

**Metro**

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Metropolitan Transportation Authority

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**REGULAR BOARD MEETING  
MARCH 26, 2015**

**SUBJECT: APTA PEER REVIEW OF FARE POLICY**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

- A. Receive and file report on the APTA Peer Review of Fare Policy (Attachment A)
- B. Receive oral report from the APTA Peer Review panel

**ISSUE**

The Board of Directors adopted the first part of a three-phased fare change proposal (Attachment B) in May 2014. Prior to voting on the fare changes, the Board approved Motion #55 (Attachment C). This report addresses items B and D in the motion.

- Item B froze student fares at current pricing levels until July 2015, subject to further evaluation by a Transit Ridership Best Practices Task Force convened by the American Public Transportation (APTA).
- Item D postponed consideration of the proposed phase 2 and phase 3 fare changes pending the APTA panel's review of fare restructuring strategies.

**DISCUSSION**

The first phase of the staff proposal increased base fares from \$1.50 to \$1.75 and adjusted all other fares and passes, except for K-12 student fares, which were frozen at current levels of \$1 base fare and \$24 monthly pass. In addition, the new fare structure allows passengers using TAP stored value the opportunity to transfer on a single base fare within a two hour window. Prior to the 2014 fare restructuring, no Metro-to-Metro transfers were offered, and customers paying the base fare were required to pay for each boarding.

As part of the deliberation on fare changes, the Board passed a motion which delayed the decision on Phase 2 and Phase 3 of the fare changes, which were proposed for implementation in FY18 and FY21, respectively. Phase 2 of the fare change would consolidate Metro's monthly pass with the regional EZ Pass, while both Phases 2 and 3

would increase the base fare by \$0.25 each with corresponding changes to discounted fares and all prepaid passes.

The motion also required Metro to convene an APTA Peer Review panel to:

- Provide guidance on fare restructuring strategies that optimize financial performance while minimizing burden on low income riders
- Recommend alternative revenue generation strategies
- Identify opportunities to expand ridership

The APTA Peer Review panel was comprised of industry experts from transit agencies and academic institutions located throughout the nation. The transit agencies selected were chosen because they have innovative fare policies or programs and share similar characteristics to Metro, such as bus and rail service, size, customer base, and/or fare collection technology. Academic institutions were added to the panel to provide an overall context on pricing theories and research in alternative revenue streams and cost efficiencies. The APTA Peer Review panel included representatives from CTA (Chicago, IL), King County Metro (Seattle, WA), MARTA (Atlanta, GA), UCLA Luskin School of Public Affairs, the University of South Florida, and APTA. The peer review was convened on January 26, 2015 and concluded on January 30, 2015.

### **NEXT STEPS**

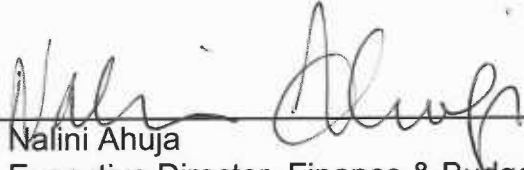
The APTA panel will present the results of the peer review to the Metro Board of Directors.

### **Attachments:**

- A. Final Report of the APTA Peer Review Panel
- B. Proposed Fare Changes (May 2014)
- C. Motion #55 (Pursuing Opportunities for a Fair and Balanced Fare Structure)

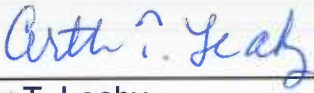
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Chief Executive Officer

**FINAL REPORT  
OF THE  
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION  
PEER REVIEW PANEL  
FOR  
LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
Los Angeles, California**

**January 2015**



**A Service of the  
American Public Transportation Association**

**FINAL REPORT  
OF THE  
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION  
PEER REVIEW PANEL  
ON THE  
FARE POLICY  
PROVIDED AT  
LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

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## I. INTRODUCTION

In July 2014, Art Leahy, Chief Executive Officer, Los Angeles County Metropolitan Transportation Authority contacted the American Public Transportation Association (APTA) to request a peer review of the agency's recently restructured fare policy.

