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**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
AUGUST 17, 2006**

SUBJECT: FREE TRANSIT WEEK

ACTION: DEVELOP A REGIONAL PLAN TO INCREASE TRANSIT RIDERSHIP

RECOMMENDATION

Direct the Chief Executive Officer, together with regional transit operators, to develop a short-range and long-range plan to increase transit ridership, reduce congestion and improve air quality.

ISSUE

In July 2006, Mayor Villaraigosa requested that the Chief Executive Officer (CEO) report to the Board in August 2006 on implementing a "Free Transit Week" program, inspired by the San Francisco Bay Area's "Spare the Air" program, this fall or summer. The Mayor's request included specific points to be considered and are discussed in Attachment A. In a separate request received a few months ago, Supervisor Molina also requested that the CEO explore initiating a program consistent with the "Spare the Air" program that ties free transit fares to days when air pollution levels exceed standards. Staff was asked to examine various options and work with the appropriate regional agencies such as the South Coast Air Quality Management District. This report is in response to both of these requests.

POLICY IMPLICATIONS

The purpose of the plan is to develop a program that effectively generates sustained increases in transit ridership while minimizing the financial impact to the agency's budget. Programs to increase transit ridership are consistent with the adopted Long Range Transportation Plan (LRTP). However, if the program reduces revenue recovery, this could have a negative impact on the funding assumptions that support the LRTP. In addition, the proposed plan must address the potential impact on operating-to-revenue ratios due to reduced fare recovery during the promotional period that could potentially affect transit funding formula allocations.

ALTERNATIVES CONSIDERED

Various alternatives will be developed with input from regional transit providers throughout Los Angeles County.

FINANCIAL IMPACT

The cost of a free fare week would be approximately \$7 million in lost fares, based on Metro and Muni FY07 fare revenue estimates. Alternative programs could be implemented at lower costs without loss to fare revenues. While there are fund balances that are not programmed for expenditure during FY07, the use of any or all of these balances should be considered in the context of the long range plan update currently in process, the 10-year forecast and the financial parameters for establishing the FY08 budget.

DISCUSSION

To begin the regional discussion we have requested input from the other transit providers including the municipal bus operators (“Munis”), local transit systems (“LTSS”), Metrolink and Access Services Incorporated (“ASI”). Initial suggestions include coordinating a free week or day with “rideshare week” activities in October. A key element of the Bay Area program is improved air quality and the free days are declared when there is a threat of high ozone levels. Hence, the program is focused on the summer months. Traditionally, August is the warmest month in Southern California. Also, some of the other transit operators in the region indicated that they will need to obtain approvals from their governing boards to participate.

While all parties are in support of increasing ridership, reported results of free days have varied. In the Bay Area example it was noted that gains in ridership were self-reported, unverifiable and did not demonstrate sustainability. Historically, free ride programs have had both positive and negative impacts. The upside is that free rides eliminate a barrier to use of the system while the downside is that regular customers who typically buy monthly or semi-monthly passes are often inconvenienced. In Metro’s case, the distribution network is so expansive and fare media is printed so far in advance that it would be extremely difficult to offer the same discount to pass holders. An additional concern of Metro is that a surge in ridership could create load factor issues if such a program were implemented while we are still under the Consent Decree. Therefore, staff recommends that such a plan be developed together with our transit partners to ensure a regionally coordinated effort in the context of the FY08 budget.

As we move forward staff will work with the other transit operators to look at alternatives to attract new riders onto the transit system countywide, and may include:

- Offering free service on an underutilized specific route, line or corridor
- Expanding Metro’s “New Resident” program to all operators – which currently nets a 10% response rate and targets individuals when they are most likely to try transit

- Adding other direct mail programs that reach targeted groups
- Reducing “timed” transfers – that cause severe drops in customer satisfaction and discretionary ridership
- Expand Metro Commute Services countywide employer program efforts – that are proven to increase ridership by as much as 300% in an organization
- Increasing advertising – studies have shown that individuals are twice as likely to try transit if they have seen advertising

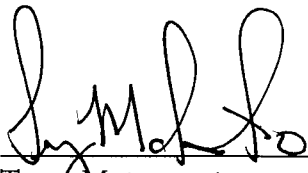
NEXT STEPS

Staff will coordinate with transit providers in the county to develop a comprehensive ridership program. Staff will report periodically to the Board on the progress of this effort.

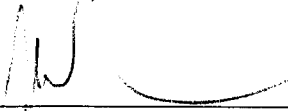
ATTACHMENT

A. Specific Points

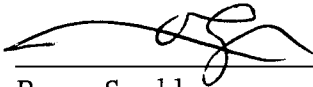
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Terry Matsumoto
Executive Officer, Finance and Treasurer



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SPECIFIC POINTS

The Mayor requested that certain specific points be addressed. Each item is discussed below.

