



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JUNE 15, 2006**

**SUBJECT: FEASIBILITY OF ESTABLISHING A METRO TRANSIT ADJUDICATION
BUREAU (TAB)**

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file report on the Feasibility of Establishing a Metro Transit Adjudication Bureau (TAB).

ISSUE

At the February 23, 2006 Board meeting, Director Yvonne Burke introduced a motion that requested staff to investigate Metro Red Line gating and fare evasion, identified by four specific tasks:

1. Recommendations, including a timeline, on the implementation of a barrier ticketing system for the Red Line;
2. The capital costs of such implementation and potential funding sources;
3. A financial analysis of cost savings that includes a “payback” amortization period of the barrier system as compared with the present escalating manpower-costs associated with using fare inspectors; and
4. A report by staff on the feasibility of MTA sponsored legislation to decriminalize Penal Code Section 640, including recommendations and a financial analysis on the costs of establishing a “transit adjudication bureau” to process fare evasion infractions and the potential for MTA “cost recovery” revenue estimates.

This report addresses Item 4 of the motion, providing information on the projected costs and the feasibility of establishing an internal Transit Adjudication Bureau to reduce the burden on local courts and to provide a more streamlined, focused and efficient method of administering and adjudicating citations issued by Metro staff or Los Angeles County Sheriff's Department (LASD) deputies and security assistants assigned to the Transit Services Bureau.

The motion by Director Burke requires staff action on other associated issues in addition to this report. The other issues include a report on the feasibility and cost of developing a “Barrier System” on the Metro Red Line with state of the art turnstiles and associated fare

enforcement and security features. "De-Criminalizing" California Penal Code Section 640 is another issue that Director Burke included in the Board motion as this is directly related to fare enforcement and quality of life issues on the transit system. Staff will provide information on these related items in separate reports to the Board however, because all of these issues are interrelated, staff will ensure that they are addressed in a fully integrated systems approach.

DISCUSSION

In the 16 years that Metro, and our predecessor agency, have been operating the regional Metro Rail System hundreds of thousands of citations have been issued for violation of the 640 section of the California Penal Code. This section of the code covers fare evasion and quality of life infractions committed while on the public transit system. More than 60,000 citations per year are now being issued by the deputies and security assistants assigned to the transit security function for both the Metro bus and rail system. This large number of citations is a sizable burden on the time and resources of the court system within Los Angeles County. In the all too frequent cases where the violator does not take action to resolve the citation or appear in court, a bench warrant is issued for Failure to Appear. These arrest warrants further exacerbate the problem of being a burden on the court system and local law enforcement agencies as well as the already overcrowded county jail system.

New York, the nation's largest public transit system, has both "De-criminalized" their transit code and established a Transit Adjudication Bureau to deal with violators through a non-judicial, administrative and civil process. The New York Transit Adjudication Bureau (TAB) has been operating successfully for more than 20 years. In addition to relieving the burden of transit issues on the court system, the New York TAB has increased the percentage of administrative fines collected through a variety of reasonable and effective collection methods. These methods include routine collection activities up to placing a civil claim against the individual's state tax refund. Because of these comprehensive collection efforts, the New York TAB has been operating with a positive cash flow after a few years of service. The New York TAB delivers revenue to the agency's general fund that is used to increase the safety of passengers and provide enhanced transit service. Over the past year, the New York TAB has collected nearly \$9.2 million in fines based on 135,639 citations issued. About \$2 million the amount collected was from claims against the State tax refunds owed to the violators. These funds from the State tax refunds were for citations that were several years old. Considering just the current year citations and revenues, the New York TAB received an average of approximately \$53 for each citation issued. The maximum fine that can be assessed by the TAB is \$100. By contrast, while the maximum fine for infractions under the 640 Section of the California Penal Code is \$250, the average fine revenue actually received by Metro is less than \$30 in calendar year 2005. For the period from 1998 to 2004 the average amount received per citations issued was far less at approximately \$13 per citation.

A preliminary staff estimate indicates that it would cost approximately \$1.5 million per year to operate a Metro Transit Adjudication Bureau (Metro-TAB) in Los Angeles. This staff estimate is based on the cost incurred by the New York TAB and extrapolated to a program that would be about half the size and cost of the program in New York. In the first year, an estimated \$70,000 would be required in mobilization costs. If the TAB received an average

fine remittance of \$25, Metro would receive approximately \$1.3 million per year in administrative fine revenue based on the 52,000 non-Vehicle Code citations issued in 2005. Based on past performance and the average revenues of the New York TAB, staff believes that this average revenue of \$25 per citation is a conservative estimate.

Based on this analysis, a newly formed Metro Transit Adjudication Bureau could be operating in the initial years with a small annual deficit of approximately \$214,000. As the Metro TAB became more efficient and effective, staff expects to reduce this deficit to near zero over a period of years and the operation could generate a positive cash flow within a relatively short period of time.

The associated issue of installing a "Barrier System" on the Metro Rail system would be expected to have a significant impact on the number of citations issued. With around 400 deputies and security assistants servicing the Metro System in Los Angeles County, approximately 52,000 non-traffic citations are generated per year. In New York, with about 4,000 transit police, they only issue approximately 135,000 citations per year. With ten times more officers, New York issues only twice as many citations. Staff believes that the main reason for this large difference in the need for enforcement citations is the fact that the New York rail transit system operates with barriers and this reduces the number of violators on the system. Therefore, if LACMTA installs a barrier system on Metro Rail, we could expect the number of citations to be dramatically reduced.

