a local fare policy decision. Further, the new policy would not require change to intra-agency (i.e., within system) transfer policies like those at Metro, LADOT, Culver City BusLines, or Norwalk Transit, but would be integrated to work seamlessly with local TAP transfer policies on an operator-by-operator basis.

DISCUSSION

As the region has migrated to a TAP-based fare collection system over the last decade, IAT policy has presented many challenges because not all IAT-participating operators were on TAP. Operators with TAP capability had to consider the TAP capabilities or lack thereof when providing IATs to their customers. This resulted in the hybrid IAT program that we have today:

- Paper transfers are used for cash-paying customers transferring from bus to bus;
- TAP loaded transfers are used for customers who know they are transferring between TAP-enabled operators. To assist customers who may not know, most agencies load TAP transfers and continue to provide paper IATs;
- TVM-issued paper transfers are issued to customers transferring from Metro Rail to non-TAP operators;
- Limited use TAP “polka dot” transfers are issued to cash-paying customers transferring to Metro Rail or TAP customers transferring to Metro Rail from non-TAP operators.

These transfer accommodations have been difficult to manage for operators and difficult to use for customers. Now that all of the IAT-participating agencies are on TAP, the complexity of the IAT program can be simplified to the mutual benefit of both customers and operators. The policy change would provide an automatic transfer to customers when an eligible transfer boarding is made.

Regional Readiness

Several operators have already taken steps to harness the benefits the TAP system provides for transfer activity. Antelope Valley Transit and Santa Clarita Transit both eliminated paper transfers from their systems in recent years, requiring all customers who wish to transfer to another operator do so with their TAP cards. LADOT began the implementation of internal transfers on TAP with their conversion to the TAP program in 2013. Most recently, Metro implemented its own Board-approved internal transfer policy with the two hours of free transfers on TAP as part of the September 2014 fare change.

Beginning with the TAP conversion of Long Beach Transit in April 2014, 14 additional operators have been added to the TAP system bringing the total to 24 TAP enabled operators in the County (Attachment B). As the most recent 14 agencies have prepared for TAP transition over the last year, the region has been discussing the proposed changes to IAT policy through a number of forums including the General Managers’ group, Bus Operators Subcommittee (BOS), and Local Transit Systems Subcommittee (LTSS). Unanimous approval of the proposed policy was achieved by the General Managers on May 13th, and the BOS on May 19th. Additionally, the policy proposal will be presented to the Citizens Advisory Committee on June 24th.

Should the policy be approved by the Board, a Working Group comprised of operator representatives together with TAP staff will oversee the technical and marketing efforts necessary for implementation.

Policy Changes

There are four significant changes proposed to the IAT policy.

1. Transfers within Los Angeles County would be allowed with a TAP card only. This would eliminate the paper transfers, Rail TVM paper transfers, and TAP “polka dot” transfers currently in use. This would require all base fares whether single ride fares or pass fares to be paid with a TAP card at which time eligibility for a transfer at the next boarding would be encoded on the TAP card. Transfers would not be available for cash-paying customers. However, there will be limited routes that may need to maintain paper transfers for transfers to operators outside Los Angeles County. These routes will be handled on a case-by-case basis.
2. Transfer fare would be deducted when making the second boarding. The customer no longer has to determine need for the transfer as it will happen automatically if the boarding is transfer eligible. Today, the customer requests a transfer on the first vehicle, is provided with a paper

transfer, and the paper transfer is provided to the driver of the second vehicle. Under the proposal, the customer would simply tap for both boardings - a base fare would be deducted on the first vehicle and a transfer fare would be deducted on the second vehicle. Revenues are expected to remain unchanged as a result of the policy change but will now be collected on different legs of the trip.

3. The transfer window would be extended to 2.5 hours from the current 2 hour window. The extension of the transfer window was warranted due to increasing traffic congestion and the distance of some routes, particularly those from the Antelope Valley.
4. The policy would provide for a single IAT per base fare boarding. Today, it is each operator's discretion to issue another IAT when a customer boards with an IAT. Most operators, however, do not sell an IAT when presented with an IAT for boarding. The proposed policy would standardize this practice across the region.

