





July 22, 2003

Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

TO: MTA BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER 

FROM: RICHARD BRUMBAUGH
CHIEF FINANCIAL OFFICER 

SUBJECT: COUNCILMEMBER VILLARAIGOSA'S
INFORMATION REQUEST

ISSUE

At the new board member orientation for Councilmember Antonio Villaraigosa, Mr. Villaraigosa asked for additional information on MTA ridership versus Municipal Operator ridership, the Formula Allocation Plan and a comparison of MTA versus Municipal Operator costs per revenue hour.

DISCUSSION

The attached Analysis of Fare Subsidies shows the total funding allocations for the fiscal years 2001, 2002 and 2003 for the MTA and all other Los Angeles County transit operators.

The attached Apples-to-Apples Comparison of Costs per Revenue Hour shows the impact of depreciation expense on total costs for the MTA, Long Beach Transit, Santa Monica Big Blue Bus, Foothill Transit and New York City Transit.

Attachments

DATE: April 29, 2003

SUBJECT: Analysis of Fare Subsidies

MASD was requested to review and prepare an analysis of the major funding sources for state and local bus operating subsidies. These sources are:

- Transportation Development Act (TDA), Article 4
- State Transit Assistance (STA), PUC 99314
- Proposition A, 40% Discretionary Fund
- Propositions A/C Interest

Using revenue from these sources and the number of boardings, we compared MTA's average subsidy per boarding with the other municipal operators in the county for FY01, FY02, and FY03. These analyses (*Attachments 1-3*) show that the MTA is receiving less of a subsidy per boarding than almost all other operators in the county

During the course of the review, we made other observations regarding trends and methodologies of fare subsidies, which are also presented for consideration.

Decline in MTA's share of total transit funds

During the course of this project, we noted that while the total dollars allocated to the MTA from 1996 to 2003 from the four major revenue sources (TDA, STA, Proposition A, and Proposition C) have increased from \$610,839,000 to \$840,397,000, MTA's share of the dollars available from those four revenue sources has decreased from 61% to 56% (*Attachment 4*). If the MTA had remained at the 61% level of funding from 1996 through 2003, it would have received approximately \$303,000,000 in additional funds from the four revenue sources. The revenue estimates have also been forecasted to 2005 using estimates based on the UCLA Economic Forecast. These estimates show MTA's share of total funds continuing to decrease to 54%. The fiscal year allocations always use statistics that are two years old; hence we used statistics for 1994 through 2001 and forecasts for 2002 and 2003.

The Formula Allocation Procedure (FAP) is the primary vehicle for determining the dollars to be allocated to the MTA and other bus operators. The FAP is used to allocate the following revenue sources: Transportation Development Act (TDA), Article 4; State Transit Assistance (STA), PUC 99314; and Proposition A, 40% Discretionary Fund. Expressed as a formula the FAP is 50% Vehicle Service Miles and 50% Passenger Revenue divided by base fare. *Attachment 5* compares the MTA's share of the FAP allocations to the shares allocated to other operators. The MTA's share of the FAP has declined from 77% in 1996 to 70% in 2003, while the shares of the other operators have increased from 23% to 30%. Forecasted through 2005, MTA's percentage increases slightly because Santa Monica and Foothill Transit recently increased their base fares. *Attachment 6* compares the MTA's Adjusted Vehicle Service Miles and Adjusted Passenger Revenue from 1994 through 2002 (plus the forecast for 2003) with the three largest other bus operators in the county (Foothill, Long Beach, and Santa Monica).

We have concluded that the reasons for the decline in MTA's FAP share are twofold:

- The Adjusted Vehicle Service Miles and Adjusted Passenger Revenue for the other operators have increased steadily over the years, and are certainly a factor in the formula.
- MTA's Adjusted Passenger Revenue has declined slightly, and its Adjusted Vehicle Service Miles have been volatile, declining sharply in 1998 and 1999.