1. *Identify any unprogrammed MTA-controlled funds available during fiscal year 2006-2007 to fund a countywide "Free Transit Week" program, including but not limited to one-time state funds.*

The following are fund balances estimated to be available at the end of FY07 based on the adopted FY07 budget.

<u>Description</u>	<u>Amount</u>	<u>Note</u>
Prop A 35% Rail Set-Aside	\$ 1.6 million	
Prop A 40% Incentive	18.8 million	a
Prop C 10% Commuter Rail	16.5 million	b
Prop C 40% Discretionary	29.6 million	c
Prop C Interest	0.7 million	
Sales/leaseback	0.2 million	
ROW Lease	12.7 million	
General Fund Interest	4.1 million	
General	42.2 million	

Notes – all fund balances are programmed to future projects and programs in the 10-year forecast and long range plan. The specific notes highlight more discrete commitments approved by the Board.

- a Amount is available for LTSS operators through the Board-approved Incentive program
- b Available to Metrolink only through prior Board-approved allocations
- c \$12.4 million has been Board approved for Eastside Enhancements

2. *Identify other federal, state, regional and/or private funds that may be available to fund a countywide "Free Transit Week" program and the process for MTA to access such funds.*

CMAQ – Federal Congestion Mitigation and Air Quality Improvement program funds may be used for a program that is focused on relieving traffic congestion and improving regional air quality. Such a program must consider more than just transit ridership and must identify air quality benefits. The FTA recommends that the lead in developing such a program, if it is to be CMAQ-funded, should be the Southern California Association of Governments (SCAG) and the Southern California Air Quality Management District (SCAQMD).

STA – We expect to receive a one-time increase in State Transit Assistance funds in FY07 of over \$100 million, which can be used now to close the FY07 budget gap. The fund balances and savings previously identified to close the budget gap will continue to be pursued to aid Metro’s efforts to balance the FY08 budget. The final amount of the STA windfall is not yet certain due to current State proposals to divert portions of the amounts. The actual amounts are, therefore, subject to legislative changes, which could affect the amounts distributed at any time during the year.

Half of the STA funds are distributed based on population and the other half is based on Los Angeles County transit operator revenues. The population share, approximately \$50 million, has traditionally been applied to the rail operating and capital program. The revenue share is distributed via the formula allocation process (“FAP”) to Metro and the Munis. Changes to the FAP distribution may be made with a 10-vote majority of the Board.

Prop A and Prop C Local Return funds are eligible for this purpose. The Board could request contributions of these funds from the cities and County unincorporated areas.

Private funds could be solicited, but none are currently on hand.

3. Identify the cost of funding a “Free Transit Week” in Los Angeles that includes both MTA operated and municipal operator services.

The cost of a free fare week would be approximately \$6.5 million in lost fares based on Metro and Muni FY07 fare revenue estimates. This estimate does not include Metrolink, ASI or LTSS operators. This amount also does not include any amount for additional service levels to handle the projected increased demand.

4. Describe the ridership, air quality and congestion relief impacts of the Bay Area’s “Spare the Air” free transit program.

As reported by the Bay Area new media, transit ridership increased about 10% on those free fare days. On two of the six declared days, the ozone level was reported to have exceeded the alert level. On the other four days, when the level was not exceeded, it was not clear whether the free fare program or favorable weather conditions accounted for the result. One report indicated a reduction of 64,000 vehicle miles during a morning commute last year.

5. Identify MTA’s ridership targets if the Board approved a “Free Transit Week.”

The goal of such a program should be to generate a sustained increase in ridership. For a one-week demonstration, we should target no less than level of increase as observed in the Bay Area. However, it should be noted that fares in Los Angeles are substantially lower than in the Bay Area. The fare revenue per day in Los Angeles is slightly less than a \$1 million per day, while the Bay Area generates nearly \$2 million per day.

6. *Recommend what governmental agencies and private entities (including but not limited to environmental, health and business stakeholders) the MTA should work with to promote a "Free Transit Week" if the Board approves such a program.*

As recommended by the FTA, air quality issues should be led by SCAG and the SCAQMD. Other partners would include Caltrans and city DOTs. Law enforcement agencies such local police departments, LASD and the CHP should be included. Major medical insurance companies and medical providers such as hospitals could also be considered.

7. *Recommend when a "Free Transit Week" should occur in Los Angeles County, if the Board approves such a program.*

The program should not be implemented until all Consent Decree load factors issues are clearly resolved. Air quality is typically worse during the summer in Los Angeles. So to achieve both ridership and air quality goals, a target week should occur in the warmest month, typically August.

8. *If funding is available, recommend whether the MTA Board should approve funds for a "Free Transit Week" in Los Angeles County.*

Assuming that funds are available in the context of the long range plan, 10-year forecast and the FY08 budget, a concerted, coordinated, countywide effort to increase ridership will be recommended for funding.

