



**PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 19, 2007**

SUBJECT: EZ TRANSIT PASS REIMBURSEMENT METHOD

ACTION: APPROVE REVISED REIMBURSEMENT METHOD

RECOMMENDATION

- A. Approve the Average Cash Fare Reimbursement Method described in Attachments A and B for the EZ Transit Pass Program; and,
- B. Authorize the Chief Executive Officer to negotiate and execute all necessary agreements between Metro and EZ transit pass operators to implement the revised reimbursement method, effective July 1, 2007.

ISSUE

In April 2002, the Board of Directors approved the EZ Transit Pass Program, using an average system fare revenue-sharing method. This method was chosen to make the program revenue neutral to the operators. Many operators have reported that, as a result of customers shifting from cash to the EZ transit pass, using the average system fare has caused their revenue per boarding to decline over time. With the increase in the recent Board-approved EZ transit pass price, an average cash fare revenue-sharing method can be implemented to ensure that the operators' revenue per boarding does not decrease over time ("revenue neutrality").

POLICY IMPLICATIONS

Development of this program is consistent with Metro's regional planning role to provide a coordinated transit system. The revised reimbursement method would ensure the financial viability and continuation of the program by providing for revenue neutrality to the participating operators.

OPTIONS

The Board of Directors may choose to consider rejecting the recommended average cash fare reimbursement method. We do not recommend this option as several operators have

indicated that they will have to leave the program if their revenue neutrality is not restored. The regional nature and customer convenience of the EZ transit pass would be diminished significantly if several operators were to discontinue membership in the program.

FINANCIAL IMPACT

The cost of implementing this recommended change in reimbursement method is included in the FY08 Budget, so that we may pay non-Metro participating partners for the EZ Transit Pass Program. These funds are derived from EZ transit pass sales revenues. Since program inception in September 2002, subsidies have not been required to supplement the revenues from EZ transit pass sales. Timed with the recent increase in the price of the EZ transit pass, the proposed change is now feasible within the program's pass sales revenues, as well as within the Metro FY08 Budget. The proposed change to the EZ transit pass program does not impact financial assumptions for the emerging 2007 Long Range Transportation Plan.

BACKGROUND

Los Angeles County is a large area where Metro Operations, 16 municipal operators, Metrolink, and numerous local jurisdictions provide transit services. Operators offer a variety of fares and different pass options. The EZ transit pass has improved passenger convenience greatly by allowing riders to transfer from one system to another without worrying about transfer payments and fare differentials. The EZ Pass program started with 12 operators, and there are now 24. The program is now permanent and additional operators continue to be invited to participate and make the program truly countywide. Sales for FY 2002-03, the initial year, totaled approximately \$5 million. Sales for FY 2006-07 are estimated at \$18.8 million, with over 300,000 passes sold. Attachment C shows the growth in EZ pass sales, boardings and number of participating operators since the program started.

The EZ Transit Pass Working Group, consisting of participating operators, has reviewed and discussed proposed changes to the reimbursement method from September 2006 through May 2007. The purpose of the recommended change is to ensure revenue neutrality to the participating operators. The new formula is based on information from the operators that they are losing cash passengers in favor of the EZ transit pass. Thus, the average cash fare includes cash and transfer revenues and boardings, and excludes pass fare revenues and boardings. Attachments A and B describe the new formula in further detail.

Metrolink and Amtrak

Through a September 2003 Board action, Metrolink fare media were incorporated into the EZ Transit Pass Program. Before that action, Metro had a transfer agreement with the Southern California Regional Rail Authority (SCRRA) that allowed Metrolink passengers to transfer to a limited number of Metro bus and rail lines. The program was also limited by time of day and direction of travel. Under the new arrangement, all Metrolink fare media carry the EZ transit pass logo and are valid for travel on all EZ transit pass operators, except

Santa Monica Big Blue Bus, for unlimited local travel. Staff is in discussions to incorporate Amtrak fare media as well.

NEXT STEPS

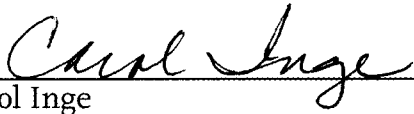
Once the Board of Directors approves our recommendation, we will monitor implementation of the revised reimbursement method to ensure financial viability and revenue neutrality.