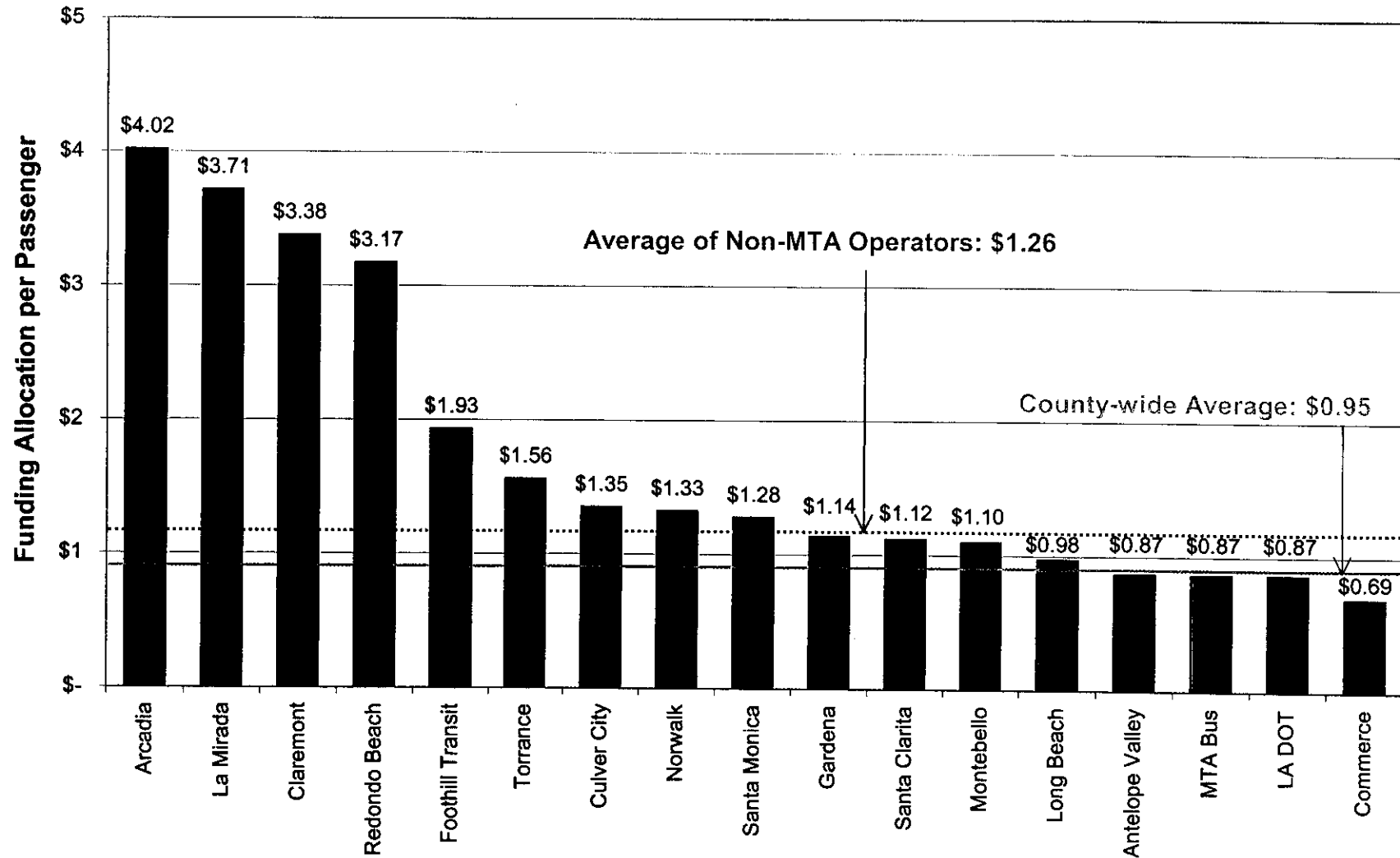
We attempted to determine the reason for the declines by comparing the Vehicle Service Miles and Passenger Revenue as used in the Formula Allocation Procedure with that reported to the National Transit Database (*Attachment 7*). We found that the MTA has been deducting the vehicle service miles and passenger revenue related to the Bus Service Improvement Program, Consent Decree, and other small programs from the FAP calculation.

Attachment 8 illustrates MTA's revenue per mile using National Transit Database Reports. From 1998 to 2002, our revenue per mile has dropped from \$2.85 per mile to \$2.37 per mile. During this period passenger revenues are declining, while vehicle service miles are steadily increasing. We believe this is primarily due to service miles added to comply with the consent decree, without a corresponding increase in revenue.

