


[Home](#)
[CEO Hotline](#)
[Viewpoint](#)
[Classified Ads](#)
[Archives](#)
[Metro.net \(web\)](#)

Resources

[Safety](#)
[Pressroom \(web\)](#)
[Ask the CEO](#)
[CEO Forum](#)
[Employee Recognition](#)
[Employee Activities](#)
[Metro Projects](#)
[Facts at a Glance \(web\)](#)
[Archives](#)
[Events Calendar](#)
[Research Center/Library](#)
[Metro Classifieds](#)
[Bazaar](#)

Metro Info

[30/10 Initiative](#)
[Policies](#)
[Training](#)
[Help Desk](#)
[Intranet Policy](#)

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EDITOR'S NOTE: This FAQ includes 21 questions and answers about various aspects of Metro's proposed fare restructuring. The FAQ was prepared by Metro Media Relations.

[<Back to article:](#) **Board Schedules Public Hearing on Fare Change Proposals**

FAQs: Metro Fare Change Proposal

What does it really cost to transport a Metro passenger?

Metro calculates that, on a systemwide basis, the average cost per boarding is \$2.39 to ride Metro buses and trains in Los Angeles County. Pass holders, in particular, enjoy substantially discounted fares. For example, today Senior/Disabled pass holders pay only 17 cents per boarding, constituting a 93 percent subsidy. College pass holders pay only 42 cents per boarding, which represents an 82 percent subsidy. K-12 pass holders only pay 44 cents per boarding, which means they also receive an 82 percent subsidy on the price of their fare. Metro's fare change proposal aims to incrementally raise fares per boarding to achieve a greater balance between the true cost of riding transit and the substantial public subsidy provided to them.

Why a fare increase now? How did Metro get to this point?

Since 1993 Metro has balanced its annual budget deficit through cost reductions, deferred capital maintenance, two fare changes in 1995 and 2004, and consumption of fund balances and one-time revenues. Two sources of funds, the General Fund and Proposition C discretionary fund balances have already been used to augment Metro's bus operations budget for years, and if these resources are used to offset the deficit in FY08, minimal balances will remain. These funds are typically programmed for future capital investments. Simply put, use of these funds steals from the future to pay for current service. The agency's operating expenses have now exceeded operating revenues by \$641 million over the past five years. Unmitigated, this deficit is projected to reach \$1.8 billion over the next ten years. This structural deficit that the agency has operated under for the last 10 years is largely attributable to the bus Consent Decree that limited Metro's ability to raise its fares. If no action is immediately taken to offset and/or eliminate the deficit now, Metro will not be able to meet its expenses as soon as FY09 or add any new transit services.

Are there transportation projects in jeopardy of not getting funded?

Metro will not be able to operate its current services, let alone any new services. The Metro Gold Line Eastside Extension and the first phase of the Metro Exposition Line to Culver City could not be operated by Metro once they are built. Any new transportation projects, whether for bus or rail, could not be built. Moreover, Metro would not be able to leverage its

resources and effectively compete for Proposition 1B funding recently approved by California voters to improve the region's highway infrastructure, putting those projects at risk, as well.

Are you going to cut bus services too?

Cutting service is not a good option. Historically, transit customers are willing to pay more as long as the quality of service doesn't suffer. Metro has invested more than \$1 billion in the past decade to overhaul its bus system and greatly expand service to the point that it was honored at America's Best large transportation agency in 2006 by the American Public Transportation Association. Metro won't sacrifice service quality. That's not acceptable.

Some service restructuring is already planned as part of the Metro Connections Program, which seeks to make the Metro Bus System operate more efficiently. Metro has recommended that duplicative and underutilized bus services be reallocated to serve other high-demand bus routes. As an example, Metro plans to add two new Metro Rapid Lines and introduce two new "Metro Express Rapid" Lines. These changes are scheduled to go into effect starting June 24, 2007. In efforts to make its system more efficient, Metro has recently ordered 100 high-capacity 60-foot articulated buses that will carry more passengers on the same bus routes. While helpful in reducing operating expenses, Metro's structural deficit is so large that fare increases will still be needed to offset the agency's operating deficit.