Customer Benefits

The benefits to the customer of the proposed policy change include:

- *Speeding up boardings* - Under the new policy, a customer would not need to communicate with the driver to purchase an IAT. The transfer would happen automatically upon making the transfer boarding, ensuring the customer receives the transfer to which they are entitled, and speeding up boardings for all customers.
- *Eliminating necessity to carry exact change* - Restricting IATs to TAP cards only would eliminate the customer's need to carry exact change to purchase a transfer. Instead, riders would add cash to their TAP card. TAP cards can be registered for balance protection, allowing the TAP card balance to be restored should the card be lost or stolen (subject to a \$5 fee).
- *Customer ease of use* - A customer will no longer have to consider all legs of a continuous transit trip when determining when and what transfer to buy at any point along that trip. For example, a Metro customer today will automatically receive a transfer to another Metro route but has to know when he/she is transferring outside of Metro and that an IAT must be purchased. If the IAT is purchased before the Metro transfers are completed, the customer will lose the ability to transfer within Metro. Further, a customer transferring between operators would not need to know the exact cost of the transfer for each operator; the TAP system would recognize the valid transfer boarding and automatically deduct the best fare from the stored value balance.

Operator Benefits

The benefits to regional transit operators include:

- *Faster boarding time* - Under the new structure, a customer will not need to request a specific transaction for the transfer. This new policy would remove the necessity for the customer to communicate with the driver, which will expedite the boarding process and decrease dwell time, therefore increasing efficiency.
- *Encouraging the use of TAP* - The restriction of IATs to TAP cards is intended to add to recent efforts to increase TAP utilization. The new fare structure implemented in September 2014 added two hours of free transfers for customers paying the base fare on a TAP card. Prior to the 2014 fare changes, Metro did not offer intra-agency transfers, which meant that customers

had to pay for each boarding. Additionally, the proposed policy change is consistent with the gating of Metro Rail which required all Rail boardings to be made with TAP cards. The proposed change to IATs would restrict all transfers to a TAP card, further increasing the TAP share of overall fare media usage which is 80% TAP for Metro. When customers use TAP, the region's operators can collect more data about when, where, and how the system is being used. This additional data makes for more well-informed decision making with regard to fare policy, transit routes, and scheduling.

- *Reduction of fraud* - Proof of payment for IATs is currently provided to customers in the form of paper transfers. This presents an opportunity for fraud, as paper transfers are relatively easy for passengers to resell or reproduce. Restricting the use of IATs to TAP cards links the original fare and the transfer to the same fare media, and the system would validate base fare payment before authorizing the transfer. In addition, restricting IATs to TAP cards would eliminate the monetary incentive to resell the transfers since the TAP card itself costs \$1 to \$2.
- *Directly collected IAT revenues* - Under the current IAT structure, the transfer must be purchased upon the first boarding, which means that the agency providing the service for the original boarding collects both the base fare and the IAT fare. The proposed IAT policy would create a new system where the IAT fare would be automatically deducted upon the transfer boarding. This is a fairer and more appropriate fare payment, since the agency providing the transfer service would directly collect the IAT revenue.

Title VI

Metro conducted a Title VI evaluation (Attachment C) for the proposed policy change on behalf of the region. The County's population was divided into eight groups of riders defined by their proximity to a TAP sales location (within ¼ mile walking distance or not), their ability to load their TAP card on a transit vehicle, and whether they have a TAP card already in their possession. The Title VI evaluation found one group of the eight to be disparately impacted by the proposal - a group of 800,000 people who are constituents of Antelope Valley, Foothill Transit, Gardena, Montebello, and Torrance that currently do not have a TAP card, and are not within walking distance of a place to obtain one (though they could add value to it if they had one), and constitutes about 8.3% of all persons within walking distance of fixed route transit.

The proposed TAP-based IAT should be pursued given that more than 91% of the population would not be *Disparately Impacted* nor *Disproportionately Burdened* by the program. Customer convenience for those having to transfer would be improved with faster boarding times, and not having to carry added cash for transfer charges. It is in Metro's interest to pursue improved multi-operator coordination and the provision of seamless fare mechanisms for riders which the proposed program would accomplish. Given the significant investment in TAP, there is no alternative that would provide a consistent multi-operator transfer program without printed fare media than the proposed TAP-based transfer program. Approval of the policy by the Board constitutes that there is no cost-effective alternative to changing the IAT policy and it is in the regional transit operators' business

interest to make the change despite the disparate impact finding. Metro and its regional TAP partners will reduce the negative effect of the policy change by conducting an extensive marketing and outreach campaign, including TAP card distribution. This campaign will address the underlying cause of the disparate impact finding.

