



Pomona Valley
Transportation
Authority

A partnership of the cities of Claremont, La Verne, Pomona and San Dimas

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June 9, 2021

**AGENDA
ITEM #6**

MEMORANDUM

From: George L. Sparks, P.V.T.A. Administrator

To: Pomona Valley Transportation Authority

Subject: Metro's Fareless System Initiative Update

Recommendation: *Receive and file*

Background

In August 2020, Los Angeles County Metropolitan Authority (Metro) announced the formation of a task force to explore the possibility of eliminating passenger fares for its bus and rail services. Metro staff believed that eliminating fares for their services was an important way to address several issues including:

- ✓ Rebuilding ridership lost to the pandemic.
- ✓ Providing equitable assistance to riders in the region impacted by the pandemic.

The purpose of the Fareless System Initiative (FSI) taskforce was to study the proposal and analyze potential impacts and issues to be considered. Among the issues identified by the taskforce in the following months were:

- **Reduced Revenues**-Eliminating fares would mean the loss of hundreds of millions of dollars in revenue annually to Metro as well as other operators in the County that opted to go fareless.
- **Impact on Other Operators**-If Metro services were fareless, other providers could see their ridership decline sharply unless they went fareless as well. If operators opted to participate, they would likely experience increased costs from higher demand and other related factors.
- **Impact on Access Services**-If Metro were to become fareless, Access Services would be required to do so as well. Initial estimates by Access estimate the additional cost associated with the increased demand could well exceed \$100 million annually and could overwhelm the service's capacity resulting in service quality and performance issues.

- **Impact on Existing Funding Programs**-Local funding: countywide bus operations funds are distributed via Formula Allocation Procedure – 50% of the formula is determined by fare units.
 - Local 5307 distributed via FAP formula.
 - State funding (including STA): portion of state allocation is based on a share of fare revenues in Los Angeles County.
 - Changing the formula may require a change to state law.
- **Operational Challenges**-Increased ridership may require additional infrastructure and impact the rider experience. Additionally, there is the challenge of unhoused individuals using bus and rail services.

Current Status of the FSI Project

As the taskforce identified issues, Metro modified its proposal to address some of the major concerns raised. A significant change was to make FSI a pilot project and limit the rider categories eligible for free fares. One reason for limiting rider eligibility was to avoid the requirement for Access Services to go fareless. Metro staff's current proposal is for the pilot to begin with free fares for K-12 students and community college students in August 2021. In January 2022, the pilot would expand to include low-income riders who meet Metro's existing low-income qualifications. Based on Metro's rider data these groups make up 70% of Metro's ridership. The pilot would end in June 2023. The plan for the pilot addressed only Metro's buses and trains. Metro indicated they were exploring participation by other transit operators within Los Angeles County, but included no specific plan to address funding issues for Municipal and local operators.

Long-term issues remain related to going fare free. Metro indicated that there was currently money available to fund the pilot without requiring any reductions in service. Since the pandemic has curtailed demand, Metro projects being able to meet any service requirement from going fareless by returning to pre-pandemic service levels. Despite these modifications, many important questions regarding the program remain. Primary among them is:

- No long-term source of funding has been identified to support the project. The proposed 23 month pilot has an estimated cost of \$246 million for Metro and another \$75 million for municipal and local operators. Metro has sufficient funds to support their costs for the project without impacting other of their programs. However, costs for service will rise over time as ridership returns. In response to funding concerns, Metro staff has indicated that federal help for the project may be available but has not identified the source. Bills have been introduced in Congress to fund fareless transit programs, but in PVRTA staff's opinion their passage is doubtful.

- Given the broad scope of the pilot, impacting 70% of riders, it would be exceedingly difficult to reimpose fares after 23 months of fareless service.

Local Operators Response

In response to the proposed pilot, the municipal operators group Los Angeles County Municipal Operators Association (LACMOA), wrote a letter to Metro CEO Washington expressing the funding concerns detailed above and urging further study. Additionally, the letter requested \$258 million to fund LACMOA members costs for the pilot. The Alliance of Local Transit Operators (ALTO), which represents the 43 transit systems including PVTA that do not receive the regional and federal funds provided to Metro and the municipal operators outlined concerns consistent with those of LACMOA and requested that local operators be included in any funding programs.

Metro Board Action

The Metro Board considered the pilot proposal at its May 27th meeting. The Board considered two motions regarding the initiative. These were combined into a single action. The board action identified the following items that will need to be finalized.

- *An efficient implementation plan*
- *A final funding plan*
- *A mission statement and goals*
- *Enlisting the existing FSI Task Force to focus on implementation*

The final motion further directed the Metro CEO to:

1. Develop strategies to streamline and simplify the eligibility process.
2. Pursue federal and state opportunities to fund the Fareless System Initiative for both the pilot and permanent program including the Freedom to Move Act.
3. Municipal and local operators that choose to participate will be fully included and provided the same type of fare subsidy as Metro transit operations.
4. The current fare collection policy shall continue until the Metro Board is satisfied with the financial plan.
5. Report back on the feasibility of using the Federal American Rescue plan funding the pilot.

Potential Impact of the Fareless System Initiative on PVTA Services

Get About

The FSI is currently targeted at fixed route programs, so Get About would not be impacted initially. If FSI were expanded to include Access Services, it would be necessary to reassess Get About's participation. Because Get About is a demand response service, increases in

ridership occasioned by reduced fares would raise service costs directly. Each additional ride adds to either the service hour or cab cost to the program. Another issue is the status of our premium services Ready Now and One Step Over the Line. If Ready Now were free, then virtually all riders would choose Ready Now over the regular service. Waiving the fare for the One Step Over the Line program is not realistic since it serves destinations as far away as Loma Linda.

Claremont Dial-a-Ride

As a municipal operator, Claremont may want to consider participating in FSI. However, as a demand response service, it would be subject to the same cost dynamics as Get About. Claremont's fares vary based on whether the trip is within the city or outside and charges a premium for some afterhours services. It is not clear at this point if any additional equipment or administrative requirements there might be to participate in FSI. Claremont may want to review the finalized implementation plan prior to deciding as to whether to participate.

San Dimas Dial-a-Cab

San Dimas would share the issues related to costs as both Get About and Claremont DAR. Further, San Dimas has made use of fares to moderate demand and target the service to group most in need of the transportation.

PVTA Follow Up

Staff will continue to participate in FSI taskforce as it moves to implementation planning. We will update the board as the pilot proposal moves toward potential approval.