By increasing fares, is Metro in violation of the Consent Decree?

No. Metro is committed to sustaining the improvements made to the bus system through the 10-year Consent Decree. The Consent Decree mandated a specific base fare and tokens and monthly, semi-monthly, and weekly passes at specified prices. It also mandated that the special passes for seniors, the disabled and students be continued at their then current levels. This fare structure was to remain in place at least until November 1, 1998. Thereafter, the various fares could be raised consistent with the increase in the Consumer Price Index. Under the terms of the Consent Decree all restrictions on fares expired as of November 1, 2003. Metro has fully complied with the fare restrictions in the Consent Decree and did not even raise fares as permitted prior to the expiration of the fare restrictions in November 2003.

What has Metro done to reduce its operating costs?

To help reduce its structural deficit, Metro has eliminated 545 full-time positions in the last five years, as well as lowered its workers compensation costs. The agency has also deferred millions of dollars in capital programs, including those for bus purchases and maintenance of facilities. All these cost-cutting measures, however, fall short of resolving the agency's current budget deficit.

Are there reserves or other options besides fare increases or service cuts?

Metro has already tapped reserve and capital funds to shore up its annual operating budget for many years. Those funds are rapidly being depleted, and the agency will have no reserves in the near future.

Why are proposed fare increases so high?

Despite rising costs for new equipment, fuel, labor, and other operating expenses, Metro has maintained one of the lowest fare structures in the country even as it undertook the greatest expansion of service in its history. Metro fares have remained artificially low for many years, and Metro compensated by tapping contingency funds. Those funds are now being rapidly depleted. Metro is proposing to change fares on a staggered basis over the next year and a half to better balance fares and taxpayer subsidies. Its base cash fare of \$1.25 is the lowest of any major metropolitan area in the country. New York, Chicago, Philadelphia, San Diego and other cities currently charge \$2 or more per ride.

Why are proposed fare changes to be implemented so soon?

Metro expects its budget deficit to reach \$200 million by FY09. Metro would only be forestalling and compounding its budget problems by not acting immediately. The agency must act now to begin to resolve the budget deficit in the only way possible without cutting services to customers.

Why are taxpayer subsidies to public transit so high?

Metro riders only pay 58 cents per boarding due to substantial discounts for seniors, students, disabled and pass users. Fares cover just 24 percent of Metro's operating costs. The remaining 76 percent is subsidized by taxpayers. If the Metro Board adopts the proposed fare changes, the average fare will still only be 86 cents. This means that L.A. County taxpayers who voted for local sales taxes intended not just for public transportation but also for street and highway improvements that benefit the vast majority of county residents are getting shortchanged. Metro's massive operating deficit is siphoning monies that could be leveraged with other state and federal funds to fast track critical relief for our congested highways as well as the bus and rail system.

Why are you raising senior, student and disabled fares?

Fares for seniors, students and disabled patrons have not been changed since 1995, and simply do not reflect the true costs of riding Metro Bus and Rail services. Cash fares, however, are less today than they were in 1995. Kindergarten through Grade 12 passes are less now than they were 25 years ago.

Are you discriminating against your transit riders by raising fares?

Metro's mandate is to best serve the transportation needs of all 10 million L.A. County residents, regardless of age, sex, race, color, national origin or socio-economic status. Metro has made efforts that are compliant with federal regulations designed to ensure that the agency's fare structure has no discriminatory impact on minority and low-income transit riders.

Can the deficit be solved by reducing bus services?

Yes, Metro could solve its entire deficit without raising fares, but that would come at a severe reduction in existing bus services. Metro is restricted from eliminating Metro Rapid Lines under its New Services Plan. That means that approximately one-third of remaining Metro Local bus services would need to be eliminated to reduce 2.4 million revenue service hours, which is equivalent to the removal 72 local bus lines. Metro would lose 95 million annual bus boardings, which represents 25

percent of its total bus boardings for the year. Such a severe cut in bus services would further erode the agency's farebox revenues and contribute to significantly greater traffic congestion in L.A. County.

Why not eliminate rail services to solve the budget deficit?

