

**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL MEMORANDUM

Date: February 24, 2015

To: The Honorable City Council  
c/o City Clerk, Room 395, City Hall  
Attention: Honorable Mike Bonin, Transportation Committee

From: Seleta J. Reynolds,  General Manager  
Department of Transportation

Subject: **RECOMMENDED NEW LADOT DISCOUNT DASH PASS CATEGORIES AND ELECTRONIC PAYMENT INCENTIVE FARES**

**SUMMARY**

The Department of Transportation (LADOT) is requesting authority to add several new discount DASH pass categories, including a new DASH weekly pass, DASH student passes, and three new senior/disabled/Medicare passes on TAP smart cards. In addition, LADOT is requesting authority to begin offering reduced DASH incentive fares to riders who pay using an electronic fare payment system including but not limited to TAP, mobile ticketing, etc. The Department anticipates that implementation of these recommendations will increase ridership, speed boarding, enhance automation of ridership and fare payment data, and promote increased use of the regional transit network.

The Department also prepared a Fare Equity Analysis as required under the Federal Transportation Administration's Title VI regulations to determine if the new DASH passes and fares had a disparate impact on minority riders or a disproportionate impact on low income riders. Based on its analysis, it found neither of these impacts. It also prepared a Minority Disparate Impact Fare Policy and a Low Income Disproportionate Burden Fare Policy to guide future fare changes for City Council approval.

The City's Board of Transportation Commissioners, at its regular meeting of February 12, 2015, considered the evidence presented at the public hearing and approved the Department's recommendations contained in this report. A copy of the Board's action, including a draft Ordinance, was forwarded to the Mayor in a separate transmittal from the Acting Commission Executive Assistant dated February 17, 2015.

**RECOMMENDATIONS**

That the City Council, subject to the approval of the Mayor:

1. **APPROVE** the proposed DASH fares and pass prices contained in Table 1 of this report.
2. **APPROVE** LADOT's Title VI Fare Equity Analysis for the recommended DASH fare changes (Attachment 3).
3. **APPROVE** LADOT's recommended Title VI Minority Disparate Impact Fare Policy and Title VI Low-Income Disproportionate Burden Fare Policy (Attachment 4);
4. **PRESENT and ADOPT** the accompanying Ordinance establishing pass prices and incentive fares for LADOT's DASH transit services (Attachment 5).

## DISCUSSION

LADOT has followed the lead of the Los Angeles County Metropolitan Transportation Authority (Metro) by converting its pre-paid transit fare payment system to the TAP contactless smart card. LADOT no longer sells paper passes or trip tickets to ride its transit services. TAP cards can contain a variety of passes from different operators and/or stored value (e.g., cash balance) on a chip within the card. The TAP card is used to pay fares by simply tapping the card on a validator mounted in the entryway of the transit vehicle.

LADOT is currently in discussions with Metro and other transit agencies within Los Angeles County about the evolution of the current electronic fare payment system (TAP) and potential new technologies and features that are desired for the future. LADOT is planning on launching a new pilot project in February 2015 to demonstrate mobile ticketing technology that allows riders to pay their transit fares using smart phones and other smart mobile devices. This demonstration of mobile ticketing in a public transit environment will be the first of its kind in Los Angeles County. Encouraging transit riders to use electronic fare payment systems instead of cash provides substantial benefits to transit riders, transit agencies and the region (see Attachment 1).

### Proposed Discounted DASH Passes and Incentive Fare

To encourage as many DASH cash riders as possible to switch to paying fares using electronic fare payment systems, LADOT is proposing to offer several new discount DASH passes on TAP and other approved electronic fare payment devices. These new passes include rolling 31-day passes for all students (K-12, college/vocational) and senior/disabled/ Medicare riders. In addition, LADOT is proposing to offer a new rolling seven day DASH pass (regular and senior/disabled/Medicare) which should be attractive to visitors and tourists as well as a more affordable option for lower income families. DASH will also continue to accept single ride fare payments (\$0.50/ \$0.25 senior/disabled/Medicare) in cash.

In addition, LADOT proposes to offer a lower cost incentive fare to DASH riders who board and pay their fare using stored value or prepaid tickets on their TAP cards or other approved electronic fare payment devices. This discounted fare would be about 30% lower than the cash fare - \$0.35 instead of \$0.50; \$0.15 instead of \$0.25 for seniors, persons with disabilities and Medicare clients.

