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TO: BOARD OF DIRECTORS

THROUGH: PHILLIP A. WASHINGTON *PAW*
CHIEF EXECUTIVE OFFICER

FROM: NALINI AHUJA *Nalini Ahuja*
EXECUTIVE DIRECTOR, FINANCE & BUDGET

**SUBJECT: STATUS OF APTA RECOMMENDATIONS ON FARES,
RIDERSHIP, AND REVENUE GENERATION**

ISSUE

As directed by Motion #55 from the May 2014 Regular Board Meeting, an American Public Transportation Association (APTA) Peer Review panel was convened in January 2015 to conduct a peer review of Metro's fare policy. In accordance with the approved motion, the purpose of the review was to:

- Provide guidance on fare restructuring strategies that optimize financial performance while minimizing burden on low income riders
- Recommend alternative revenue generation strategies
- Identify opportunities to expand ridership

DISCUSSION

The APTA Peer Review panel included industry experts from transit agencies and academic institutions located throughout the nation. The transit agencies selected were chosen because they have innovative fare policies or programs and share similar characteristics with Metro, such as bus and rail service, size, customer base, and/or fare collection technology. Representatives of academic institutions were added to the panel to provide an overall context on pricing theories and research in alternative revenue streams and cost efficiencies. The peer review was convened on January 26, 2015 and concluded on January 30, 2015.

As a result of the peer review, the panel issued a peer review report including 47 recommendations and observations on various subjects in the scope of that review. The results of the review and the details of the panel's recommendations were presented at the March 2015 Regular Board Meeting.

Staff has completed a summary of status updates on the recommendations included in the peer review as of the date of this report (Attachment A) and has categorized them by topic area. As described in the attachment, all recommendations are in the process of being implemented as a part of several ongoing projects, including but not limited to:

- Development of a new fare model which will be used to calculate the revenue and ridership impacts of alternative fare structures
- The ongoing Ridership Initiatives project, which is an agencywide task force looking at strategies for increasing transit ridership
- Risk Allocation Matrix (RAM), which is a comprehensive agencywide assessment of revenue generation and cost savings opportunities
- The development of new Key Performance Indicators (KPIs) that will be used for ongoing monitoring of performance for each department and agencywide

NEXT STEPS

Staff will continue consideration and implementation of each of the APTA recommendations.

ATTACHMENTS

A. Status of APTA Recommendations

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**JANUARY 2015 APTA PEER REVIEW ON FARE POLICY
SUMMARY AND STATUS OF RECOMMENDATIONS**

RECOMMENDATIONS RELATED TO 2014 FARE PROPOSAL		
1	<ul style="list-style-type: none"> Continue to maintain the current 1 day and multi-day passes Transfers are a vital part of transit level; maintain the new two hour transfer window as is 	<p>Completed:</p> <ul style="list-style-type: none"> Day passes and multi-day passes have not been eliminated. Transfers with TAP have been active since implementation in September 2014.
2	<ul style="list-style-type: none"> Consider the merits of multi-trip tickets (example: 10 ride pass) 	<p>Multi-trip passes are being incorporated into the fare model currently in development. Analysis of alternative fare structures will be ready in early 2016.</p>
3	<ul style="list-style-type: none"> Increase discounted student fares as proposed 	<p>Increasing frozen student fares is being considered as a revenue generating initiative in the Risk Allocation Matrix (RAM). Final RAM options will be presented to the Board for approval in January 2016.</p>
4	<ul style="list-style-type: none"> Proceed with implementation of Phases 2 and 3 as proposed Implement regular CPI-based adjustments as proposed Proceed with the merge of 30 Day Pass and EZ Pass as proposed Review the merits and equity of extending regional validity to all time-based pass types Consider the merits of creating a single discounted fare level Consider adopting a policy to equalize revenue per boarding across pass types, i.e. reevaluate discounted fare structure and create one that is equitable 	<p>The panel's recommendations are a mix of (a) support for the proposed fare structure and (b) suggestions to make changes to the discounted fare structure. To address these recommendations, the 2014 proposal needs to be reassessed and impacts remodeled. Phase 2 and 3 of the 2014 proposal, as proposed is no longer being considered. Alternative fare structures are being developed to include the panel's recommendations</p> <p>A new fare model currently in development will be used to assess new fare structures, including merging of the monthly and EZ Pass, a single discounted fare level, and/or equalization of fare per boarding across fare types. Analysis of alternative fare structures per the new model will be completed in early 2016.</p>

