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**FINANCE AND BUDGET COMMITTEE
JANUARY 16, 2008
EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JANUARY 17, 2008**

SUBJECT: FARE REVENUES**ACTION: ADOPT FARE POLICY AND INCREASE SENIOR AGE****RECOMMENDATION**

- A. Adopt the proposed Fare Policy, Attachment A; and,
- B. Increase the qualifying age for the discounted Senior cash fares and passes from 62 to 65 effective July 1, 2008 and “grandfather” seniors under 65 who have registered in our Senior program as of June 30, 2008.

ISSUE

In discussions leading to the adoption of the FY08 budget, various Board members commented on the need to address our fare policy in the context of resolving the “structural deficit.” The American Public Transportation Association (APTA) peer review noted that our fare recovery ratio and fare structure were low, 24% at the time of their review, when compared with our industry peers. (After the FY08 fare restructuring, the budgeted fare recovery ratio increased to 28%, still low in the industry.) They recommended a comprehensive fare policy that recognizes that users should pay a reasonable portion of the services provided and would index fare changes to match service level and cost increases.

POLICY IMPLICATIONS

A fare policy establishes a framework for changes in fare prices to be consistent with our short and long-term goals and strategies for maintaining and improving the regional transportation system. The fare policy balances the competing objectives of increasing ridership, maintaining the lowest possible fares, and recognizing the needs of special groups such as students, elderly, disabled and transit dependent, while requiring that transit users pay a fair and reasonable portion of the costs of providing, maintaining and improving transit and transportation services. The policy includes principles consistent with those “approved in concept” by the Board in November 1998 and suggested by the APTA Peer Review.

The approved fare changes for FY08 and FY10 are consistent with the proposed principles in that they generate additional revenues intended to raise the fare recovery ratio toward the goal of 33% over time and since the FY10 increase has already been approved, it provides early notice to riders of the upcoming fare changes.

ALTERNATIVES CONSIDERED

Continue the current practice of considering fare changes on an ad hoc basis. This alternative is not recommended because ad hoc changes do not provide a sound basis for the long-term financial planning required to support necessary transportation system operations, maintenance and improvement.

Phase in the Senior age increase over time. This alternative is not recommended because having different qualifying ages for an extended period of time would not resolve the confusions between the age 65 based off peak cash fare and other Senior fares based on age 62. The grandfather provision mitigates the impact on seniors who are now between the ages of 62 and 65.

FINANCIAL IMPACT

In conjunction with the Financial Stability Policy, the Fare Policy will ensure that proposed changes to fare prices are consistent with our long and short-term transportation plans, including annual budgets. The Fare Policy, as approved, will be incorporated into the Financial Stability Policy to ensure that all financial matters are included in one comprehensive document.

Increasing the Senior age from 62 to 65 will not have a significant impact on fare revenues due to the small number of riders in the 62-65 age group. The primary benefit is the reduction of operator and rider confusion.

BACKGROUND

Fare policy elements were amended out of the staff proposed Financial Stability Policy adopted in January 2007 pending Board approval of a fare restructuring plan. A fare restructuring plan was approved in May 2007. That plan approved fare changes effective July 1, 2007 and July 1, 2009. The recommended fare policy is consistent with those elements of the proposed Financial Stability Policy that were not approved in January 2007.

The proposed policy sets goals to be achieved over time since our fare structure history evolved as the result of ad hoc changes. For example, the long range transportation plan (LRTP) establishes a fare recovery goal of 33%, which is the policy statement as to the "reasonable amount" to be paid by system users that is now planned to be attained by FY12. A fare change for FY12 will be recommended in accordance with the principles of distance/time based fares, indexing to major service improvements like the Eastside Extension and Expo light rail lines and a gradual decrease in the reduced fare program subsidies.

The approved fare restructuring is consistent with these principles, including the gradual transition toward the policy objective of reaching a goal of 33% fare recovery. The Board also directed staff to return within two years with distance/time/premium based fare schemes that may more closely match the value of a ride to the fare charged.