All existing and proposed new DASH fares are shown below in Table 1.

**Table 1**  
**DASH Fares (Current and Proposed)**

<b>Fare Type</b>	<b>Current</b>	<b>Proposed</b>
Cash (Regular)	\$0.50	\$0.50
Cash (Senior/Disabled/Medicare)	\$0.25	\$0.25
31-Day Rolling Pass (Regular)	\$18.00	\$18.00
<b><i>Electronic Payment Incentive Cash Fare</i></b>	<b><i>N/A</i></b>	<b><i>\$0.35</i></b>
<b><i>Electronic Payment Incentive Cash Fare (Senior/Disabled/Medicare)</i></b>	<b><i>N/A</i></b>	<b><i>\$0.15</i></b>
<b><i>7-Day Rolling Pass (Regular)</i></b>	<b><i>N/A</i></b>	<b><i>\$5.00</i></b>
<b><i>7-Day Rolling Pass (Senior/Disabled/Medicare)</i></b>	<b><i>N/A</i></b>	<b><i>\$2.50</i></b>
<b><i>K-12 Student 31-Day Rolling Pass</i></b>	<b><i>N/A</i></b>	<b><i>\$9.00</i></b>
<b><i>College/Vocational Student 31-Day Rolling Pass</i></b>	<b><i>N/A</i></b>	<b><i>\$9.00</i></b>
<b><i>31-Day Rolling Pass (Senior/Disabled/Medicare)</i></b>	<b><i>N/A</i></b>	<b><i>\$9.00</i></b>

Note: New Fares in bold and italics

LADOT began accepting TAP stored value fare payment on its DASH and Commuter Express services in June 2012. The regional EZ transit passes were shifted to TAP in September 2012. LADOT stopped selling its paper passes and trip tickets and shifted all pre-paid transit fare media to TAP in July 2013 including a 31 day rolling DASH pass. Paper DASH trip tickets were eliminated in favor of stored value on TAP.

Currently, DASH riders paying their fares using stored value on TAP still have to pay the same \$0.50 fare that cash riders pay, thus providing no incentive except convenience and security to encourage riders to convert to TAP card usage. The electronic payment incentive fare currently being recommended by LADOT is designed to encourage more riders to use stored value on TAP or other approved electronic devices instead of paying with cash by offering an attractive financial discount.

A major benefit of LADOT's participation in the TAP program is that Metro has transitioned all of its discounted fares (senior/disabled/Medicare and K-12/college-vocational students) to special orange discount TAP cards and determines who is eligible for these cards. LADOT plans to only sell its discounted senior/disabled/Medicare and student passes to persons who already have Metro issued reduced fare TAP cards, thus reducing administrative overhead and redundancy with Metro. Passes sold to those riders will be placed on their reduced fare TAP cards. Also, senior/disabled/Medicare riders who want to pay the reduced Electronic Payment Incentive Fare of \$0.15 will have to have stored value on their Metro reduced fare TAP card.

#### **Impacts on DASH Ridership and Revenues**

As indicated in Table 2 below, the DASH fare increases implemented by LADOT on August 1, 2010 (\$0.25 to \$0.35) and July 1, 2011 (\$0.35 to \$0.50) resulted in a significant increase in passenger revenues over the last four fiscal years. Total passenger revenues for DASH increased over 30% between FY 09-10 and FY 13-14. Similarly, the farebox recovery ratio (% of operating cost covered by passenger revenues) for DASH increased by nearly 22%. While total DASH ridership decreased by approximately 30% during this period, this decrease was less than the 40% reduction in ridership which would be expected using the standard transit fare elasticity of 0.4 (100% increase in fare expected to result in 40% reduction in ridership).

However, a closer look at the fiscal year to fiscal year changes since DASH cash fares were doubled reveals a troubling pattern, especially over the past two fiscal years. DASH passenger revenue reached a peak of \$9.2 million during FY 11-12, the first fiscal year that the \$0.50 fare was in effect, but decreased over following two years to \$8.4 million in FY 13-14. Likewise, DASH farebox recovery increased to 18.3% in FY 11-12 but decreased the following two years to 15.7% in FY 13-14. DASH ridership has continued to fall each year during this period. It is likely that DASH riders responded to the doubling of fares by avoiding some of the discretionary short trips they previously made on DASH, or by substituting another mode such as walking or using Metro bus or rail, a cost effective option for riders who have Metro passes or pay their Metro fares with stored value on TAP because the latter option now includes two hours of free intra-Metro transfers.