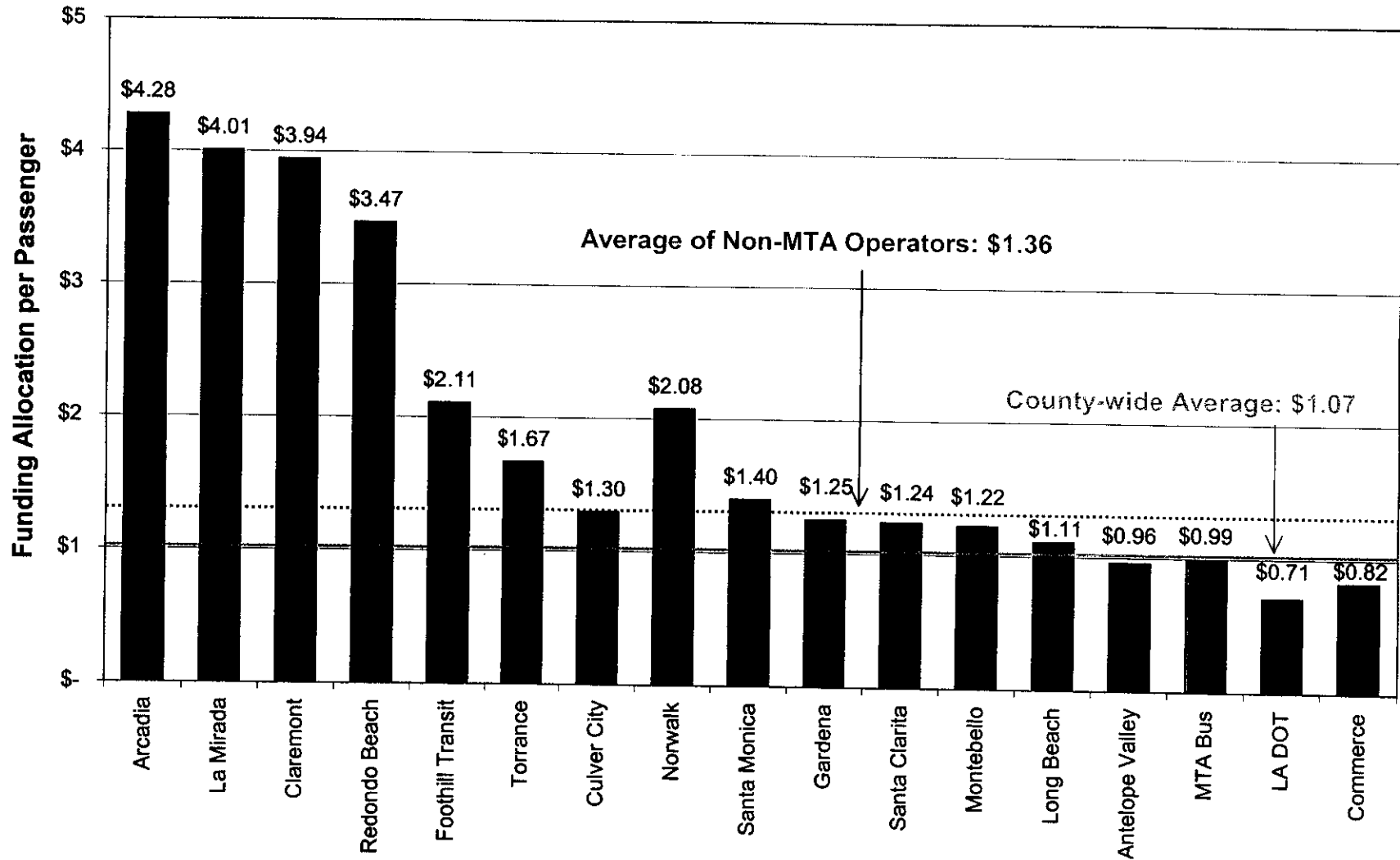
Conclusion

Throughout the period, the other bus operators have steadily and consistently increased both their Revenue Service Miles and Passenger Revenue. Because of the mechanics of the Formula Allocation Procedure, their increased statistics and MTA's declining or flat statistics automatically result in a decline in the MTA's percentage share.

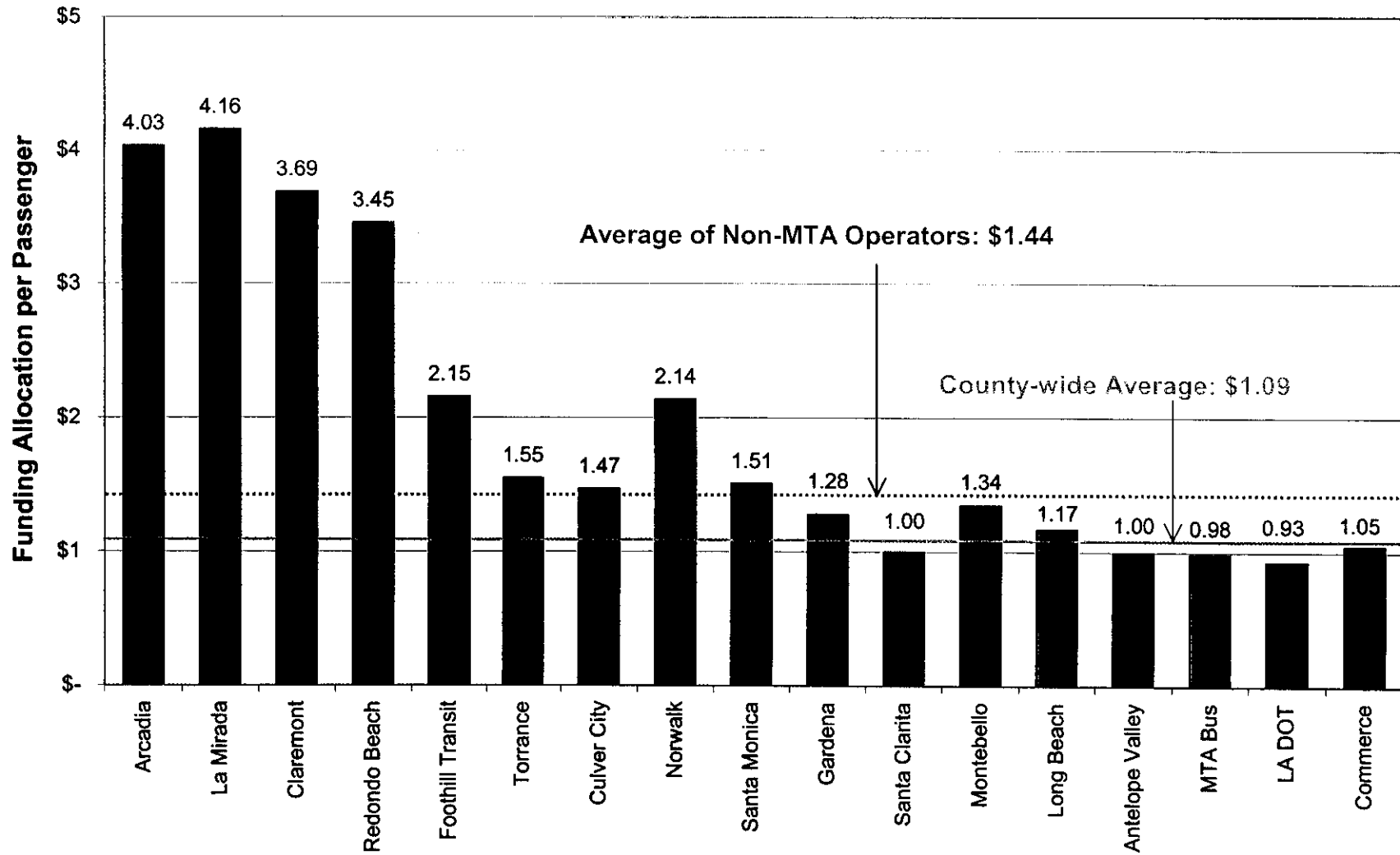
L.A. County TRANSIT OPERATORS (Total Funding Allocations) 2001



