



Metropolitan Transportation Authority

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**PLANNING & PROGRAMMING COMMITTEE
FINANCE & BUDGET COMMITTEE**

September 20, 2006

**EXECUTIVE MANAGEMENT AND AUDIT
COMMITTEE**

September 21, 2006

SUBJECT: FORMULA ALLOCATION PROCEDURE REVISIONS

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file update on progress to revise the Formula Allocation Procedure (FAP).

ISSUE

In March 2006, the Board of Directors requested staff and the Municipal Operators to work together to bring a revised FAP to the Board in September 2006. Although agreement has not been reached, this Board Report informs on the progress so far.

DISCUSSION

The Municipal Operator's General Manager's Executive Committee, the General Managers and internal staff have been meeting regularly to revise the FAP. We discussed many options, some to streamline and simplify the FAP and some to change the factors used in the formula itself. Many alternative formulas were discussed. Metro also suggested the concept of freezing the FY07 allocations going forward and applying a revised formula only to the growth in revenues over today's level. The Municipal Operators requested that additional amounts of revenue be added to the FAP. Throughout, discussions were conducted in good faith at all levels. With Metro's concurrence, the General Managers Executive Committee brought the ideas to the rest of the General Managers. However, the Executive Committee reported that the General Managers could not reach consensus on any concepts to revise the FAP formula or process.

The Current Formula Allocation Procedure uses the following equation to allocate state and local transit subsidies annually to the Municipal Transit Operators and MTA operations:

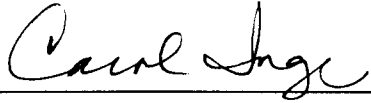
While there is no consensus on any specific change to the FAP, there is continued interest on the concept of eliminating the penalty that results from an operator raising its base fare. A suggestion is to freeze everyone's base fare. Therefore, an operator is not hurt when raising it or helped by lowering it. Currently the FAP limits the operator's ability to raise fares and increase passenger revenue to meet the ever-increasing operating costs of service delivery. We would like to continue discussions with the Municipal Operators with the objective of revising the FAP in a way that a fare change by an operator does not impact the FAP allocation.

NEXT STEPS

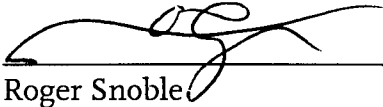
The Executive Committee offered to work to with the General Managers to reach a consensus of the Municipal Operators on the limited idea of freezing the base fares. Metro will continue to work with the Executive Committee regarding this concept. We will return to the Board in November 2006 with an update.

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