The Board approved a new Senior, age 65 and over, \$0.25 cash fare during “off peak” hours as part of the July 1, 2007 fare restructuring. The age for regular Senior pricing remained at 62. These conditions result in rider and operator confusion on the system. Raising the regular Senior age to 65 eliminates a rider tier and simplifies fare transactions for the riders, bus operators and fare checkers. Raising the age to 65 for Metro and EZ passes is consistent with the Senior age used by the City of Los Angeles. Based on 2005 census data, we estimate that there may be 3,000-5,000 potential riders between the ages of 62 and 65. Those Seniors under 65 who have registered in our Senior program as of June 30, 2008 will be grandfathered in the Senior benefit

NEXT STEPS

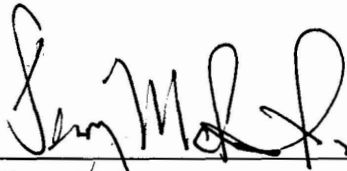
- Incorporate the approved Fare Policy into the Financial Stability Policy document to provide a single source of financial policies.
- Begin outreach activities to notify Seniors of the change to be implemented as of July 1, 2008.

ATTACHMENTS

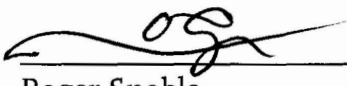
- A. Fare Policy
- B. Special Needs Programs

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Fare Policy

Policy Statement

The fare policy establishes a framework for changes in fare prices to be consistent with our short and long-term goals and strategies for maintaining and improving the regional transportation system.

Purpose

The fare policy balances the competing objectives of increasing ridership, maintaining the lowest possible fares, and recognizing the needs of special groups such as students, elderly, disabled and transit dependent, while requiring that transit users pay a fair and reasonable portion of the costs of providing, maintaining and improving transit services.

Goals

The goals of the fare policy are to:

- A. Preserve and maximize the regional fare revenue base, including EZ and TAP, through a predictable pattern of adjustments while retaining existing ridership and increasing the number of new riders.
- B. Provide a regional fare and fee structure that is tied to the cost of providing transit and transportation services, optimizes use of the regional system and provides our customers with convenience, ease of use and a good value for the money.

Principles

Ref	Principle	Action	Impact
1	Users should pay a reasonable portion of system costs	In recognition of the existing structural deficit, as part of the annual budget process, adopt a fare recovery ratio that provides for an improved level of cost recovery until financial stability is reached.	Together with service plan, quantifies the need for use of regional funds beyond FAP/MOSIP to sustain Metro bus operations. The current Board approved long range plan establishes the policy for fare recovery at 33% to be achieved by FY12.
2	Fare increases should not come as a surprise to the public	Consider regular fare increases tied to CPI-based cost increases or other major cost factors such as new/expanded services and to factors such as	After reaching a sustainable level, together with the service plan, establishes the framework and timing for future transportation capital improvements.

Ref	Principle	Action	Impact
		significant change in other revenues and productivity.	
3	Link fare changes to specific system improvements	Consider surcharges tied to capital needs, such as security enhancements, system rehabilitation, seismic retrofit, etc.	Dedicated funding increases accountability. Such a fare change would likely require a CEQA process.
4	Premium fares for premium services. Off peak discounts to encourage use of underutilized capacity	Consider premiums for faster service. Optimize off-peak system use by considering time of day pricing.	Users should pay more for faster, more convenient services such as rapid and rail. Increased utilization of existing capacity goes directly to bottom line.
5	More use/more pay	Consider implementing ride and/or distance-based fares. A base fare would be charged for a number of rides/distance units. Additional rides/distance units would be discounted.	Riders pay for what they use. A fundamental change from the current "unlimited ride/distance" pass concept.
6	Customer satisfaction	Consider developing new inter-operator and inter-agency partnerships to increase transit access and seamless travel, developing innovative partnership programs with major employers, educational institutions and other rider generators, and using time-limited passes to market Metro special events, weekend, and families.	Increases ridership. Includes parking and other non-transit efforts that would increase revenues and system access.
7	Needs of special groups	Continue to recognize the special fare needs of the elderly, disabled, students and transit dependent. Consider establishing the following relationships among discounted passes to maintain equity. Increases to be phased in over time.	Reduces financial barriers to system use by special needs groups by continuing fare subsidies. Establishing such relationships allows the Board to focus on one key price, the regular monthly pass, since these passes will automatically follow.