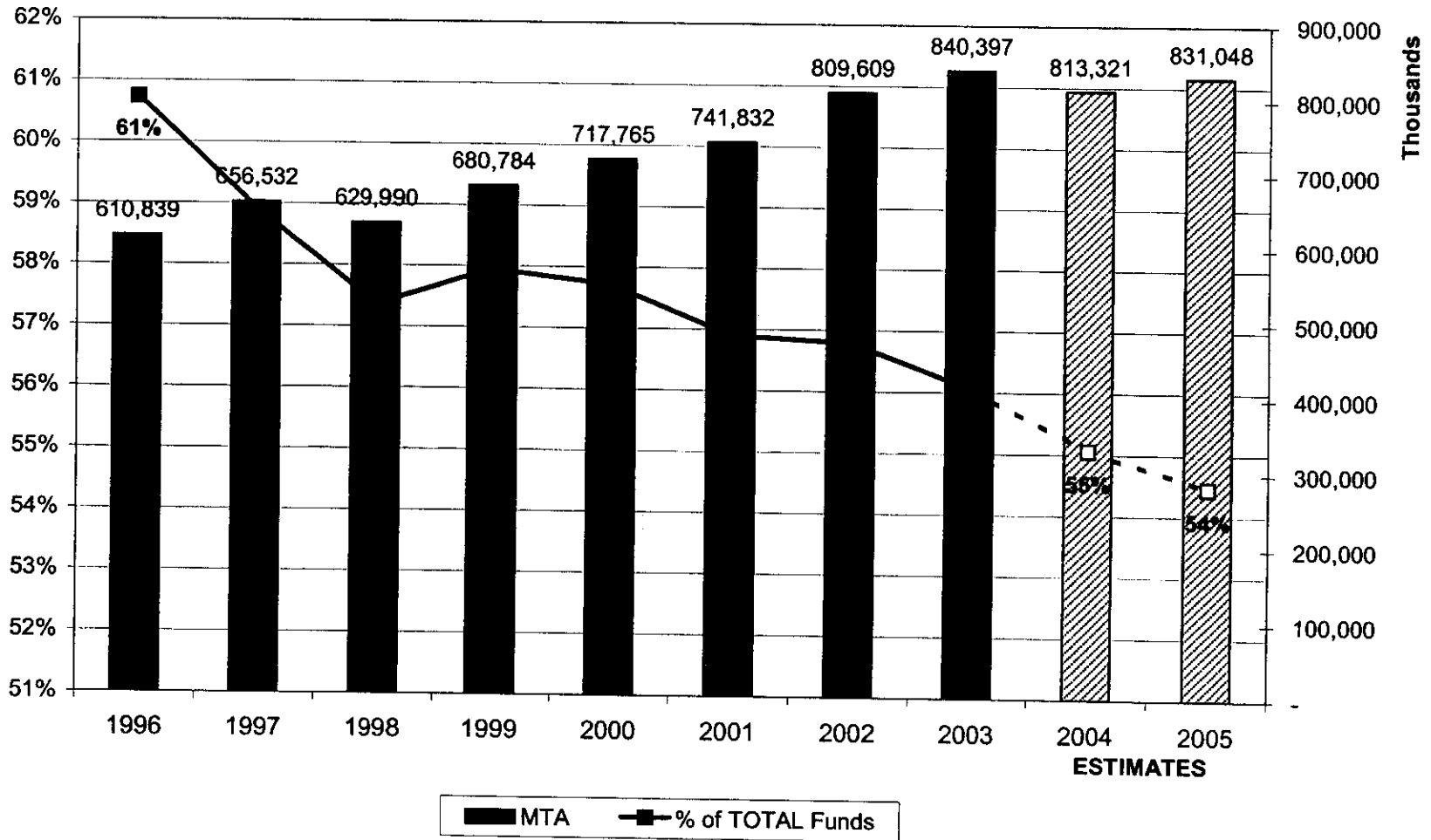
L.A. County TRANSIT OPERATORS (Total Funding Allocations) 2002



L.A. County TRANSIT OPERATORS (Total Funding Allocations) 2003



MTA Funding Levels and % share of TDA, STA, Prop A & C Funds (TOTAL FUNDS)