Through discussions between APTA and Agency staff, it was determined the review would be conducted January 26 – 30, 2015.

A panel of industry peers was assembled that provided expertise in fare structure optimization, ridership enhancement strategies and alternative revenue generation opportunities. The peer review panel consisted of the following public transportation experts;

**MR. MICHAEL CONNELLY**  
Vice President of Planning  
Chicago Transit Authority  
Chicago, IL

**MR. VICTOR OBESO**  
Manager of Service Development  
King County Metro  
Seattle, WA

**MS. CAROL SMITH**  
Director of Research & Analysis  
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National Center for Transit Research  
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Tampa, FL

**MR. GREG HULL**  
Asst. VP Public Safety, Operations  
Technical Services  
APTA  
Washington, DC

**MR. RICH WEAVER**  
Director – Policy Planning  
and Sustainability  
APTA  
Washington, DC

The panel convened in Los Angeles, California on Monday, January 26, 2015. Panel coordination and logistical support was provided by APTA Staff Advisor Greg Hull. Mr. Hull also coordinated panel member input in the drafting of this peer review report. Conan Cheung served as the primary liaison for Metro.

## **Methodology**

The APTA Peer Review process is well established as a valuable resource to the public transit industry. Highly experienced and respected transit professionals and transportation research experts voluntarily provide their time and expertise to address the scope required. The panel conducts its review through examination of documents, stakeholder briefings, operations observations, and interviews with key agency staff and stakeholders.

## **Scope of Report**

The scope of this review focused on the first and subsequent phases of LACMTA's proposed restructured fare policy.

In anticipation of a budget deficit in FY18, Metro staff identified options for closing the deficit and concluded that fare revenues, increased ridership, new revenue sources or some combination of these was required on the revenue side, while reduced expenses through a combination service reductions and cost efficiencies was needed on the cost side of the ledger.

The observations and recommendations in this peer review are offered as an industry resource and as a means of strengthening LACMTA's fare policy programs, practices and strategies.

The review focused in particular on the following areas:

- Review of restructured fare policies
- Review proposals to increase the efficiency and productivity of service and operations
- Review of alternate revenue source options



## II. SUMMARY OF RECOMMENDATIONS

### Section I: Restructured Fare Policies

<b>STUDENT FARES</b>	
1	Engage colleges and large employers to subsidize transit use
2	Increase discounted student fares as proposed
<b>IMPLEMENTATION OF PHASES 2 AND 3</b>	
3	Proceed with implementation of Phases 2 and 3 as proposed
4	Consider opportunities for equalizing subsidy per trip across fare and pass types
<b>MERGE THE 30 DAY PASS AND EZ PASS</b>	
5	Propose with the merge as intended
6	Review the merits and equity of extending regional validity to all time-based pass types
<b>BALANCING IMPACT ON LOW INCOME RIDERS &amp; MAINTAINING BUDGET SOLVENCY</b>	
7	RRTP benefits should be trip-based rather than time-based
8	Explore using the RRTP to leverage investments in the program from other institutions
9	Consider the merits of creating a single discounted fare level
10	Consider adopting a policy to equalize the revenue collected per boarding across pass types
11	Explore methods for reducing fare evasion
<b>DISCOUNTED FARES</b>	
12	Continue to explore opportunities for wide distribution to large/corporate and collegiate sites
13	Continue to focus corporate partnership efforts on low wage employment sectors
14	Evaluate discounted fare structure to determine a reduced fare structure that is equitable
<b>TOURIST AND MULTI-DAY PASSES</b>	
15	Continue to maintain the current 1 day and multi-day passes
16	Increase the sale of fare-pass types through discussion with local tourism bureaus
17	Consider the merits of modifying the structure of these passes to avoid adverse selection
18	Consider partnering with online group discount vendors to allow tourists to buy passes at discounted rates
19	Consider the merits of multi-trip tickets (example: 10 ride pass)
<b>CPI ADJUSTMENT TO FARES</b>	
20	Implement regular CPI-based adjustments
21	Review the current use of long term debt to accelerate the capital program; this may compromise the ability to sustain long term operating and maintenance programs
<b>FARE-BOX RECOVERY RATIO / IDEAL METRO FARE STRUCTURE</b>	
22	The panel supports adherence to the 33 percent fare-box recovery ratio target
23	Implement the fare restructuring as proposed
24	In the absence of implementation, future significant cuts to expenditures will be required to maintain solvency

