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Pursuing Opportunities for a Fair and Balanced Fare Structure

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The Los Angeles County Metropolitan Transportation Authority (MTA) Board of Directors (the Board) is being asked to consider a series of fare increases for riders that use our bus and light rail system. The fare increases are proposed to mitigate what is projected to be a \$36.8 million operating deficit anticipated by 2016, which is expected to grow to \$225 million by 2024.

While MTA is in the midst of an unprecedented construction program to expand public transit and related amenities, fares currently only cover roughly a quarter of operating costs — the lowest of any major transit agency in the nation. This low fare recovery rate of 26.2% potentially jeopardizes MTA's ability to secure federal funding, as existing agreements with the Federal Transit Administration (FTA) are based on a 33% fare box recovery. **Metro's light rail network is expanding dramatically over the next 6 years; next year the Exposition Line and the Foothill/Gold Line Extension will open, the Crenshaw Line will follow in 2019, as will the Regional Connector in 2020. For the past few years, Metro has been able to balance its budget by drawing on reserves; however, those reserve sources have been depleted, and Metro will not be able to rely on them in future years.** If fares are not raised, services will very likely need to be cut, and planned capital projects would potentially need to be deferred in order to address this looming deficit.

As part of the public hearing process on the three-phased fare increase proposal, a variety of meaningful feedback was provided to the Board. Amongst the chief concerns identified include the impact of the fare increases on low-income riders and students, the criminalization of fare evasion amongst youth (under age 18) and general questions about the pricing structure.

Firstly, while MTA may have proportionately lower fares compared to other urban transportation systems, any proposed fare increase is bound to hurt the pocket books of Los Angeles County's working poor, a majority of which rely on the public transportation system. As the California Community Foundation notes in their 2013 Los Angeles Equity Atlas, 70% of transit commuters earn only \$25,000 annually. At a time when we must be building up the ridership base in order to reduce congestion, promote environmental stewardship and enhance the quality of life in the region, we must ensure fairness in our fare structure. MTA currently invests over \$10.5 million annually in subsidy programs to buffer transit costs amongst the very low income. However, over the past few years, eligibility for participation continues to be based on the United States

Department of Housing and Urban Development 2007 Poverty Guidelines. The guidelines should be updated to represent current year rates and adjusted annually. In addition, the program should be more aggressively marketed, **including on Metro's website**, so that low income riders are aware of the program.

It is also critical that students have safe, reliable and affordable ways to get to school. Students from low-income households are more likely than those from higher income households to rely on public transportation to get to school. However, the lack of affordable transportation is a frequently cited barrier to regular school attendance. It is critical that the Board make meaningful attempts to address this barrier as those who attend school regularly are more likely to graduate, and have lower rates of incarceration, teen pregnancy, substance abuse, and chronic disease.

Secondly, the criminalization of fare evasion amongst youth riders has also been a significant concern voiced during the hearing process. Fare evasion is the number one reason why youth are cited by the Los Angeles County Sheriff's Department, which can result in heavy fines or court appearances. A first-time court appearance during high school quadruples a student's dropping out rate. MTA currently offers an online educational diversion program to help youth who received a citation reduce fines and avoid court involvement. However, in 2012, less than 500 youth, out of the 9,966 cited for fare evasion, completed the program. Efforts should be made to expand the utilization of diversion programs so that youth are not criminalized for fare evasion and additional outreach should be done to ensure that students are aware of the variety of fare subsidies that are available.

Thirdly, this Board should be satisfied that a range of options, with quality analysis and modeling, have been evaluated to ensure that fare structures optimize ridership to raise revenue are recommended over the next decade. Moreover, in November 2016, voters may potentially approve another sales tax measure with increased funds for operations, which may be sufficient to cover MTA's growing operational requirements. Regardless, a number of additional questions and strategies should be evaluated to minimize the impacts to low income riders, including, but not limited to:

- Evaluating the efficacy of merging the 30-day pass with the EZ Pass;
- Modifying fare increases for the 7-day and 30-day pass in order to mitigate impacts on low income riders;
- Charging for parking at MTA stations;
- Evaluating opportunities to create additional operational cost savings and new revenue opportunities;
- Developing a multi-day passes to encourage tourists to use the public transit system; and
- Adjusting MTA fares annually consistent with the Consumer Price Index instead of stand-alone fare increases.