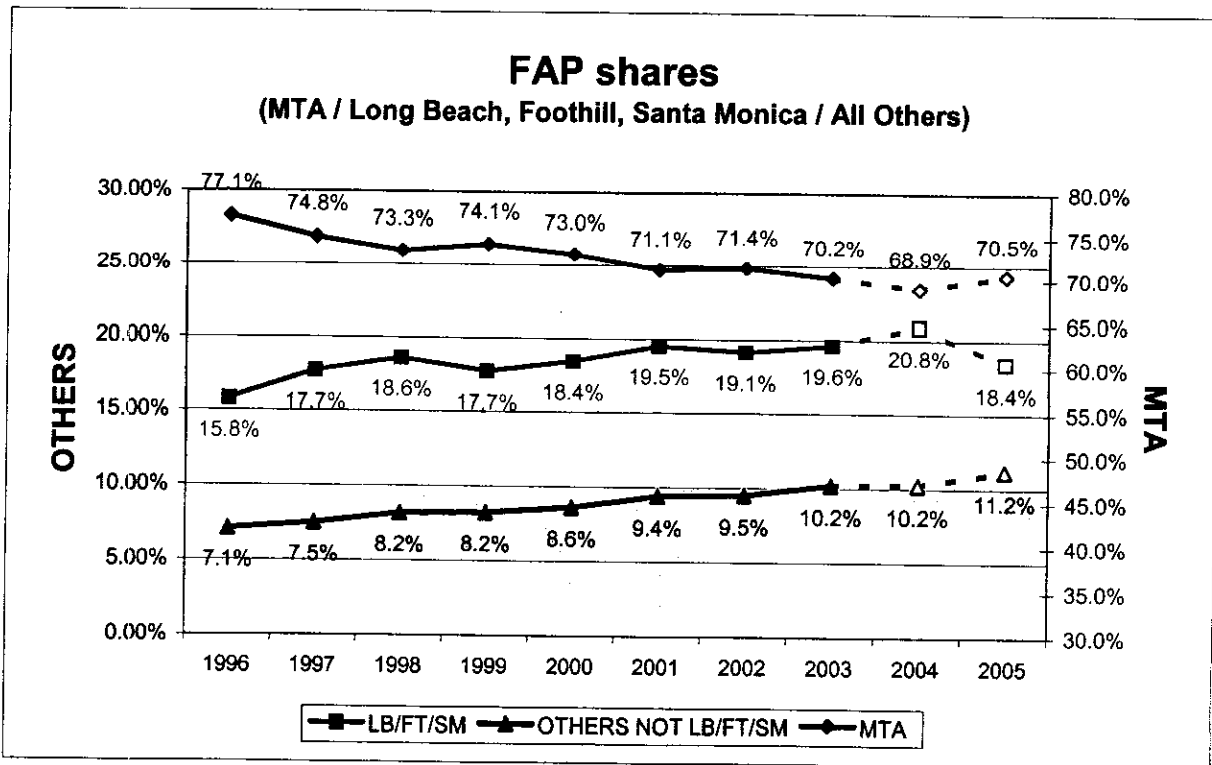
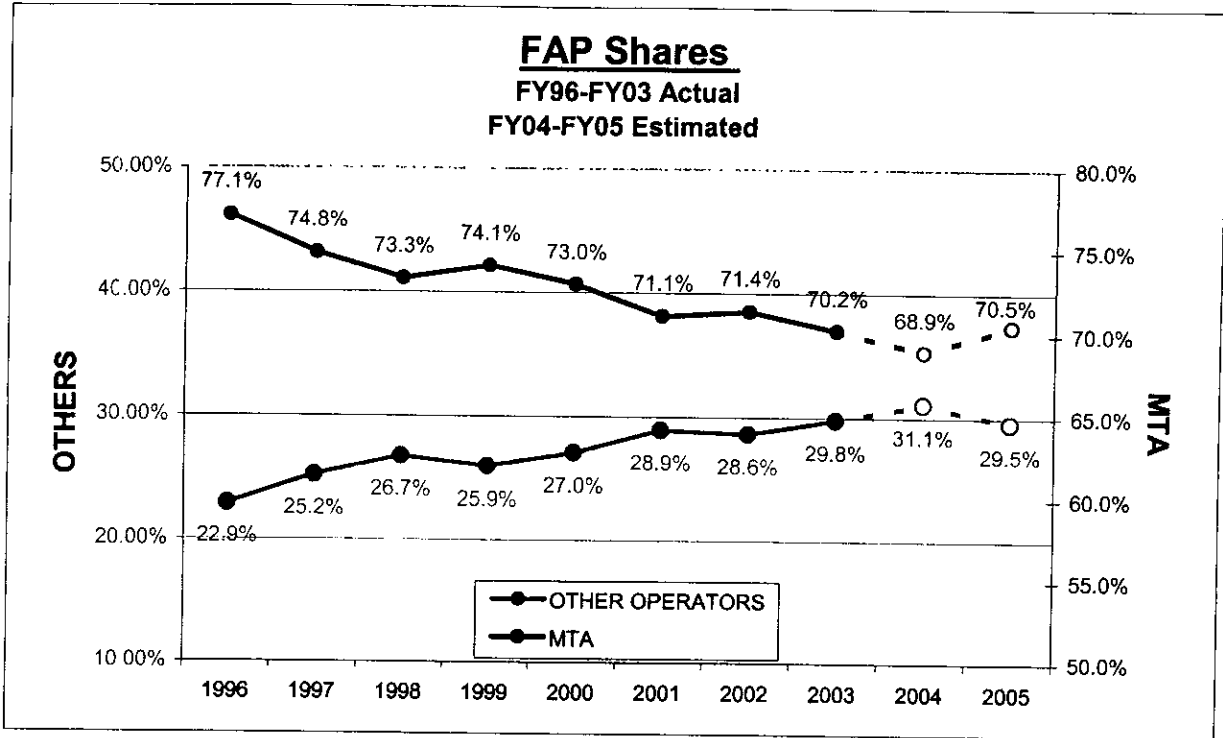


ATTACHMENT 4

Assuming current FAP guidelines.
 Forecasted amounts (FY04-FY05) are based on data available as of April 8, 2003.