## **Section II: Service and Operations Efficiencies and Productivity**

<b>IMPACT OF FARE STRUCTURE ON TRAVEL DECISIONS</b>	
25	Consider setting fares to equalize the subsidy per trip among various classes of users
26	Service design should minimize duplicative service and encourage transfers between modes
27	More frequent service on a more sparsely configured network with wider stop spacing has been shown to reduce wait/transfer times and increase ridership
28	Transfers are a vital part of transit level; maintain the new two hour transfer window as is
29	Continue to realign services to establish and maintain a core network of frequent services
30	Continue to explore new and refined methodologies for mitigating the level of fare evasion
<b>CONCEPTS TO INCREASE EFFICIENCY AND PRODUCTIVITY</b>	
31	Adjust the Bus Load Standard from 1.3 to 1.4 and ultimately consider going to an area-based standard; consider implementing a bus stop consolidation program
32	Initiate a comprehensive program to improve on-time performance system-wide; review internal service operations as well as coordinating with other jurisdictions and operators
<b>PROMOTION OF UNDERUTILIZED SERVICES / INCENTIVIZING OFF-PEAK SERVICES</b>	
33	Encourage use of services operating below peak capacity (midday, evening, weekend, etc.)
34	Adopt and implement a policy to guide the redeployment of resources from chronically underperforming routes or route segments to higher performing locations and times
35	Explore the costs and benefits of implementation off-peak fare discounts
<b>OPPORTUNITIES FOR SYSTEM OPTIMIZATION THROUGH PERFORMANCE DATA</b>	
36	Consider monitoring performance using specialized software, a dedicated budget analyst, and management team review of key trends every week

## **Section III: Alternative Revenue Sources**

<b>BENEFITS AND IMPACTS OF CHARGING PARKING FEES AT METRO STATIONS</b>	
37	Continue with parking study currently underway
38	Consider adopting “performance pricing” of Metro parking whereby parking rates vary in order to manage parking demand
39	Consider contracting out parking operations to private parking management firms
<b>OTHER POTENTIAL REVENUE STREAMS</b>	
40	Explore the opportunity for placement of ATMs at rail stations
41	Explore the opportunity of partnerships with other agencies or businesses where costs for new services might be shared
42	Consider establishing a “loyalty program” in conjunction with participating businesses in the county in which businesses agree to offer discounts to transit users in exchange for the agency’s promotion of those businesses
43	Consult Transit Cooperative Research Program Synthesis Report #112 to identify techniques to earn new revenues or save money

**Section IV: Other Observations and Recommendations**

44	The rigorous in-house program for the management technical support of the TAP program is an industry-leading initiative
45	Electrification of bus components such as air conditioning, engine cooling, and power steering to reduce parasitic load can save as much as 15% on fuel
46	Free energy audits can help identify ways to reduce utility bills
47	Consider installing solar panel canopy systems to park buses under for shade, savings on future energy costs, and reduced carbon footprint

### III. OBSERVATIONS AND RECOMMENDATIONS

#### OPENING COMMENTS

Decisions about fares are among the most difficult for any transit agency; this is especially the case absent a clear guiding philosophy about fare policies. The importance of such a guiding philosophy is essential for large systems such as Metro with its diverse service offerings and substantial numbers of low-income riders. Often, transit agencies price fares to reflect the cost of service. Generally, the practice of transit agencies is to price fare policies according to the cost of service. Others adopt fare policies that treat public transit as a social service, entailing substantial subsidies to low-income and other needy riders. It appears to the panel that Metro's fare structure sits somewhere in the middle between these two philosophies.

In light of the looming deficit projections, action of some sort is required by Metro to reduce expenditures, increase revenues, or some combination of the two. Future funding shortfalls are likely to be compounded by:

- The waxing costs of maintaining a state of good repair of an aging infrastructure and,
- A long-term and growing debt service burden from significant capital expansion program that (1) increasingly competes for revenues available for operations and maintenance, and (2) increases the capital asset base and subsequent maintenance requirements of the system.