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RIDER RELIEF TRANSPORTATION PROGRAM		
5	<ul style="list-style-type: none"> • RRTP benefits should be trip-based rather than time-based • Explore using the RRTP to leverage investments in the program from other institutions 	<p>A low income fare category, including an option for trip-based rather than time-based fare discounts, is being incorporated into the fare model currently in development. Once the model is ready and analyses complete in early 2016, the RRTP program will be reassessed in relation to a potential new Low Income Fare category to determine which option would be better suited for this agency and region. Additionally, our annual ridership survey was modified to collect data on fare product utilization by RRTP customers. This data combined with surveys of RRTP customers is being analyzed to determine viability/attractiveness of a trip-based benefit.</p>
BULK TRANSIT PASS SALES		
6	<ul style="list-style-type: none"> • Continue to explore opportunities for engaging colleges and large employers to subsidize transit use • Continue to focus corporate partnership efforts on low wage employment sectors 	<p>Expansion of bulk sales pass programs (A-TAP, B-TAP, and I-TAP) is being explored as part of the ongoing Ridership Initiatives project, which tracks progress on several opportunities for increasing ridership. Quarterly updates will be provided to the Board beginning in September 2015.</p>
7	<ul style="list-style-type: none"> • Consider partnering with online group discount vendors to allow tourists to buy passes at discounted rates • Increase the sale of fare-pass types through discussion with local tourism bureaus 	<p>Expansion of outreach for fare media sales to the tourism market has been included as part of the ongoing Ridership Initiatives project. Quarterly updates of Ridership Immediate Action Plan will be provided to the Board beginning in September 2015.</p>
LONG TERM FINANCIAL SOLVENCY		
8	<ul style="list-style-type: none"> • Review the current use of long term debt to accelerate the capital program; this may compromise the ability to sustain long term operating and maintenance programs 	<p>The FY16 Mid-Year Budget Assessment and Risk Allocation Matrix processes currently in progress are working toward a common goal of establishing an internal savings account in order to ensure Metro's financial stability and optimize new debt obligations.</p>
9	<ul style="list-style-type: none"> • The panel supports adherence to the 33 percent fare-box recovery ratio target • In the absence of implementation, future significant cuts to expenditures will be required to maintain solvency 	<p>The Ridership Initiatives project and RAM new initiatives both include ideas for increasing ridership (and therefore fare revenues), changing fares, and service reductions, which can increase the farebox recovery ratio.</p> <p>RAM new initiatives will be looking for other cost saving initiatives that will reduce operating costs and in turn help reach a 33 percent farebox recovery ratio.</p> <p>Ridership initiatives updates will be provided to the</p>

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		Board quarterly beginning in September 2015, while final RAM options will be presented to the Board in January 2016.
TRANSIT SERVICE		
10	<ul style="list-style-type: none"> • Service design should minimize duplicative service and encourage transfers between modes • More frequent service on a more sparsely configured network with wider stop spacing has been shown to reduce wait/transfer times and increase ridership • Continue to realign services to establish a core network of frequent services • Adopt and implement a policy to guide the redeployment of resources from chronically underperforming routes or route segments to higher performing locations and times 	Under the ongoing Ridership Initiatives project, OMB has been working with Operations and Countywide Planning to develop a Strategic Bus Network Plan (SBNP). Updates on all Ridership Initiatives will be provided on a quarterly basis beginning in September 2015.
11	<ul style="list-style-type: none"> • Adjust the Bus Load Standard from 1.3 to 1.4 and ultimately consider going to an area-based standard; consider implementing a bus stop consolidation program 	Adjustment is being considered as a cost savings initiative in RAM. Final RAM options will be presented to the Board in January 2016.
12	<ul style="list-style-type: none"> • Initiate a comprehensive program to improve on-time performance system-wide; review internal service operations as well as coordinating with other jurisdictions and operators 	Operations is working to improve service management Standard Operating Procedures for Vehicle Operations Supervisors. As part of the new Key Performance Indicators (KPIs) currently in development, on-time performance is being included as a key metric. Operations will focus on on-time performance and track progress against the KPIs.
13	<ul style="list-style-type: none"> • Encourage use of services operating below peak capacity (midday, evening, weekend, etc.) • Explore the costs and benefits of implementation off-peak fare discounts 	<p>While off-peak fares were part of the 2014 fare change proposal, this option was removed due to lack of public support. However, an off-peak downtown rail pass is being considered as part of the Ridership Initiatives project.</p> <p>Financial and ridership impacts of an off-peak downtown rail pass are currently being modeled. Results of modeling will be ready in early 2016.</p>