Because the cost of operating a TAB in Los Angeles would be directly proportional to the number of citations issued, we would expect the cost of the Tab to be reduced accordingly. This cost reduction could be accomplished because much of the administrative cost of operating the TAB would be contracted out on a unit basis.

NEXT STEPS

If the State Legislature passes the pending legislation (SB 1749 Migden) to authorize Metro and San Francisco Muni to opt for an alternative to 640 P.C. this will be reported to the Board. This new legislation would authorize Metro to issue "Administrative Fines" as opposed to citations for infractions under the 640 section of the Penal Code. This act would also authorize the establishment of a local Transit Adjudication Bureau. With passage of SB 1749 and at the Board's direction, staff will then begin the process of establishing a Metro Transit Adjudication Bureau to administer the civil process for fines related to violation of fare evasion and quality of life issues on the regional transit system. This new program would be initiated with the clear intent of enhancing the quality of life and the safety and security of the Metro's passengers.

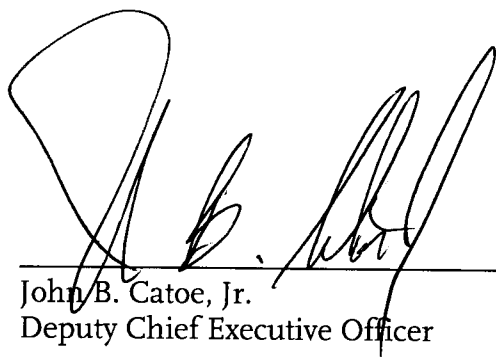
As previously reported to the Board an APTA Peer Review of the Metro Transit Security Program will be undertaken from May 15th through May 19th of 2006. We expect to receive the final report from the Peer Review panel within 60 days of their visit. Staff will ask this distinguished panel of transit operations, finance and security officials, from throughout the nation, to specifically review and comment on the efficacy of establishing a Metro Transit Adjudication Bureau. Full results of the APTA Peer Review will be reported to the Board in the Fall.

Staff will develop a detailed Metro TAB budget and revenue projection to present to the Board for approval prior to implementing the new operation. Staff will also develop an ordinance for Board adoption to authorize implementation of the Metro TAB.

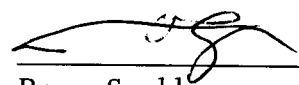
ATTACHMENTS

Attachment A: Metro TAB Cost and Revenue Analysis Spreadsheet

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Cost of Establishing a Metro Transit Adjudication Bureau

Mobilization Cost (1st Year Only)		Potential Revenue			
Item	[4]	0	800 sq ft	Total	
				Costs	Citations
Facilities Space in USG HQ			10	10,000	52,000 [5]
Office Furniture		1,000			25
Computers		2,000	10	20,000	1,300,000
Supplies		4,000	1	4,000	
Recruiting Campaign for Admin Hearing Officers		32,000	1	32,000	1,514,700
			Total	66,000	
				Net Revenue	-\$214,700
				Total	66,000
				Costs	
		0	32	0	
Annual Retainer Fee for Per Diem Admin Hearing Officers		110,000	2	220,000	
MTA Support Staff (at Fully Loaded Marginal Costs)		9,600	32	307,200	1st Yr Net
Per Diem Fees for Admin Hearing Officers (at \$80 per hour - 120 hrs per yr, [1] [2])		900,000	1	900,000	Out Yr Net
Contract with Private firm for administrative support					-\$214,700
Travel, Parking Misc. fees		6,000	1	6,000	
Staff Training		1,000	2	2,000	
Initial Admin Hearing Officer Training and Certification		1,500	32	48,000	
Professional Conferences		1,500	1	1,500	
Collection Support Activities		30,000	1	30,000	
			Total	1,514,700	

Our year cost not adjusted for inflation

[1] Metro to establish qualifications for Hearing Officers
 [2] Hearing Officers paid on an hourly basis as needed by the TAB
 [3] Cost for this contracted service is based on the cost experience of the New York TAB
 [4] Available space in the Metro HQ building will be utilized
 [5] Does not include traffic or parking citations

Cost of Establishing a Metro Transit Adjudication Bureau

Mobilization Cost (1st Year Only)		Potential Revenue			
Item	(4)	0	800 sq ft	Total	Citations
	1,000	10,000	10	Costs	Rev Per Cite
	2,000	20,000	10	Total Revenue	Total Revenue
	4,000	4,000	1	4,000	1,300,000
	32,000	32,000	1	32,000	1,514,700
Total	66,000	66,000	Net Revenue	-\$214,700	52,000 [5]
Annual O&M Costs		Total	Costs	Mobilization Cost	
Item	Cost	Units	Costs	1st Yr Net	
Annual Retainer Fee for Per Diem Admin Hearing Officers	0	32	0	66,000	
MTA Support Staff (at Fully Loaded Marginal Costs)	110,000	2	220,000	-\$280,700	
Per Diem Fees for Admin Hearing Officers (at \$80 per hour - 120 hrs per yr) [1][2]	9,600	32	307,200	-	
Contract with Private firm for administrative support	900,000	1	900,000	-\$214,700	
Travel, Parking Misc. fees	6,000	1	6,000	-	
Staff Training	1,000	2	2,000	-	
Initial Admin Hearing Officer Training and Certification	1,500	32	48,000	-	
Professional Conferences	1,500	1	1,500	-	
Collection Support Activities	30,000	1	30,000	-	
Total	1,514,700	1,514,700	1,514,700	Out year cost not adjusted for inflation	

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