The proposed Metro fare re-structuring is comprehensive in that it addresses the three principal aspects of fare policy: (1) fare levels, (2) fare structure, and (3) the *process* by which future fare changes will occur. It is clearly evident to the panel that Metro staff have been very diligent in applying service planning and operational practices that are in line with effective transit industry practices while attempting to control costs with a minimal amount of negative impact to riders and employees.

While fares are the priority of this review, ridership and service are equally important factors as they have a direct relationship to fare revenue and farebox recovery. With Metro ridership declining over the past year, consistent with ridership trends throughout the country, the anticipated annual fare revenue expected from Phase I of the fare increase may not be achieved despite the expected increase in average fare per boarding. Therefore, to ensure that fare revenues and farebox recovery targets are achieved, an assessment of ridership demand and service levels should be conducted to identify improvements to the transit network, services provided, and quality of service to attract new riders and retain current ridership.

In addition, the cost of maintaining assets in a state of good repair is an ever increasing challenge, not only for Metro, but for transit agencies throughout the country. With Metro's significant capital expansion program, the asset base is expected to grow significantly, thus adding additional demands for ongoing maintenance funding.

The looming deficit projections should prompt Metro to look at fares, service and cost efficiencies, and other revenue generating alternatives to help mitigate these deficit projections.

## 1. RESTRUCTURED FARE POLICIES

### A. STUDENT FARES

Discounted student fares were not increased as part of the Phase 1 fare adjustments, and thereby the subsidy for student riders has grown more substantial as a result. While Metro has made progress in engaging secondary and post-secondary institutions to establish subsidized pass programs for their student, faculty, and staff populations, there remains potential to expand the number of these programs to increase transit patronage at relatively low cost to Metro. Some agencies, like Metro, focus youth discounts on students, others choose to offer discounted fares to youth regardless of their student status in order to promote youth mobility broadly.

#### Recommendations

- Continue to explore opportunities to engage colleges and large public and private employers such as business parks, military installations, apartment complexes, municipalities, and others in programs to subsidize transit use among their client populations. The establishment of a business development position dedicated to this task can help increase ridership and revenue.
- The panel did not identify any rationale for deepening the discounts for students vis-à-vis other patrons; we therefore recommend that the discounted students fares increase as proposed. The freeze on student fare increases should be lifted and allowed to increase with each proposed phase.

### B. IMPLEMENTATION OF PHASES 2 AND 3

The proposed Phases 2 and 3 would complete the re-structuring of fares and set a path for future fare adjustments in a steady, transparent and predictable manner. Doing so would help to stabilize the financial structure of Metro, enabling the agency to more accurately forecast long range revenues. Scheduled implementation will also provide customers with advance notice and predictability of impending fare changes.

#### Recommendations

- Proceed with implementation of Phases 2 and 3 as proposed.
- Implementation of Phases 2 and 3 will lead to stabilization of Metro's financial situation.
- Metro should consider regular review of opportunities for equalizing subsidy per trip across fare and pass types.

### C. MERGE THE *30 DAY PASS* AND *EZ PASS*

Metro plans to merge the *30 Day Pass* with the *EZ Pass* in order to provide a simpler system for customers.

#### Recommendations

- Proceed with the merge as intended.
- Once the merge is implemented, review the merits and equity of extending acceptance of all time-based pass types across all operating agencies to meet the regional travel needs of all riders.



**D. BALANCING IMPACT OF LOW INCOME RIDERS AND MAINTAINING BUDGET SOLVENCY**

The panel notes that the Rider Relief Transportation Program (RRTP) is a complex fare transaction for both riders and the agencies involved and is limited in its scope. The recent adoption of a two hour time transfer policy lowers the travel costs of transferring riders, who tend to be lower income than non-transferring riders. While, all things equal, lower fares benefit lowest income riders, if lower fares entail less frequent and reliable service, low income riders will likely be worse off as a result. Maintaining system solvency and effective transit service operations is the best way for Metro to serve its low income riders as doing so prevents service degradation and cuts. In virtually every community in the country, when passengers are asked if they had to choose between having higher fares or less service, passengers opt for higher fares (within reason) in order to maintain the service that is so important to them.