Prepared by: Patricia Chen, Transportation Planning Manager, Local Programming

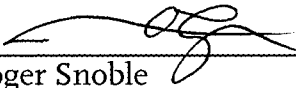
Nalini Ahuja, Director of Local Programming
Programming and Policy Analysis

ATTACHMENTS

- A. Average Cash Fare Summary
- B. Reimbursement Analysis – Average Cash Fare
- C. EZ Transit Pass Program Growth Since Inception



Carol Inge
Chief Planning Officer



Roger Snoble
Chief Executive Officer

ATTACHMENT A

Average Cash Fare Reimbursement Method

Average cash fare is similar to the existing reimbursement method of average system fare. The difference is that multiride fare media, such as day passes and monthly passes, are excluded, from the revenue and boardings calculations. Average cash fare is defined as:

(All Farebox Revenue, minus EZ Transit Pass Sales Revenue, minus Student Fare Revenue, minus Pass Sales Revenue)

divided by:

(All Boardings, minus all EZ Transit Pass Boardings, minus Student Fare Boardings, minus Complimentary Boardings, minus Pass Boardings).

The Reimbursement Analysis table on Attachment B gives an estimate of the financial results for each participating transit operator, given the current average system fare method and the proposed average cash fare method. The average cash fare method increases reimbursements for most operators, including Metro. Increased revenues due to the new EZ transit pass price are anticipated to be sufficient to cover all program expenses, as they have since the inception of the program. The proposed average cash fare change to the reimbursement method is linked to the increase in the price of the EZ transit pass; thus, the change is retroactive to July 1, 2007.

REIMBURSEMENT ANALYSIS AVERAGE CASH FARE

ATTACHMENT B

OPERATOR	A: FY '06 EZ Transit Pass Boardings	B. FY '06 Average Cash Fare	C: Projected Reimbursement (A X B) Based on Revised Method (Average Cash Fare)	D: FY '06 Reimbursement Based on Current Method (Average Fare)	E: % Change (C-D)/D
ANTELOPE VALLEY TRANSIT	25,878	\$4.48	\$116,040	\$116,040	0%
BEACH CITIES TRANSIT	5,077	\$0.81	\$4,112	\$3,402	21%
CULVER CITYBUS	550,596	\$0.47	\$258,780	\$258,395	0%
FOOTHILL TRANSIT	1,070,395	\$1.17	\$1,252,362	\$1,219,078	3%
GARDENA MUNICIPAL BUS LINES	157,686	\$0.45	\$70,959	\$70,959	0%
GLENDALE BEE LINE	2,943	\$0.15	\$441	\$441	0%
LOS ANGELES DOT - LOCAL (DASH)	354,194	\$0.23	\$81,465	\$81,494	0%
LOS ANGELES DOT - COMMUTER EXPRESS	105,688	\$1.53	\$161,703	\$126,683	28%
LONG BEACH TRANSIT	1,319,865	\$0.81	\$1,069,091	\$910,218	17%
METRO BUS AND RAIL	9,100,632	\$1.20	\$13,884,392	\$11,680,628	19%
MONTEBELLO BUS LINES	724,049	\$0.61	\$441,670	\$370,778	19%
MONTEREY PARK SPIRIT BUS	1,356	\$0.27	\$366	\$366	0%
NORWALK TRANSIT	103,766	\$0.49	\$50,845	\$46,695	9%
PASADENA ARTS SHUTTLE	51,232	\$0.34	\$17,419	\$14,777	18%
SANTA CLARITA TRANSIT	164,426	\$3.20	\$526,652	\$526,652	0%
SANTA MONICA BIG BLUE BUS	1,110,983	\$0.59	\$655,480	\$602,979	9%
TORRANCE TRANSIT	228,877	\$0.48	\$109,861	\$102,995	7%
TORRANCE TRANSIT-MAX	10,831	\$1.45	\$15,705	\$14,715	7%
TOTAL	15,088,474		\$18,717,343 ⁽¹⁾	\$16,147,295 ⁽²⁾	16%

Notes:

(1) Total Revenues based on new \$70 EZ Transit Pass price

(2) Total Revenues based on original \$58 EZ Transit Pass price

(3) Not all 24 operators are included here. The Carson Circuit, Huntington Park COMBI, Palos Verdes Peninsula Transit Authority and Whittier Transit joined the program after FY 2005-06. Some report Metrolink fare media boardings, but have too few EZ transit pass boardings to report.