**Table 2**  
**DASH Cash Fare, Ridership, Passenger Revenue and Farebox Recovery**  
**Fiscal Year 2009-10 to 2013-14**

Fiscal Year	Cash Fare	Ridership	Passenger Revenue	Farebox Recovery
2009-10	\$0.25	28.3M	\$6.3M	12.9%
2010-11	\$0.35	25.3M	\$7.1M	15.4%
<i>Change 09-10 to 10-11</i>	<i>+40.0%</i>	<i>-10.6%</i>	<i>+12.1%</i>	<i>+19.4%</i>
2011-12	\$0.50	21.8M	\$9.2M	18.3%
<i>Change 10-11 to 11-12</i>	<i>+42.9%</i>	<i>-13.7%</i>	<i>+30.8%</i>	<i>+18.8%</i>
2012-13	\$0.50	20.6M	\$8.7M	17.1%
<i>Change 11-12 to 12-13</i>	<i>0%</i>	<i>-5.7%</i>	<i>-5.9%</i>	<i>-6.6%</i>
2013-14	\$0.50	19.6M	\$8.4M	15.7%
<i>Change 12-13 to 13-14</i>	<i>0%</i>	<i>-4.9%</i>	<i>-3.4%</i>	<i>-8.2%</i>
<b>Overall Change 2009-10 to 2013-14</b>	<b>+100%</b>	<b>-30.7%</b>	<b>+33.3%</b>	<b>+21.7%</b>

## Notes:

- FY 10–13 Data (except FY 12-13 ridership): Audited National Transit Database (NTD) Report.
- FY 12-13 and FY 13-14 Ridership Data: LADOT Operational Reports.
- All Other FY 13-14 Data: Preliminary NTD Report (unaudited).

LADOT believes that offering a broader array of passes and instituting a \$0.35 incentive fare (\$0.15 for seniors/disabled/Medicare) for DASH riders who pay their fare using electronic payments systems will help LADOT regain a significant amount of DASH ridership it has lost as a result of a rapid doubling of the cash fare while retaining some of the revenue increase it has experienced during this period.

An overwhelming majority of LADOT DASH riders, including an estimated 70% of DASH Downtown LA riders and 80% of Community DASH riders currently pay their fares in cash each time they board. The goal of the recommendations contained in this report is to encourage existing riders to switch from cash to TAP or other approved electronic fare payment systems and to increase DASH ridership.

The overall effects of the recommended fare changes on DASH ridership and revenue are difficult to predict, especially for the additional discount pass options. For the discounted incentive fare of \$0.35, which represents a 30% reduction from the existing \$0.50 cash fare, the traditional transit elasticity model predicts that DASH ridership could increase up to 12% or an additional 2.4 million DASH passenger trips annually.

The revenue impacts of the incentive fare will be dependent upon how many existing DASH riders who pay currently pay their fares in cash decide to switch to the new discounted \$0.35 electronic payment fare. There would be no anticipated drop in DASH revenues if less than 30% of existing DASH riders switch from using cash or passes to the incentive fare. If 50% of existing riders switch, the estimated revenues would decrease by \$630,000 annually. If 100% of the existing riders switch (not anticipated), the maximum estimated reduction in revenues would be \$2.1 million annually.

Once implemented, LADOT will monitor the impacts of the recommended fare changes on DASH ridership and revenues. Additional modifications to the DASH fare structure may be recommended by LADOT, as necessary, based on the actual impacts of the recommended fare changes.

**Average Fare Revenue Per Mile**

DASH is a local intra-community transit service with an average passenger trip length that is only about 40% that of Metro Bus, the regional carrier for the City of Los Angeles. As indicated in Table 3 below, Metro generates a higher amount of revenue per rider compared to DASH given Metro’s significantly higher base cash fare of \$1.75 (compared to \$0.50 for DASH). However, given the shorter average rider trip lengths on DASH compared to Metro, DASH actually generates 50% more revenue per passenger mile traveled (\$0.27) relative to Metro (\$0.18) despite Metro’s much higher base cash fare.