**Recommendations**

- RRTP benefits should be trip-based rather than time-based.
- Metro should explore using the RRTP to leverage investments in the program from other institutions to help fund and expand the program.
- As Metro re-visits its discounted fare categories in the future, it should consider the merits of creating a single discounted fare level that applies to eligible riders groups – seniors, students/youth, low-income, etc.
- Because the current reduced fare instruments result in a low and highly variable average fare per boarding, Metro should consider adopting a policy to equalize the revenue collected per boarding across time-based pass types.
- Explore methods for reducing fare evasion in order to treat paying customers, and in particular low-income paying customers, more fairly.

**E. DISCOUNTED FARES**

Given that approximately 50% of Metro's ridership is low income, there is less rationale for offering deep discounts for particular rider groups. Not all riders in the groups currently receiving fare discounts are of limited means and in need of added subsidy and low income riders who do not fall into the discounted rider groups do not receive needed subsidy.

**Recommendations**

- Continue to explore opportunities for widely distributing fully or partially subsidized fare media to large/corporate and collegiate sites. Ensure that the pricing is based on the distribution of fare media to all employees or students in a "group-priced based on actual use" manner similar to other employee benefit programs such as dental, vision and medical coverage. Pricing in this manner enables wide distribution to employees/students without requiring retail prices to be charged for each use. Group-wide coverage encourages use by non-transit riders, and avoids the problem of "adverse selection" in unlimited ride media whereby only the most frequent riders purchase the media.
- Continue to focus corporate partnership efforts on low wage employment sectors where a large proportion of Metro riders are employed.
- Evaluate discounted fare structure to determine a reduced fare structure that is equitable.

**F. TOURIST AND MULTI-DAY PASSES**

The current 7 day and 1 day passes are effective options. The panel notes that it is common for many transit agencies to sell multi-trip tickets that can be used over the course of one or multiple days.

**Recommendations**

- Maintain the current 1 day and multi-day unlimited ride passes.
- Explore opportunities for increasing the sale of 1 and 7 day passes in conjunction with local tourism bureaus.
- Consider the merits of
- Given Los Angeles' status as a global tourist destination, consider partnering with online group discount vendors such as Group-On to allow tourist to buy 3 day or 7 day passes at a discount rate.
- Consider the merits of multi-trip tickets (example: 10 ride passes) on both costs and revenues.

**G. INFLATION CPI ADJUSTMENT TO FARES**

CPI adjustments enable fares and the revenues they produce to mirror economy-wide inflation rates while still providing an incentive for Metro to control cost escalation. Adopting a policy of regular CPI-based fare adjustments introduces stability to the financial planning process, avoids periodic financial crises, and results in regular and more modest adjustments to fares.

**Recommendations**

- Implement regular CPI-based adjustments to bring revenues collected in line with the general rate of inflation and to replace occasional, large fare increases with more regular and much smaller increases.
- The panel notes that Metro faces significant and rising capital debt-service obligations that increasingly compete with revenues available for operations and maintenance. These rising debt service obligations threaten Metro's ability to deliver high-quality transit service in well-maintained vehicles over the long term. Carefully review the current use of long term debt to accelerate the capital program as it may compromise the ability to sustain long term operating and maintenance programs.

**H. FAREBOX RECOVERY RATIO**

Most transit agencies nationwide adopt fare-box recovery ratio goals to motivate the efficient and effective delivery of service. Metro has established a fare-box recovery ratio goal of 33 percent, which is in line with nation-wide norms. Metro's fare-box recovery ratio has been declining in recent years and is currently about 25 percent well below the adopted target. Relatedly, Metro's fares are also among the lowest of peer transit agencies that include rail operations. From a revenue perspective, fare evasion, discounted fares and the large number of time-based unlimited ride passes all affect Metro's ability to achieve a target recovery ratio. Additionally, factors such as rising system-wide operating and maintenance costs (such as for employee health insurance and state of good repair) affect the farebox recovery ratio.