Metro's total rail operating and capital budget is only \$251 million, which is small in comparison to the budget allocated for Metro Bus services. Due to local, state and federal formula funding restrictions, only \$44 million of this \$251 million could actually be used for bus services. That amount is not even enough to solve Metro's budget deficit in the first year. If Metro were to discontinue running trains, the agency would have \$7 billion of wasted assets that would still require maintenance. Additionally, Metro would lose 82 million annual boardings, which would further reduce the agency's fare revenues and increase traffic congestion.

Los Angeles County requires a balanced, multi-modal transit system that includes both bus and rail services to cost-effectively and efficiently meet the region's mobility needs.

Is this money going to pay for expensive rail projects at the expense of bus system improvements?

No, fare increases will go toward Metro's operating budget for all transportation services it provides to Los Angeles County. The agency has invested significantly into its bus services over the last 10 years, spending more than \$1 billion in purchasing new buses and operating new services to make Metro one of the country's best bus systems.

Why not offer free rides for everybody?

By offering free fares, Metro would lose \$300 million per year in operating revenues that could not be recovered by any local, state or federal funding source. Government agencies, from the City of Los Angeles to the State of California to the federal government, are operating under their own budget deficits. The only way to further subsidize the cost of public transit is by public referendum. Los Angeles County residents would need to vote to raise their sales taxes to pay for the cost of public transit. A two-thirds majority vote by county residents, however, is considered nearly impossible to achieve.

Did Metro ridership go down when Metro last raised fares?

Metro's last fare change occurred in January 2004. Metro ridership has increased to 1.6 million boardings per day, a 12 percent increase from FY03 to FY06. Metro is currently carrying more boarding passengers than it has in the last 10 years. There are key reasons for this ridership growth: greatly expanded bus and rail service options and high customer satisfaction levels that come from high service quality.

How many riders will you lose if the Board adopts these fare change proposals?

Historically, Metro customers have shown that they are willing to pay more as long as the quality and level of service remains high. Ridership has rebounded following previous fare changes. While Metro has not forecast exact ridership losses associated with new fare change proposal, the agency strongly believes that its continuous improvements to bus and rail services have and will make public transit an increasingly

important transportation mode in helping solve L.A. County's ongoing mobility challenges.

Why doesn't Metro increase its fare enforcement efforts to recover a greater percentage of transit fares?

The fare evasion rate on the Metro system is actually quite low. Only 3 to 5 percent of riders do not possess fares when they are checked by L.A. County Sheriff's Department fare inspectors. However, the cost of hiring additional fare enforcement personnel would far exceed the revenue they would likely recover through additional fare payments.

Metro currently operates a "barrier free" rail system that facilitates easy passage of passengers to and from trains. The agency is evaluating whether a barrier system on the Metro Red Line would increase fare revenues and lower fare enforcement costs enough to justify the barrier system's installation and operating costs. Today fare inspectors check rail and bus passenger fares on a random basis, which is an effective deterrent to fare evasion. When passengers are found to be riding without a valid fare, they can receive a citation requiring a court appearance and a resulting fine of several hundred dollars.

What age do you qualify as a senior under Metro's new proposed fare structure?

Under Metro's fare restructuring proposal, riders must be 63 years of age to take advantage of the senior fare as of July 1, 2007. The qualifying age would then graduate to 64 by 2008, and 65 by 2009.

Why isn't the public hearing taking place on the weekend to accommodate more members of the public?

Metro has scheduled the public hearing on Thursday, May 24 to ensure that as many Metro Board members as possible have the opportunity to discuss and vote on the fare change proposal. A two-thirds Board vote is required for the proposal's passage.

The public, however, has additional opportunities to provide input during regularly scheduled Metro service sector Governance Council meetings in May. These Regional Fare Forums will collect and incorporate public comment into the record of testimony and be forwarded to the Board on May 24. The public also can e-mail their comments to fares@metro.net or fax them to (213) 922-4594 or mail their comments to: Metro Board Secretary, Attention: Fare Adjustments, One Gateway Plaza, Los Angeles CA 90012-2952. For a schedule of these fare forums, visit www.metro.net.