**Table 3  
Comparison of Average Trip Length and Passenger Revenues**

Transit Service	Base Cash Fare	Avg. Rider Trip Length (Miles)	Avg. Revenue Per Rider	Revenue Per Passenger Mile
DASH	\$0.50	1.62	\$0.43	\$0.27
Metro Bus	\$1.75	4.17	\$0.75	\$0.18

\* Source: FY 2011-12 Audited NTD Data

In addition to all the benefits that encouraging DASH riders to pay their fares using TAP or other electronic fare payment system will yield, LADOT’s proposed electronic fare payment incentives and new lower cost DASH passes will bring the average cost per mile paid by DASH riders more closely in line with that of Metro, the regional transit service that serves most of Los Angeles County. The discounted DASH fares will especially benefit the low income on the 26 DASH services outside Downtown LA, the majority of whom have household incomes under \$20,000 (see Attachment 2.)

**Title VI Fare Equity Analysis and Proposed New Title VI Fare Change Policies**

The Federal Transit Administration (FTA), under Title VI of the 1964 Civil Rights Act, requires LADOT to conduct a Fare Equity Analysis of any proposed change to its fares, whether an increase or a decrease, to determine if the change will have a discriminatory impact on minority and low-income persons. LADOT has prepared a Fare Equity Analysis (Attachment 3) for its proposed DASH electronic payment incentive fares and new passes. LADOT’s analysis finds that the proposed fare changes will have a positive impact on minority and low-income persons.

In order to prepare the Fare Equity Analysis, LADOT needed to develop two new Title VI fare change policies to comply with recently expanded federal Title VI requirements. These two new policies include 1) a Minority Disparate Impact Fare Policy, and a 2) Low-Income Disproportionate Burden Fare Policy. These two new policies are discussed in Appendix A of the attached Fare Equity Analysis. The language of the policies reflects the City’s “minority majority” demographics and LADOT Transit’s predominantly minority and low-income ridership.

LADOT conducted six public hearings in different parts of the City to present information about the proposed new DASH fares and passes, the Fare Equity Analysis and the new Title VI fare change policies. A summary of the hearings, staff presentations and public testimony received is included in Appendix D of the Fare Equity Analysis. All public comments about the proposed fare changes were positive; there were no comments about the Fare Equity Analysis or the new Title VI fare change policies.

The FTA requires that the Title VI Fare Equity Analysis be approved by the City's decision-making bodies along with approval of any fare changes. The two new Title VI fare change policies also require approval by the City's decision-making bodies in order to become effective. These two policies are contained in Attachment 4.

## **BACKGROUND**

In FY 2009 -10, LADOT responded to a significant projected shortfall in the City's Proposition A local transit fund by performing a comprehensive analysis of its entire public transit program. The City Council, at its meeting on June 30, 2010, adopted LADOT's recommendations regarding service adjustments and fare increases for its transit program (C.F. 10-0082). LADOT reduced or eliminated several of its transit services and raised fares and fees. DASH cash fares were increased in two phases from \$0.25 to \$0.35 on August 1, 2010 and again to \$0.50 on July 1, 2011.

The Downtown Los Angeles internal transit circulator service was originated in 1971 at the request of the City Council and was initially operated by the Southern California Rapid Transit District (SCRTD) as a single route in Downtown Los Angeles with City, Community Redevelopment Agency and SCRTD funding. The service grew out of a need for reasonably priced transit service that could accommodate short trips within Downtown neighborhoods as well as linking riders with the regional bus service.

The City of Los Angeles Department of Transportation (LADOT) assumed operation of the Downtown LA Minibus (later Mini-ride) service from SCTR in 1985 and began competitively contracting for the operation of the service, significantly lowering the cost of operating it. LADOT renamed the service DASH and retained the SCRTD's \$0.25 fare. The success of the original DASH service led to a significant expansion of the DASH program by LADOT, which currently operates five weekday and two weekend routes in Downtown Los Angeles and 26 other DASH services in communities throughout the City. LADOT operates a fleet of over 200 clean-fueled DASH buses and serves approximately 20 million DASH passenger trips annually.

SJR:PA

### Attachments

1. BENEFITS OF ELECTRONIC FARE PAYMENT SYSTEMS
2. PERCENTAGE OF DASH RIDERS WITH ANNUAL HOUSEHOLD INCOME UNDER \$20,000
3. FARE EQUITY ANALYSIS
4. TITLE VI MINORITY DISPARATE IMPACT FARE POLICY AND TITLE VI LOW-INCOME DISPROPORTINATE IMPACT POLICY
5. DRAFT ORDINANCE NO. \_\_\_\_\_