



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
APRIL 19, 2007**

SUBJECT: UNIVERSAL FARE SYSTEM – TRANSIT ACCESS PASS (TAP)

ACTION: RECEIVE AND FILE GATING STUDY REPORT

RECOMMENDATION

Receive and file report on status of Metro Red Line Gating Analysis.

ISSUE

At the November 2006 Board meeting a motion introduced by Director Burke and amended by Director Fasana was approved, requesting that staff consider engaging a fare collection expert to conduct an assessment for gating Metro rail operations and implementing distance based fares.

As a result of the our preliminary analysis of the issues involved in development of a “Request for Proposals” (RFP) relating to gating and distance based fare analysis and the relationship of these issues to the implementation of a Universal Fare System (UFS) and contactless technology (TAP) and Metro’s transit oriented development (TOD) program, it became apparent that numerous additional opportunities for overall system integration as well as revenue generation should be included in study and analysis of these issues.

DISCUSSION:

As Metro explores alternative methods for reducing fare evasion and increasing fare revenues, TAP technology combined with Metro’s current TOD program provides opportunities for strategic operational and financial partnerships with banks that are major credit card issuers, as well as the credit card companies themselves, to leverage and realize the value of Metro’s customer base, while providing enhanced levels of service and convenience to Metro’s ridership.

Recent discussions among staff, major bank credit card issuers and credit card companies relating to integration of TAP technology in conjunction with the operation and charge

structure for joint parking facilities, retail and commercial tenants in Metro's TOD's (including employee ridership benefit program, retail use of TAP cards connected to credit cards etc.) have introduced highly relevant options for calling for further examination of Metro's current smart card technology to support related applications, in addition to and in conjunction with analysis of the feasibility and financial alternatives available for installing rail barrier gates.

Staff has therefore reassessed new transit related opportunities for Metro to benefit from the investment thus far made in UFS and TAP technology, and has further held discussions with commercial specialists to ensure that the proposed scope of work fully encompasses analysis of these new commercial and financial requirements in the proposed RFP.

Most notably, Metro's current TODs number over 30 projects in various stages of construction or development and offer more than 5,000 residential units, plus 1.5 million square feet of retail and commercial real estate, an additional 2.6 million square feet of office space, and over 12,000 individual parking spaces. This represents over \$3 billion of joint development construction being undertaken by Metro, largely funded by the private development and provides large scale opportunities for the expanded use of TAP technologies in conjunction with the development and operation of these joint developments as well as potential revenue sources from the licensing and operation of these technologies that can significantly offset the costs of both the technology and gating expenses.

Additional existing Metro real estate will also be more comprehensively assessed for inclusion with TAP smart card interfaces. In addition, the interest expressed by other private large scale developments (e.g., the "L.A. Live" and "Grand Avenue") in utilizing TAP and employee/visitor transit applications in conjunction with their parking, employee and visitor-serving functions provides further revenue and implementation enhancement opportunities as does a broader look at homeland security features that may augment existing fare collection equipment and/or barrier gates.

These economic development opportunities present greatly expanded opportunities for return on the current UFS – TAP investment, and also offer many opportunities for increasing ridership for the region.

NEXT STEPS

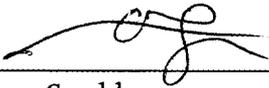
An all-inclusive inventory of areas to be included for the TAP gating feasibility will be completed and staff intends to continue its more detailed discussions with interested banks credit card issuers and credit card companies as well as its joint development partners companies and private developers adjacent to Metro's transit facilities in furtherance of strategic partnerships that will enhance both ridership and revenue opportunities in connection with TAP and gating studies. We anticipate that the RFP will be issued within the next 60 days. Staff will continue to report to the Board at regularly scheduled Monthly TAP oral updates on the status of the procurement and its analysis of these opportunities.

A separate funding analysis for approval to proceed with award of contract to qualified experts will follow.

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