Prepared By: MASD 4/10/03

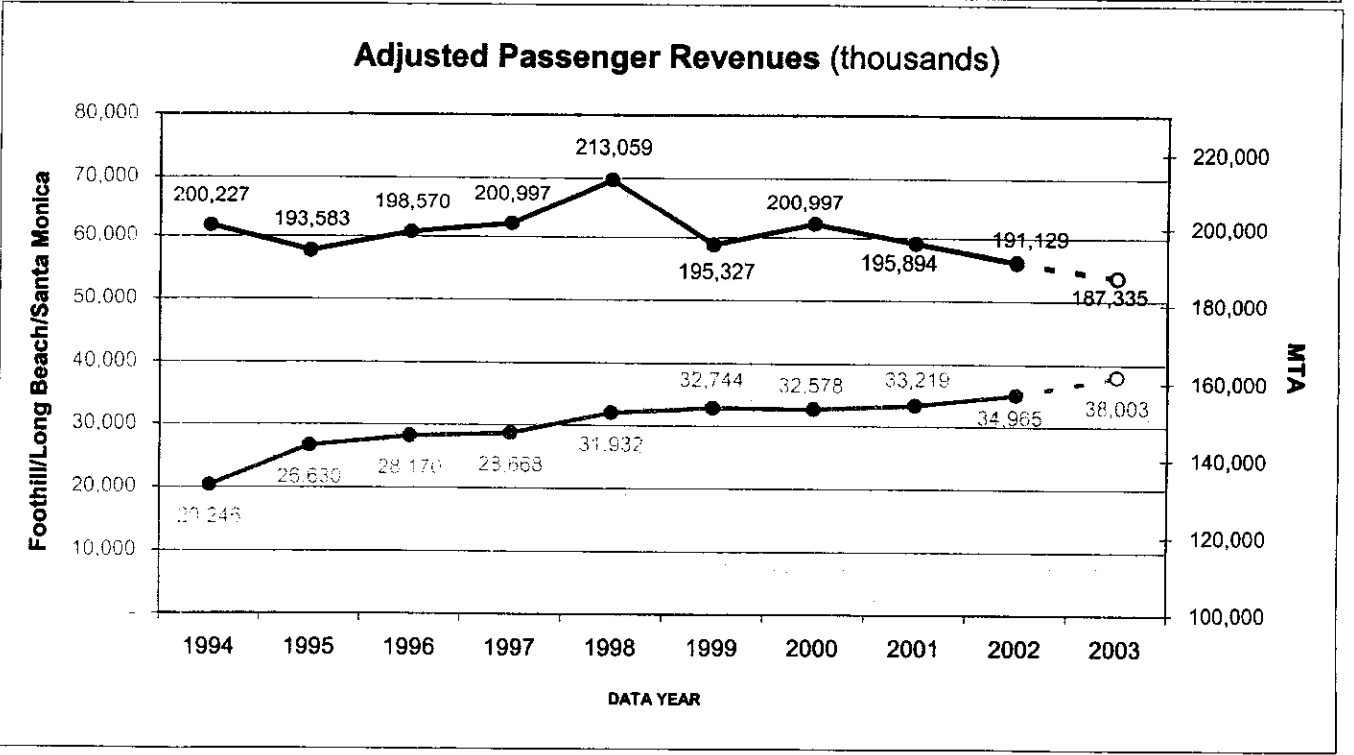
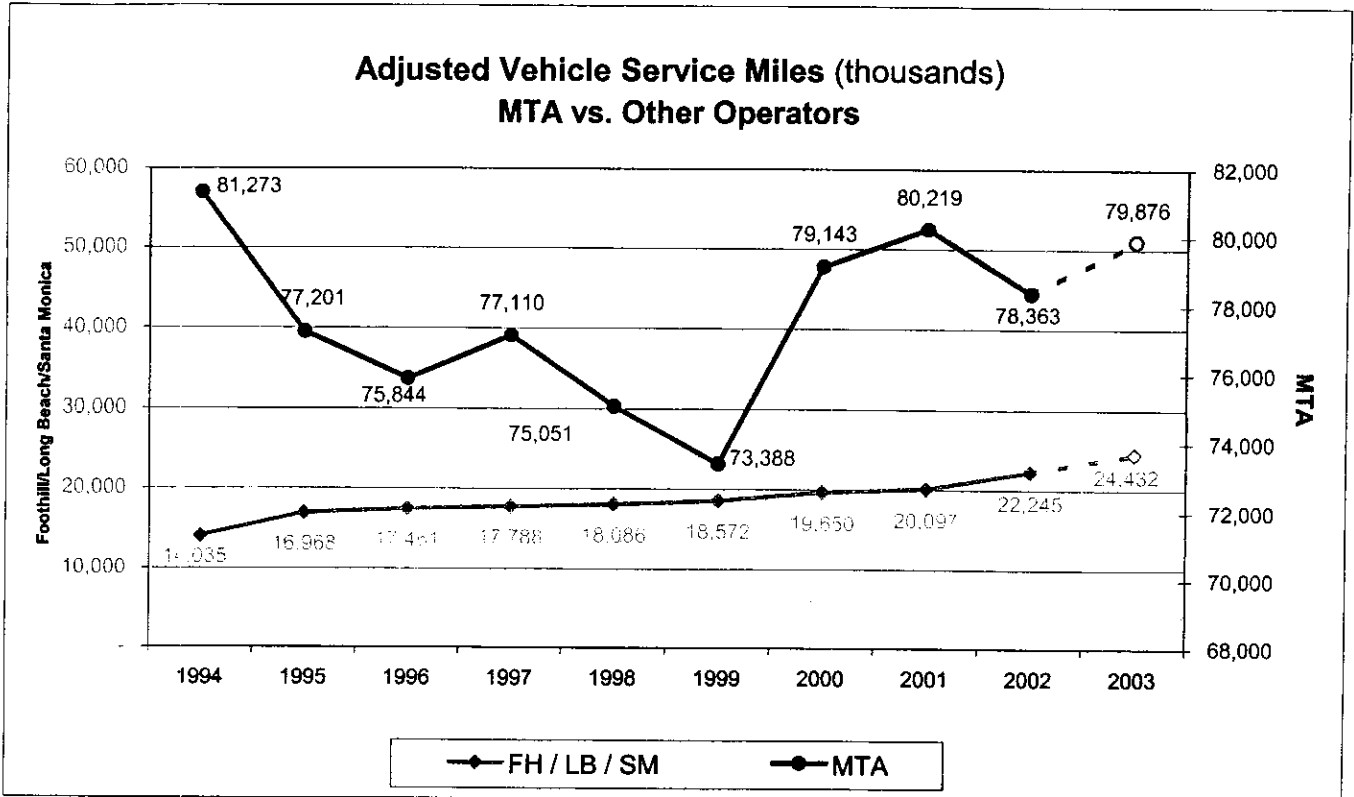
ATTACHMENT 5



As of April 2003, base fares for Santa Monica and Foothill Transit have increased.
 Santa Monica (\$.50 to \$.75)
 Foothill (\$.90 to \$1.10)

