



Metro

**OPERATIONS COMMITTEE
JUNE 18, 2009**

SUBJECT: UNIVERSAL FARE SYSTEM/TRANSIT ACCESS PASS/GATING

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file this report discussing the cost growth of the Universal Fare System, "UFS," Transit Access Pass, "TAP," and Gating projects and projections of future increases.

ISSUE

The Board requested that we report on the cost growth of UFS, TAP and Gating and future impacts on the enterprise fund ("EF") structural deficit.

DISCUSSION

The only "cost growth" in the three above referenced projects occurred in the procurement of the TAP Regional Clearinghouse in 2006 as the low bid exceeded the engineer's estimate by \$4.4 million. Increases to the UFS project have been solely related to scope expansion, primarily the addition of the Pasadena Gold and Orange Lines, expansion of our bus fleet as a consequence of the Consent Decree and the addition of enhanced vault equipment to receive and process the increase in cash received through fareboxes due to the introduction of the day pass.

The following report summarizes key milestones approved by the Board for each of the three projects and the outlook for future operating cost increases.

The Board first directed that we pursue a strategy to provide our customers with a regional, seamless fare collection experience in 1990. The Operations Committee receives monthly status reports on the programmatic aspects of these activities so they are not reiterated in this report.

UFS - After completing various technology planning studies and outreach, the first estimate of UFS costs and programming of funds was included in the Regional Transportation Alternatives Analysis approved in November 1998. The UFS project included the replacement of all bus fareboxes and ticket vending machines with upgraded technology to support contactless smart ("TAP") cards for Metro Bus and Rail at a cost of \$75.8 million. The Board also approved an additional \$15 million for the municipal transit operators to purchase UFS equipment.

In November 1998, the Metro Bus service operated approximately 1,800 peak buses with a total directly operated fleet of approximately 2,200 buses. The contract service fleet was

about 150 buses. Metro Rail consisted of the Blue, Green and Red Lines, MOS 1, 2A and 2B from downtown to Wilshire/Western and Hollywood. MOS 3, North Hollywood, was scheduled to open in 2000 and included in the baseline project.

The contract for the UFS system was awarded in February 2002. The UFS project budget was increased to from \$75.8 to \$89.0 million. The primary reasons for the increase were the addition of the Pasadena Gold Line, including purchase and installation of temporary TVMs, and addition of the Orange Line. We also planned to introduce EZ Pass, a new regional fare media, in late 2002 using the paper pass processes.

The Board approved an additional \$3.9 million for the UFS project budget for implementation of the Regional UFS Program for participating local and municipal operators as part of a "fair share" action related to the adoption of the Financial Stability Policy in June 2002 and the UFS project budget thus became \$92.9 million. Minor budget increases were approved in the annual budgets for FY04 and FY05 bringing the total budget to \$93.6 million.

In February 2006 the Board approved an additional \$4.0 million for additional receiver vaults that were necessary to handle the greater volume of cash collected as a result of the introduction of \$3 day pass in 2004 and for removal of vault houses, relocation of the vaulting equipment and systems to fuel islands in bus divisions, as well as to provide fareboxes and garage computers for our contract service providers. The fareboxes originally intended for contract services had been diverted to our directly operated fleet as it expanded from 1,800 to about 2,200 peak buses due to Consent Decree requirements. Operations had requested these changes to vaulting in order to provide additional space for the expanded bus fleet. The total project budget thus became \$97.6 million.

All of our equipment and systems have been received, installed and are in limited revenue service. The UFS capital project is now in final acceptance and close out stage.

The conversion of senior/disabled, student and college pass products to TAP is currently underway and expected to be completed by the end of 2009. Rollout plans for EZ pass and stored value products are being developed and the schedule for implementation has not yet been set. Depending on the final schedule for implementation of these products, operating costs, including marketing and rider information materials, for these activities will increase through FY11. These activities are paid from the operating budget. These increases are expected to be partially offset by reductions in the costs of printing, distributing and accounting for paper based fare media. In addition, future revenue opportunities utilizing TAP technology, including implementing distance based fares and credit card revenue opportunities, may also mitigate the effect on our bottom line.