TAP Sales Locations

Currently, customers can purchase and/or load passes or value to a TAP card from various sources:

- Metro TAP Vending Machines (TVMs) in all 80 rail stations, 17 Orange Line stations, and El Monte Station
- Operator Customer Service Centers
- 393 Third Party TAP Vendors
- Online at taptogo.net
- By telephone at 1-866-TAPTOGO

Additionally, TAP is actively working on expansion of the TAP sales network with the addition of new third party vendors and new TVM locations, and a new mobile app for TAP card sales. Current sales locations are being mapped against the fixed route network to target vendor expansion efforts to those areas with the least access to TAP sales locations.

Marketing and Training

Staff is working with the TAP member agencies on numerous strategies and tactics to ensure successful customer communications on the new transfer policy, including the dissemination of up to 1 million TAP cards in advance of policy implementation. Messaging will include important customer education tools, as well as highlight where TAP cards can be purchased and reloaded. These messages will be consistent throughout a traditional print and digital marketing campaign, with particular emphasis on major transfer rail stations and inter agency connectivity. The marketing committee will also implement an internal campaign to prepare all TAP agency bus and rail operators for the change. This will include in-person trainings, on-site division marketing and materials for operators to distribute to customers.

DETERMINATION OF SAFETY IMPACT

There is no discernable safety impact.

FINANCIAL IMPACT

Adoption and implementation of the proposed policy change would result in annual savings of \$685,000, beginning in FY17, for the printing and processing of the three different paper-based transfer media:

- \$400,000 of savings annually through the elimination of bus-issued paper transfers;
- \$15,000 in Metro Rail TVM-issued paper transfers; and,
- \$270,000 in the production of polka-dot one-time use TAP transfers used by municipal operator patrons transferring to Metro Rail.

Additionally, a decrease in the use of cash has undefined savings on equipment maintenance and cash counting.

There will be a one-time cost of approximately \$750,000 for up to 1 million TAP cards to be made available to the public in preparation for the policy change. The one-time expense is already part of the FY16 TAP Operation budget.

The proposed policy does not change the cost of an IAT. As such, the proposed changes are not

designed to and will not have a significant impact on fare revenues collected.

ALTERNATIVES CONSIDERED

The current Policy on Use of Interagency Transfers can remain in effect. This would require the continued use of paper inter-agency transfers for bus to bus transactions, TVM-issued paper transfers for rail-to-bus transfers, and polka dot TAP transfers for bus-to-rail transfers. However, this would not achieve the same benefits to the riding public. In addition it would not fulfill the objective of the region's transit providers to create a more seamless, coordinated transit system.

NEXT STEPS

If the policy is approved, Metro staff, together with regional TAP partners, will begin the technical efforts to program the policy change into the TAP system, and will initiate a thorough marketing and outreach effort to inform the public. The effective date of the policy change will be agreed upon by the Working Group and is estimated to be in approximately 6 to 9 months due to the time needed to program the TAP system, educate and train each agency's operators, and inform and prepare the public.

Additionally, Metro staff will assist TAP partners with presentation of the Fare Equity Analysis results to their respective Boards/Councils for approval per FTA guidelines.

ATTACHMENTS

Attachment A - Proposed Changes to the Policy on the Use of Inter-Agency Transfers

Attachment B - TAP-Participating Operators

Attachment C - Title VI Evaluation

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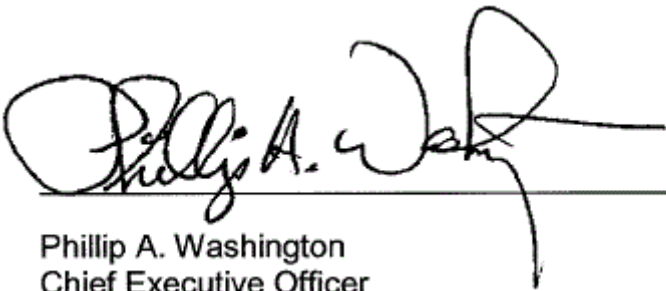
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