

Knabe/Lowenthal/O'Connor
Motion

The current FAP formula allocates the Los Angeles County's transit funds based on fare units (passenger revenue/base fare) and vehicle service miles of each Operator. This formula is used to represent the share of the County's transit service that each Operator provides to Los Angeles County residents based on audited information in its TPM report. While the current formula has worked to allocate funding levels to each Operator, it has discouraged Operators from raising base fares because it has the potential to reduce an agency's fare units. Furthermore, adoption of this change will allow for greater flexibility for all operators in restructuring fares.

We, therefore, move that the following change be made to the Formula Allocation Program (FAP).

FAP Funding Stability:

In the application of this FAP formula adjustment, all Operators' FAP dollar funding levels shall be held to a minimum of their FY 2007 dollar funding levels. Where necessary, funding to implement this provision shall come from the Proposition A 40% Discretionary Growth Over CPI Account. However, no additional funding will be allocated to an operator to mitigate against a reduction in funding from the fiscal year 2007 level, if this reduction is caused by a reduction in service level provided by that operator.

Application of FAP Formula:

- A. A new rule be added to the current FAP effective immediately for application to the FY 2009 Allocation Year (whose allocations are based on FY 2007 TPM data).

If an Operator increases its base fare anytime from July 1, 2006 forward, their **fare units** will be frozen at that Operator's fare unit level during the last full fiscal year of the old lower fare. It will remain at this level, until the new fare unit calculation based on the new higher fare becomes greater than the frozen level. After that point, their fare units will be calculated normally.

Example: If an Operator implements a fare increase on July 1, 2006, or anytime during FY 2007, their fare units will be frozen at the FY 2006 level until fare unit growth occurs. Thus the fare units utilized to calculate the FAP will be the higher of the fare units calculated using current TPM data or the fare units from the FAP calculation from the fiscal year prior to the fare increase.

If an Operator lowers their base fare anytime from July 1, 2006 forward, **their fare units will be frozen** at that Operator's fare unit level during the last full fiscal year of the old higher fare. Thus, an Operator could not trigger an increase in their fare units by lowering their base fare and would have no incentive to do so. Operators would be required to increase their base fare to an amount equal to or greater than the base fare established using FY 2006 TPM data to again calculate their fare units utilizing current TPM data.

- B. Los Angeles Department of Transportation's annual fare units calculation for the purpose of determining its annual FAP subsidy funded from the County's Proposition A Discretionary Growth Over CPI account be adjusted as described below.

Effective with the FY 2008 allocation year, the calculation of fare units for LADOT will be conducted utilizing a \$0.90 base fare for its eligible express services and a \$0.50 base fare for its eligible local services. LADOT's annual FAP subsidy allocation will continue to be funded from the County's Proposition A Discretionary Growth Over CPI account, which is the primary source of FAP funding designated by Metro for all Eligible Operators in the County. LADOT will also be subject to the proposed new FAP formula/distribution rules discussed above for all Included and Eligible Operators. This includes holding all of the other Eligible Operators to a minimum of their FY 2007 dollar funding levels.

Continuation of Current Transit Operating Funds:

- C. The LACMTA shall continue to allocate funds to the Included and Eligible Operators from the following sources for both the FAP and non-FAP programs:
- Transportation Development Act, Article 4 (includes Interest)
 - State Transit Assistance (includes interest)
 - Proposition A 40% Discretionary
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 - Proposition A 40% Discretionary Growth Over CPI
 - Proposition C 5% Security
 - Proposition C 40% Discretionary Municipal Operator Service Improvement Program (MOSIP)
 - Proposition C 40% Discretionary Transit Service Expansion (TSE)
 - Proposition C 40% Discretionary Bus System Improvement Plan (BSIP)/ Overcrowding Relief
 - Proposition C 40% Discretionary Base Restructuring
 - Proposition C 40% Discretionary Foothill Transit Mitigation
 - Proposition C 40% Discretionary Interest