MTA could benefit from outside expertise on this issue. A Transit Ridership Best Practices Task Force, composed of transportation representatives from similar, large transit authorities, could provide guidance on other revenue generation strategies. There is precedence for this. In 2004, a team of high-ranking transit officials were asked to provide input on the Exposition Line's contracting procedures and provided significant insight and feedback. Additional ideas and input that incorporates best practices from similar agencies should be incorporated before the additional fare increases in 2017 and 2020 take effect. The American Public Transportation Association (APTA) would be well suited to provide support and input into this effort.

There should also be a Rider's Advocate positioned within the Inspector General's Office that could serve as an independent advocate tasked with monitoring and assessing customer service related issues and evaluating future fare structuring strategies recommended by the Chief Executive Officer.

I THEREFORE MOVE THAT THE BOARD OF DIRECTORS:

A. Direct the Chief Executive Officer to take the following actions related to the Fare Subsidy Program:

1. Update the eligibility for participation based on the United States Department of Housing and Urban Development's 2014 Poverty Guidelines and adjust eligibility annually based on updates to the guidelines;
2. Report back to the Board in September 2014 with recommendations on how to expand outreach and enhance marketing for the program; including but not limited to: multi-lingual advertising on buses and trains, at transit stations, and at all points of sale for TAP cards and Metro passes; on TAP purchase kiosks; through partnerships with community based organizations, social service agencies, senior centers, schools, churches, and job training centers; through public service announcements on local media; and
3. Report back to the Board in January May 2015 with assessments regarding whether additional funding should to be allocated to meet growing demand.

B. Direct the Chief Executive Officer to temporarily freeze student fares at their current pricing levels until **July 2015 with such a freeze being subject to** further evaluation by the **APTA-coordinated** Transit Ridership Best Practices Task Force. Staff must come back to the board for authorization to unfreeze student fares. Report back at the next meeting on the costs associated with expanding the fare hike freeze to seniors and disabled passengers.

C. Direct the Chief Executive Officer to take the following steps in order to decriminalize youth fare evasion on Metro's system:

1. Report back to the Board in September 2014 on the **implementation of an enhanced establishment of a** comprehensive diversion program, **including investigating whether non-sworn or non-Sheriff personnel should check fares and cite fare evasion as part of the Metro Security Service procurement process, the** feasibility of requiring all youth that are cited for fare evasion to participate in a mandatory online educational diversion program and/or participate in community service in lieu of fines and court appearances and recommendations on any necessary changes to the California Penal Code; and
2. **Metro should also report quarterly at the Executive Management Committee on the demographic profile of those cited for fare violations.**

D. Postpone implementation consideration of the proposed 2017 and 2020 fare increases until after the Chief Executive Officer convenes a Transit Ridership Best Practices Task Force, in coordination with the American Public Transportation Association, to provide guidance on fare structuring strategies that optimize MTA's financial performance while minimizing the burden on the system's lowest income riders. The panel should be asked to consider alternative revenue generation strategies as well as provide recommendations on opportunities to expand ridership; and report back to the Board by July 2015 with their recommendations. **Formal adoption of the 2017 and 2020 increases should be contingent upon validation of the fare restructuring by the APTA-coordinated Transit Ridership Best Practices Task Force, no other potential revenue streams for bus and rail operations being identified, and a public hearing.**

E. Direct the Inspector General **to immediately research the establishment of within her office,** a Rider's Advocate that would serve as an independent advocate to monitor and assess customer service related issues and evaluate future fare structuring strategies. **Initial research should include consideration of the following questions, and report back to the Board in January 2015:**

1. **Existing models presently utilized at other comparable transit authorities; Potential criteria and protocol for evaluating customer service issues**
2. **Potential criteria and protocol for evaluating customer service issues;**
3. **Metrics for evaluating customer service concerns and how they relate to fare structures;**
4. **Potential governance models for the Rider's Advocate function within the MTA;**

5. **Reporting structure for this position through the Office of the Inspector General; and**
 6. **Methodology for the Office of the Inspector General to review and make recommendations to the Metro Board of Directors.**
- F. **Require Metro not implement any fare hike until the 2-hour free transfer goes into effect, so that the fare hike and free transfer take effect simultaneously.**