Ref	Principle	Action	Impact
		<p>Senior/Disabled/Medicare – 50% of regular adult day and monthly passes</p> <p>K-12 Student – 60% of regular adult monthly pass</p> <p>College/Vocational Student – 70% of regular adult monthly pass</p>	
8	Title VI Assessment of Fare Changes	Consider equity issues and effects of fare structure changes on minority and low-income populations	Addresses federal Title VI requirement regarding service and fare changes.
9	Transit Access Pass - TAP	The Board has long supported “seamless” travel within LA County. The TAP program meets this requirement. In order to encourage County riders to use the card, Metro discounted passes will only be available with a TAP card.	<p>Reduces barriers to system use. The TAP card and related automated fare collection software eliminates the need for riders to know each operator’s unique fare structure and the need to have “exact change”.</p> <p>TAP ridership data will also be available to assist in scheduling services to meet patronage needs.</p>
10	Congestion Pricing	Consider strategies that encourage the use of transit in congested corridors.	Coordination of transit fare strategies can be used as a tool to help mitigate traffic and improve transit services in congested corridors

Procedures

1. At least every five years, staff will present a comprehensive review and update of this Fare Policy for Board review and approval.
2. Annually, as part of the budget process, the Board will consider the need for adjustments to fares consistent with the adopted LRTP.
3. The Board will adopt a comprehensive fare structure designed to reach at least a 33% fare recovery ratio goal over a period of years and maintain that level thereafter.
4. When fare adjustments are proposed, all federal and State regulations will be followed including the requirements for public notice and hearings.

Special Needs Programs

The following lists show the value of rider subsidy programs provided to groups with special needs.

<u>Program</u>	<u>Subsidy</u>	<u>Discussion</u>
Metro Discounted Fares		
Senior/Disabled Cash Fare	\$ 260,000	Regular cash fare is \$1.25. FTA requirement is 50% off-peak. Current S/D fare is \$.055 during peak and \$0.25 off peak. Excess subsidy is \$0.075/boarding during peak and \$0.375 off peak. Estimated annual S/D cash boardings are 1 million during peak and 500,000 off peak.
Senior/Disabled Monthly Pass	46,000,000	S/D pass is NOT required. 1 million S/D passes are sold annually at \$14 vs \$60, subsidy is \$46/pass.
K-12 Student Pass	18,000,000	K-12 pass is \$24 vs \$60, subsidy is \$36/pass. 500,000 passes sold annually
College/Voc Pass	2,400,000	C/V pass is \$36 vs \$60, subsidy is \$24/pass. 100,000 passes sold annually.
EZ S/D	1,400,000	EZ S/D is not required. EZ S/D is \$35 vs \$70, subsidy is \$35/ pass. 40,000 passes sold annually.
Subtotal	78,060,000	
Other Metro Programs		
SHORE	350,000	Support for Homeless on Re-entry - Shelter Partnership distributes tokens through 26 agencies in the greater Los Angeles area. These agencies distribute the tokens to eligible homeless/indigent population to seek employment, housing, etc.
General Relief	700,000	The Los Angeles County Department of Public Social Services (DPSS) provides transportation subsidies to indigents in the form of tokens.
Prop A Incentive Program	5,700,000	Incentive funded programs include subregional paratransit service to the elderly and disabled. There are 19 programs provided by 17 agencies.

JARC/New Freedom	8,400,000	Job Access and Reverse Commute (JARC) and New Freedom Programs. Through these federal programs, we allocate funding to Los Angeles County eligible recipients who are able to develop and implement local programs that offer job access and reverse commute services that offer transportation for low income individuals who may live in the city core and work in suburban locations or services and facility improvements to address the transportation needs of persons with disabilities that go beyond those required by the Americans with Disabilities Act.
Access Services	75,000,000	Access Services is responsible for the administration of Access Paratransit, the Americans with Disabilities Act (ADA) mandated paratransit transportation program for Los Angeles County and provides for the mobility of persons with disabilities.
Immediate Needs	5,000,000	The Immediate Needs Transportation Program (INTP) provides subsidized bus/taxi fares to Los Angeles County residents who have a need for transportation with no other resources. The First African Methodist Church (FAME) and the International Institute of Los Angeles (IILA) are the administrators of the program and work through over 700 non-profit agencies to distribute the taxi vouchers and bus tokens to eligible individuals.
Rider Relief Program	5,000,000	The Rider Relief Program was developed in response to the Board's direction to mitigate the impact of the FY08 fare restructuring on the "neediest" riders. The program consists of providing coupons that can be used to reduce the purchase price of Metro fare media. Targeted riders meet the HUD "very low income" level and cannot be the beneficiary of a city, county or other governmentally sponsored subsidy program.
Subtotal	90,150,000	

Local Programs

Specialized Dial-a-Ride
for the elderly and
disabled

21,400,000

For FY 2005-06, 63 cities and the County of
Los Angeles (unincorporated areas) provided
Specialized DAR.

Grand Total

\$189,610,000