### **Recommendation**

- The panel supports adherence to the 33 percent fare-box recovery ratio target and encourages Metro to achieve this goal. Fare adjustments, ridership increase, cost containment, efficient operations and long range capital planning must be carefully managed and monitored to achieve and sustain the targeted recovery ratio.

#### **I. IDEAL METRO FARE STRUCTURE BASED ON SYSTEM CHARACTERISTICS AND RIDERSHIP**

In the view of the panel, the fare re-structuring policy as proposed to the Board appears to be consistent with the practices and financial planning trends of peer agencies nation-wide.

### **Recommendations**

- Implement the fare re-structuring as proposed.
- In the event that Metro decides not to proceed with the fare-re-structuring as proposed, future significant cuts to operating and maintenance expenditures and capital programs will be required to maintain solvency.

## **2. SERVICE AND OPERATIONS EFFICIENCIES AND PRODUCTIVITY**

#### **A. IMPACT OF FARE STRUCTURE ON TRAVEL DECISIONS**

Metro is a large multi-modal system covering an expansive geographic area and the cost of carrying the passengers varies far more than do fares; the result is that consumers of expensive-to-serve trips enjoy far larger subsidies than those who make less-expensive-to-serve trips. Regardless of the fare structure adopted, transit riders will naturally opt for the lowest fare available that meets their travel needs. The introduction of the two hour time transfer is a significant new benefit to transferring riders that occasions additional costs that Metro expected to recoup over the three phases of the fare re-structuring.

### **Recommendations**

- Metro should consider a guiding principle to setting fares that seeks to roughly equalize the subsidy per trip across travelers.
- Service design should minimize duplicative service and encourage transfers between modes and promote deployment use of lower cost modes
- More frequent service on a more sparsely configured network with wider stop spacing has been shown to reduce wait/transfer times and increase ridership.
- Transfers are a vital part of transit travel; the new two hour transfer window has eased transfers within Metro.
- Metro should continue to realign services to establish and maintain a core network of all day frequent services that complements the two hour transfer policy and attracts new riders and revenues.
- Metro should continue to explore new and refined methodologies for measuring fare evasion in order to develop effective policies to reduce it.



**B. CONCEPTS TO INCREASE EFFICIENCY AND PRODUCTIVITY**

Metro bus speeds and on-time performance are affected by street traffic operations; competition for street space with private vehicles affects bus performance, as does space devoted to on-street parking and bike lanes. One time performance increases ridership and reduces operating cost, which affects both fare revenues and fare-box recovery.

Metro service guidelines are reasonable with respect service design, typology and frequency guidelines. The hierarchy of service types appears well-developed to meet various travel needs of the riders. The load factor guidelines are below those of comparable major transit systems; this increases system costs by requiring more fleet and service during peak periods than would be the case on most peer systems.

Metro's Service Rationalization recommendations to increase service efficiency and reduce cost are consistent with industry-wide practices. In addition, there has been a dramatic increase in the amount of service provided by municipal transit operators in Los Angeles County and in spite of ongoing Metro service adjustments, there continues to be some overlap and duplication between Metro and those agencies.

**Recommendations**

- Proceed with Service Rationalization recommendations including:
  - Adopt the proposed cost reduction strategy to adjust the Bus Load Standard from 1.3 to 1.4 and after one year consider the merits of increasing to 1.5.
  - Consider moving to an area-based Load Standard to encourage vehicle seating configuration to maximize rider comfort.
  - Transit operators nationwide are moving to wider stop spacing in order to increase vehicle speeds and reduce headways; Metro should consider implementing a bus stop consolidation program to achieve such outcomes.
- Metro should initiate a comprehensive program to improve on-time performance system-wide, which will entail a review of both internal service operations as well as coordination with other jurisdictions and operators. Staff should review TCRP Synthesis #110 (*Commonsense Approaches for Improving Bus Speeds*) and pursue all that apply.

