



Board Report

File #: 2017-0706, **File Type:** Public Hearing

Agenda Number:

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 15, 2017

**SUBJECT: PUBLIC HEARING FOR CUSTOMER READINESS
EFFORTS FOR TRANSFER ON 2nd BOARDING**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. SCHEDULING a public hearing date on Wednesday, January 17, 2018 to receive public comment on possible customer readiness efforts for board approved Transfer on 2nd boarding; and
- B. AUTHORIZING publication of the attached legal notice (Attachment A).

ISSUE

In June, 2015, the Metro Board of Directors approved Transfer on 2nd Boarding. After obtaining all regional transfer agencies' approval, developing, testing and implementing new software and building campaign strategies for distribution of one Million TAP cards, final implementation has been set for Spring, 2018. Transfer on 2nd Boarding refers to the regional interagency transfer policy that eliminates the need for paper transfers for customers transferring between agencies. Transfer fare will be automatically paid with existing Stored Value on a TAP card when boarding a second transit agency within 2.5 hours from the first boarding. Customers will benefit from faster boarding time and will no longer need to carry exact change.

To prepare regional TAP customers for Transfer on 2nd, staff recommends the following: (1) replace Day Pass sales with ability to purchase Stored Value and Metro base fare onboard bus, (2) eliminate Metro tokens and transition customers to TAP, and (3) charge \$2 for TAP cards system wide to ensure consistency of pricing. By implementing these efforts, staff seeks to ensure successful implementation of Transfer on 2nd Boarding, as well as incentivize all riders to utilize TAP as their primary method of regional fare payment by enhancing the seamless use of the system.

In compliance with federal public hearing requirements and Metro policy, the Board is required to hold a public hearing and receive public testimony before approving customer readiness

recommendations for Transfer on 2nd Boarding. Additionally, the Board will consider the potential impacts these changes may have on the community.

The Notice of Public hearing is proposed for January 17, 2018 and includes a description of the changes, if approved, which help prepare customers for Transfer on 2nd Boarding. Plans call for the notice to be distributed beginning December, 2017. The Board will preside over the public hearing and receive testimony from the public on these matters. A report will then be prepared, summarizing the findings of the public hearing along with specific staff recommendations. The report will be presented to the Board of Directors in February, 2018 for action. Plans call for initial implementation of customer readiness recommendations in March 2018.

DISCUSSION

The following recommendations will help prepare TAP customers for Transfer on 2nd Boarding and support efficiency and consistency in fare collection.

...Replace Day Pass Purchases with Stored Value Aboard Bus

Onboard TAP Day Pass purchases have declined by over 50% since January, 2015. In comparison, Stored Value fare payments are growing and are expected to increase significantly once Transfer on 2nd Boarding is implemented. With approval, onboard Day Pass sales will be replaced with the ability to purchase or reload TAP cards with either Stored Value or base fare at the farebox. The findings from the Title VI analysis for Transfer on 2nd boarding (see ATTACHMENT B) also support the recommendation to add Stored Value reloading on bus. This change will align internal efforts with customer demand and increase accessibility of TAP card and Stored Value purchases.

...Transition tokens to TAP

The use of TAP cards has caused Metro tokens to become obsolete. Tokens are used as one-ride fares, are expensive to count, handle, secure and maintain. A Title VI evaluation of the proposed action found no Disparate Impact as the minority share of token users is not significantly different from the minority share of TAP card users. TAP Stored Value users below the poverty threshold are 6.1% higher than the share of token users. Additionally, tokens are no longer cheaper than the base fare, so there is no customer benefit to this method of fare payment. Transitioning token customers to TAP will provide customers with several benefits including faster and safer fare payment as well as the ability to transfer easily across regional TAP agencies. The proposed efforts help to ensure broad availability of TAP media in lieu of tokens, and the de minimis cost of the TAP card substantially mitigates this impact. (see ATTACHMENT C).

The implementation plan for phasing out Metro tokens will take place over 13 months. The first 2 months will be dedicated to a customer friendly campaign notifying patrons of final token sale and use dates, and how to transition to TAP. During the third month, Metro token sales will end. However,

tokens will be accepted for at least one year. This length of time ensures that customers can utilize their existing tokens and obtain a TAP card. Additionally, a special token replacement plan will be implemented for social service agencies and other heavily token-reliant programs.

...TAP card cost consistency

Internal costs for TAP cards are currently \$2 per card. This includes manufacturing, processing, inventory oversight, distribution, testing, initialization and more. Currently, the customer cost for a TAP card varies depending on the purchase method. For example, the TAP card cost is \$2 when purchased online, by phone, at a Metro Customer Center or at a retail vendor. A TAP card costs \$1 if purchased at a TAP vending machine or on a Metro bus. These lowered prices were a result of a pilot program where Metro subsidized half the cost in order to stimulate TAP sales. Making this cost consistent across all point-of-sale locations will rectify inequities, reduce customer confusion and encourage customers to retain and reuse their cards (see Table 1). In addition, the life of a TAP card has increased from three years to ten years, so the cost of the card, amortized over ten years is quite low.

Reduced Fare Senior, Disabled, Student and College TAP cards are currently free and will remain so.

Table 1

	Taptogo.net	866.TAPTOGO	Metro Customer Center	TAP Vendors	TAP Vending Machines	Metro Bus
Current	\$2	\$2	\$2	\$2	\$1	\$1
Proposed	\$2	\$2	\$2	\$2	\$2	\$2

Notice of Public Hearing

Upon approval, pursuant to Metro’s Administrative Code Section 2-5-025, the notice for this public hearing will be provided to the general public as follows:

WEB

Metro Website

Fares page

Rotating banner on metro.net

Social Media

Facebook, Twitter, Instagram posts

The Source

E-Blasts

Metro general information e-mail lists

Key stakeholders e-mail lists

PRINT ADS

Printed legal notice of public hearing - published 30 days before hearing

Los Angeles Daily News

Long Beach Press - Telegram

Orange County Register

Torrance Daily Breeze

Asbarez Armenian Daily

Sarashi News

Panorama

LA Sentinel

Asian Journal Publication

La Opinion

Chinese Daily

The Rafu Shimpo

Korean Times

ON METRO SYSTEM

“Take One” brochure in English and Spanish

System Drop on bus and rail

DETERMINATION OF SAFETY IMPACT

Reducing the use of cash and increasing TAP use will enhance safety by speeding up boardings. TAP also provides registered cardholders with the benefit of Balance Protection to safeguard their TAP purchase against loss or theft.

FINANCIAL IMPACT

The proposed recommendations will enable Metro to operate more efficiently by reducing costs for fare collection (see ATTACHMENTS C and D). Based on current sales, TAP card \$2 cost consistency will bring an additional \$3,600,648 revenue from TVM sales per year and \$51,756 revenue from bus sales per year. Removing Day Pass purchases on board the bus and eliminating Metro tokens has no financial impact.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the request for a public hearing regarding the aforementioned recommendations, however this action would not be recommended or consistent with the Board approved Transfer on 2nd Boarding mitigation strategies.

NEXT STEPS

With Board approval, staff will initiate the publication of the legal notice and prepare for the upcoming public hearing.

ATTACHMENTS

Attachment A - Notice of Public Hearing
Attachment B - Transfer on 2nd Boarding
Attachment C - Token Elimination
Attachment D- Token Sale Analysis

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