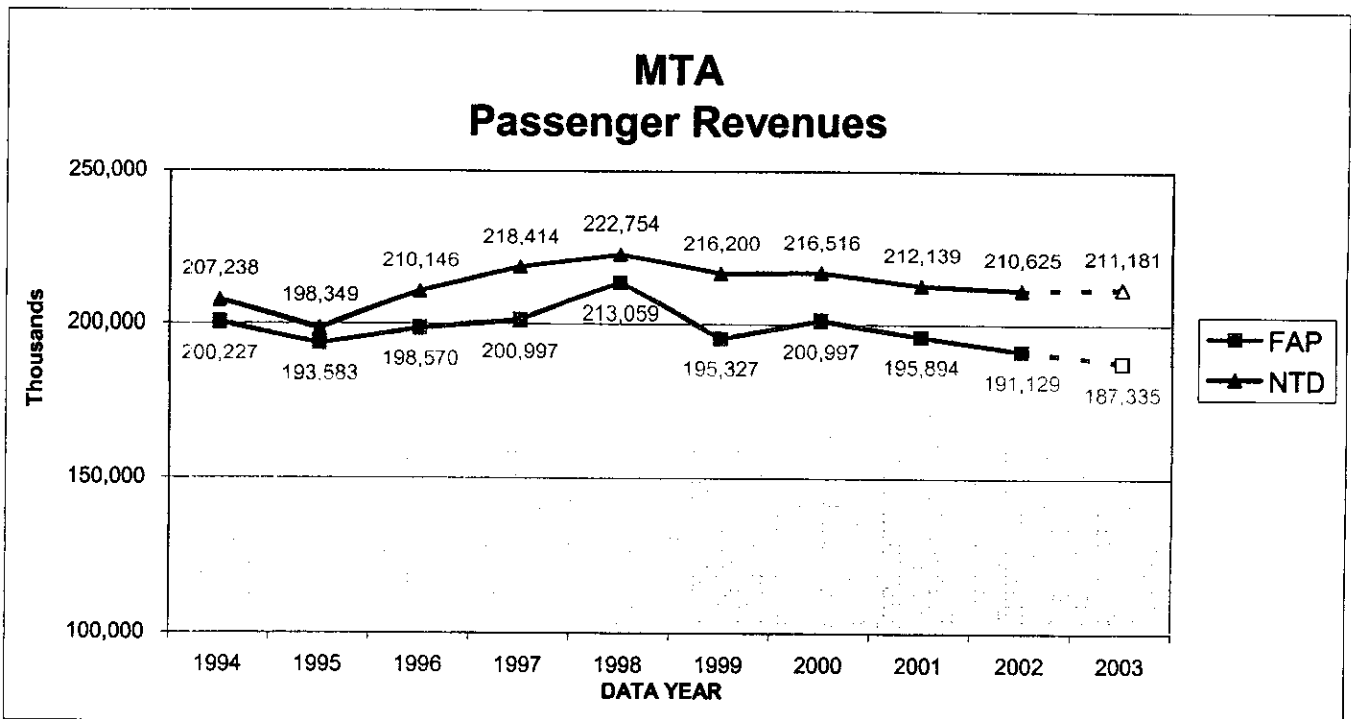
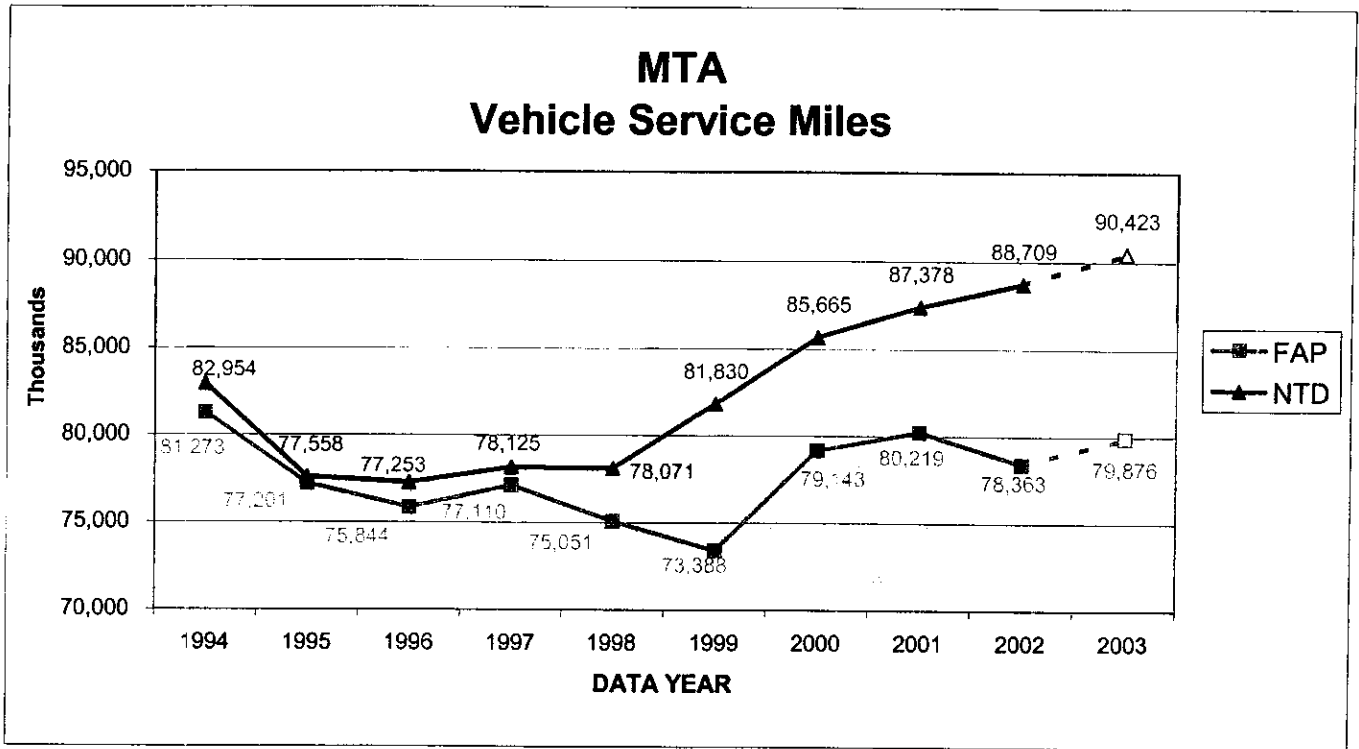
ATTACHMENT 6

MTA vs. TOP 3 OPERATORS (VEHICLE SERVICE MILES / PASSENGER REVENUES)



ATTACHMENT 7

MTA FAP data vs. NTD data
(VEHICLE SERVICE MILES / PASSENGER REVENUES)