TAP (Regional Clearinghouse/TAP Service Center) – The Board approved the outsourcing of the regional clearinghouse and TAP service center functions in September 2003 and established a life of project budget of \$16 million for its design and implementation in March 2004.

The life of project budget was increased by \$4.4 million when the bids for the project exceeded the engineer's estimate and the contract was awarded in February 2006.

The service center is in limited operation since not all of the municipal operators have installed their TAP fareboxes as of this date. The clearinghouse functions just began final testing during FY09 as Culver City, Santa Clarita, Norwalk and Foothill activated their TAP fareboxes using stored value. Testing will continue into FY10 as more of the remaining municipal operators install their fareboxes in FY10. The capital project is expected to be finished in FY10 with final acceptance and closeout continuing into FY11.

Gardena and Montebello are scheduled for installation this summer. Long Beach installed its fareboxes in 2004 but has not activated the TAP functions. Technical support for future installations will continue until all installations are completed. Torrance, LADOT and Santa Monica have not scheduled their installations as of this date. Recently, Pasadena and Burbank have indicated their interest in joining the TAP program. There are approximately 40 other transit operators who could join the program. The Board programmed \$5 million for local transit systems in 1998. Although these costs are one-time in nature they are paid from the regional TAP operating budget because they do not result in a capital asset.

Gating – The Board approved a life of project budget for \$1.0 million for a study of gating options in July 2007. In November 2007, based on the study results, the Board directed the procurement of gates and related infrastructure costs. In January 2008, the Board awarded a contract to lease gates and provide for their maintenance. The lease payments for the nearly 400 gates are future operating costs. The related infrastructure improvements, capital costs, increased the life of project budget to \$21.0 million. The first gates will be installed this summer on the entire Red and Green Lines and at other key light rail stations. They will be in limited, “free spin”, operation during FY10. Related limited maintenance costs are included in the approved lease maintenance contract and increase throughout FY10 as additional gates are installed and are included in the FY10 rail operations budget. Construction work and installation of all of the gates are expected to be completed by the end of FY10. Full year, full function operation of the gates and related maintenance costs, again, included as part of the approved lease, are expected to increase costs in FY11 as the final installation of all gates is completed and they are placed in full operation.

Future Operating Costs - Technical support, fare collection equipment and gates for future fixed guideway, after Expo Phase I, projects will be included in the respective project budgets. Maintenance, revenue collection, clearing and other operational costs will increase as the new projects go into revenue service. The additional costs for the Eastside Extension are included in the FY10 budget. Costs for Expo Phase I are expected to commence in FY11.

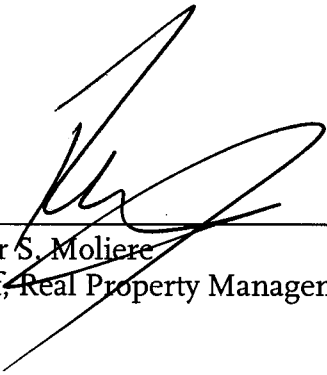
Impact on Enterprise Fund Metro Bus and Rail Operating Budget

The EF accounts for all transit, bus and rail, operating and capital revenues and expenses. The EF also accounts for “regional” operating and capital expenditures. Examples of regional costs include portions of 1-800-COMMUTE (customer information), Patsaouras Plaza maintenance, and TAP because these services and programs benefit users of other systems in addition to our own. Funding, Prop C 40%, for the regional costs is appropriated

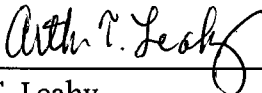
annually through the budget process. Regional costs are excluded from our cost/hour, cost/mile and cost/passenger computations that are used for comparison to other systems.

The Metro Bus budget, directly operated and contracted, is the majority of the EF and is funded by fares, formula subsidies, "FAP," and separately Board approved subsidies from time to time. When the Board approves the use of regional funds for Metro Bus, an FAP share is required to be allocated to the Muni bus operators. The Metro Rail budget is funded by fares, Prop A 35% Rail and through FY09, STA Population Share monies. Additional operating and capital funding is approved annually in the budget process.

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