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FARE EVASION		
14	<ul style="list-style-type: none"> Continue to explore new and refined methods for mitigating the level of fare evasion 	Transit Security continues to evaluate fare evasion rates on bus lines, BRT lines, and the rail system. A multi-departmental task force is being established to determine roles/responsibilities of the Sheriff and TSOs, as well as to develop the new transit security RFP and a revised deployment plan.
PERFORMANCE ANALYSIS		
15	<ul style="list-style-type: none"> Consider monitoring performance using specialized software, a dedicated budget analyst, and ongoing regular management team review of key trends 	A new system to manage performance (KPIs) and the budget is in development and is scheduled to be implemented beginning with FY17 budget development process.
PARKING		
16	<ul style="list-style-type: none"> Continue with parking study currently underway 	Parking study is still in progress.
17	<ul style="list-style-type: none"> Consider contracting out parking operations to private parking management firms Consider adopting "performance pricing" of Metro parking whereby parking rates vary in order to manage parking demand 	Adjustment of parking rates charged is under consideration as a revenue generating initiative in RAM. Final RAM options will be presented to the Board in January 2016.
OTHER ALTERNATIVE REVENUE GENERATION STRATEGIES		
18	<ul style="list-style-type: none"> Explore the opportunity for placement of ATMs at rail stations Explore the opportunity of partnerships with other agencies or businesses where costs for new services might be shared 	ATMs on the Metro system are being considered as a revenue generating opportunity in RAM, and several strategies for working with other agencies or businesses as a means to save on costs are being considered as a cost savings initiative. Final RAM options will be presented to the Board in January 2016.
19	<ul style="list-style-type: none"> Consider establishing a "loyalty program" in conjunction with participating businesses in the county in which businesses agree to offer discounts to transit users in exchange for the agency's promotion of those businesses 	As included in the Ridership Initiatives, Communications is investigating opportunities to reward occasional and frequent riders through programs such as time and location specific Destination Discounts pushed through the Metro App, and Rider "Gamification" (application of game playing to encourage use of public transit) programs that reward frequent riders based on use.

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20	<ul style="list-style-type: none">• Consult Transit Cooperative Research Program Synthesis Report #112 to identify techniques to earn new revenues or save money	This report has been utilized in the RAM process as a tool for brainstorming new ideas that can achieve revenue generation and cost savings. As a result, several of the suggestions are currently being considered as RAM initiatives. Final RAM options will be presented to the Board in January 2016.
OTHER RECOMMENDATIONS AND COMMENTS		
21	<ul style="list-style-type: none">• The rigorous in-house program for the management and technical support of the TAP program is an industry-leading initiative	With the approval of TAP-only Inter Agency Transfers (IATs) earlier this year, Metro's TAP program continues to assist the Los Angeles County area in moving toward a seamless regional fare system. Recent accomplishments include the TAP system now expanded to 24 operators, Access Services and Metrolink.
22	<ul style="list-style-type: none">• Electrification of bus components such as air conditioning, engine cooling, and power steering to reduce parasitic load can save as much as 15% on fuel• Free energy audits can help identify ways to reduce utility bills• Consider installing solar panel canopy systems to park buses under for shade, savings on future energy costs, and reduced carbon footprint	Metro continues to look at options for increasing service and facility cost efficiencies, as well as sustainability, as evidence by the recently completed El Monte Station as well as Division 13 currently under construction. Operations is also testing and evaluating electric buses and investigating other zero emissions technology.