**C. STREAMLINING FOR EASE OF USE AND TO ATTRACT RIDERS**

Much has been accomplished in recent years to make Metro, and the family of service it offers to customers, transparent and understandable to users. These include coordinated fleet/service types, universal fare instruments and clear way-finding at stops and in stations. The TAP card program in particular has simplified fare payment for users, reduced vehicle dwell times (thereby increasing service efficiency), enabled ease of transfers among operators, among other improvements.

**D. PROMOTION OF UNDERUTILIZED SERVICES**

The panel offers the following recommendations for Metro's consideration:

**Recommendations**

- Consider fare policies and other initiatives to encourage utilization of services operating below peak capacity (such as mid-day, evening, and weekend services).

- Adopt and implement rigorous transit service policies to guide the redeployment of resources from chronically underperforming routes or route segments to higher performing locations and times.

E. INCENTIVIZING USE OF OFF-PEAK SERVICES

The panel offers the following recommendations for Metro's consideration:

**Recommendations**

- As TAP and other new fare media become the standard methods of payment, explore the potential costs and benefits of implementing off-peak fare discounts in the years ahead in order to optimize utilization of services outside of the peak periods.

F. Opportunities for System Optimization through Performance Data

New sources of data have made data-driven management much more realistic resulting in better performance analysis and greater efficiencies in all areas of transit agencies. A growing number of U.S. transit agencies have established data management systems that have enabled substantial increases in service efficiency and effectiveness, thereby increasing patronage and reducing cost in the process.

**Recommendations**

- Metro could benefit from exploring data analysis formats developed by, for example, the Greater Cleveland Regional Transportation Authority (GCRTA). The GCRTA "TransitStat" program enables analysis of every activity undertaken at the agency through the use of off the shelf software, a dedicated budget analyst, and management team review of key trends every week.

### 3. ALTERNATIVE REVENUE SOURCES

A. BENEFITS AND IMPACTS OF CHARGING PARKING FEES AT MTA STATIONS

Parking at transit stations is expensive to build, operate and maintain; these sometimes substantial cost should be at least partially recovered – to avoid giving park-and-ride passengers the largest subsidies, increase agency revenues, and to effectively manage parking supply. Pricing station parking is a practice commonly in effect at other transit agencies.

**Recommendations**

- Continue with parking study currently underway.
- Consider adopting "performance pricing" of MTA parking whereby parking rates vary in order to manage parking demand at stations in the absence of advance purchase parking permits; doing so will both increase parking revenues and optimize utilization of station-area parking assets.
- Consider contracting out parking operations to private parking management firms in order to increase revenues.

B. OTHER POTENTIAL REVENUE STREAMS

The panel noted that Metro has been very engaged in pursuing alternative revenue streams typically found at other transit agencies. For example advertising in or on vehicles,



stations, shelters and bus benches. A transit agency has control of assets that have value to other businesses that might have nothing to do with transit. They want access to the agencies facilities, vehicles, passengers, and employees. Sale of naming rights for stations or entire lines has been a source of new revenue for many transit agencies in large cities throughout the country.

While Metro has been engaged in pursuing alternative revenue streams, Metro should consider all avenues to generate additional revenues to not only mitigate the deficit, but also what could benefit riders in the transit system.

### Recommendations

- Explore the opportunity for placement of ATMs at rail stations. This initiative has resulted in millions of dollars in rent payments to other major transit systems.



- There are possibilities for partnerships with any number of other agencies or businesses where costs for new services might be shared.
- LA Metro might wish to consider establishing a “loyalty program” in conjunction with participating businesses in the County whereby passengers who purchase transit passes are eligible for discounts in exchange for the agency’s promotion of those businesses. Similar programs in Minnesota and Canada have resulted in increased ridership.
- LA Metro staff should consult Transit Cooperative Research Program (TCRP) Synthesis Report #112 entitled “*Maintaining Transit Effectiveness Under Major Fiscal Constraints*” to identify for more specific discussion of techniques to earn new revenues or save money.