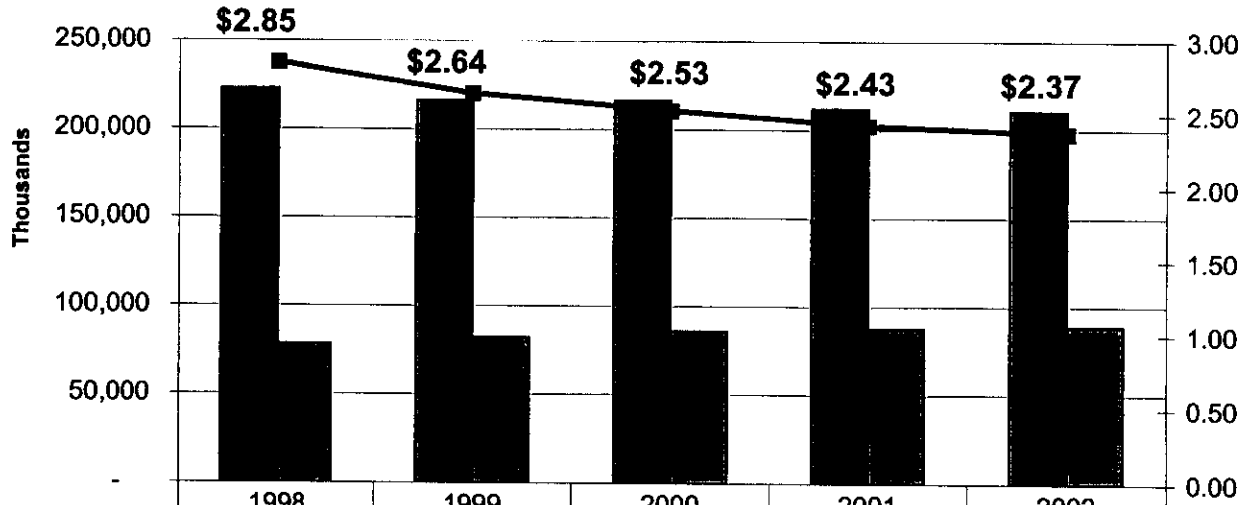


The difference represents the adjustments made for FAP calculations.

These reflect miles and passenger revenues for the data year. Funding marks are based on 2 year old data.

(FY03 Funding marks are based on FY01 data.)

MTA REVENUE PER MILE
(Unadjusted NTD statistics)



	1998	1999	2000	2001	2002
■ Passenger Revenue	222,753,731	216,199,649	216,516,326	212,139,181	210,624,517
■ Vehicle Service Miles	78,071,225	81,830,452	85,665,002	87,377,913	88,709,035
—■ Revenue per VSM	2.85	2.64	2.53	2.43	2.37

AN APPLES-TO-APPLES COMPARISON OF COSTS PER REVENUE SERVICE HOUR.

Even though depreciation expense is an operating cost, the National Transit Database Reporting System (NTD) excludes depreciation and interest expense from the calculation of cost per revenue service hour.

Depreciation expense will vary from agency to agency for a variety of reasons, such as, different asset lives, different ratios of fixed asset deployment to operating costs or different capitalization thresholds. Also, some agencies allow the funding source to characterize the nature of the asset. For example, some agencies automatically capitalize an expenditure funded by a capital grant regardless of traditional capitalization criteria, even though the FTA cautions transit agencies to follow generally accepted accounting principles.

The following table shows a comparison of bus operating cost per revenue service hour of the MTA, Long Beach Transit, Santa Monica Big Blue Bus, Foothill Transit and NYC Transit. As the table shows, the local municipal operators have a higher dollar value of depreciation per revenues service hour as well as a higher percentage of depreciation to total operating costs.

BUS OPERATING COSTS PER REVENUE SERVICE HOUR

	FY 2000		FY 2001		FY 2002	
MTA						
Operating Costs						
All costs excl depreciation	\$95.01	93.7%	\$95.55	90.4%	\$97.52	91.5%
Depreciation	6.42	6.3%	10.15	9.6%	9.02	8.5%
Total operating costs	<u>\$101.43</u>	<u>100.0%</u>	<u>\$105.70</u>	<u>100.0%</u>	<u>\$106.54</u>	<u>100.0%</u>
LONG BEACH						
Operating Costs						
All costs excl depreciation	\$66.16	83.1%	\$73.05	82.6%	\$74.20	80.5%
Depreciation	13.49	16.9%	15.35	17.4%	17.92	19.5%
Total operating costs	<u>\$79.65</u>	<u>100.0%</u>	<u>\$88.40</u>	<u>100.0%</u>	<u>\$92.12</u>	<u>100.0%</u>
SANTA MONICA						
Operating Costs						
All costs excl depreciation	\$67.62	80.7%	\$67.58	84.8%	\$74.40	80.5%
Depreciation	16.15	19.3%	12.08	15.2%	18.03	19.5%
Total operating costs	<u>\$83.77</u>	<u>100.0%</u>	<u>\$79.66</u>	<u>100.0%</u>	<u>\$92.43</u>	<u>100.0%</u>

AN APPLES-TO-APPLES COMPARISON OF COSTS PER REVENUE SERVICE HOUR.

	FY 2000		FY 2001		FY 2002	
FOOTHILL						
Operating Costs						
All costs excl depreciation	\$61.85	86.7%	\$64.24	83.9%	\$66.12	86.0%
Depreciation	9.50	13.3%	12.37	16.1%	10.76	14.0%
Total operating costs	<u>\$71.35</u>	<u>100.0%</u>	<u>\$76.61</u>	<u>100.0%</u>	<u>\$76.88</u>	<u>100.0%</u>
NYC TRANSIT						
Operating Costs						
All costs excl depreciation	\$104.70	94.1%	\$110.40	94.0%	NOT	
Depreciation	6.51	5.9%	7.07	6.0%	AVAILABLE	
Total operating costs	<u>\$111.21</u>	<u>100.0%</u>	<u>\$117.47</u>	<u>100.0%</u>		