## **OTHER OBSERVATIONS AND RECOMMENDATIONS**

- The panel noted that Metro has developed a very rigorous in-house program for the management and technical support of the TAP program that is enhancing fare equipment and media without relying heavily on higher cost support from the vendor. This is an industry-leading initiative.
- Electrification of bus components such as air conditioning, engine cooling, power steering to reduce parasitic load can save as much as 15 percent on fuel.
- Free energy audits can help identify ways to reduce utility bills, including the establishment of rate interruptible programs that can provide significant reductions in utility rates charged to the agency in exchange for using generators during peak hours.
- Consider installing solar panel canopy systems to park buses under for shade, savings on future energy costs, and reduced carbon footprint.

### III. CONCLUDING REMARKS

The panel sincerely appreciates the professional support, assistance, and courtesy extended throughout the peer review process by Metro staff and Metro stakeholders. We are available to clarify and follow up on any aspects of this review.

## APPENDIX

Appendix A



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

One Gateway Plaza  
Los Angeles, CA 90012-2952

Arthur T. Leahy  
Chief Executive Officer  
213.922.6888 Tel  
213.922.7447 Fax  
metro.net

July 18, 2014

Michael P. Melaniphy  
President and Chief Executive Officer  
American Public Transportation Association (APTA)  
1666 K Street NW, Suite 1100  
Washington, DC 20006

Dear Mr. Melaniphy:

The Los Angeles County Metropolitan Transportation Authority (LACMTA) requests the assistance of APTA in coordinating a peer review of our bus and rail fare structure, opportunities to increase ridership, and potential revenue generation strategies to offset operational costs.

To mitigate a projected operating deficit, LACMTA staff proposed a revised fare structure earlier this year, with incremental increases recommended over three phases. The purpose of the fare restructuring proposal was to increase fare revenues, to bring the farebox recovery ratio in line with comparable agencies, and to improve system connectivity by offering free transfers to passengers who pay the base fare with our TAP smartcard. In May 2014, the Board of Directors approved the first phase of the fare re-structure with the exception of student fares (K-12), and delayed approval of two additional phases pending results of a peer review.

Therefore, we request APTA's assistance in bringing together a peer panel of professional comparable organizations and individuals who are experienced with fare structure optimization, ridership enhancement strategies, and alternative revenue generation opportunities.

- Review of the fare structure should provide guidance on strategies that optimize LACMTA's financial performance while minimizing the burden on the system's lowest income riders. In addition, it should evaluate the impact of adjusting student fares.
- The peer review panel will also be tasked with a high level review of our transit network structure, and opportunities to adjust our network to increase efficiency and productivity. How can LACMTA carry the same or more riders with less cost, or generate more riders/revenue with the same cost? This network review should consider how introducing a 2 hour transfer as part of our base fare will potentially change travel patterns and behaviors.
- Finally, the review of alternative revenue generation strategies will assist LACMTA in augmenting its bus and rail operations revenues with new sources that may reduce the reliance on other recurring income such as passenger fares and tax revenues.

For an effective peer review process, we anticipate a panel of up to five (5) members. We have identified the potential peer agencies below that have pricing closer to market value (vs. social service), allow for time based transfers, operate bus and rail service, and are in metro areas with comparable transit mode split with LA (i.e. their rider profile should be more similar to ours than areas with higher mode splits and thus higher discretionary ridership). Most also have smartcard applications. We welcome recommendations by APTA on the final list of participants.

Appendix A

- Atlanta (MARTA)
- Denver (RTD)
- Miami (Miami-Dade Transit)
- Portland (Tri-Met)
- Chicago (CTA)

We would like to proceed with the peer review as soon as possible (September – October 2014) with a completion date 1-2 months after commencement. Please refer to Attachment A for more information on the scope and schedule for this review. LACMTA's contact person for this peer review is Conan Cheung, who will assemble a team to support the Peer Review Panel. He can be reached at (213)922-6949 or [cheungc@metro.net](mailto:cheungc@metro.net). We look forward to working with APTA on this review.

Sincerely,



Arthur T. Leahy  
Chief Executive Officer

Attachment A: Detailed Scope of Peer Review



## LACMTA FARE POLICY PEER REVIEW AGENDA

Appendix B

Time	Agenda Item
<b>Monday, January 26, 2015</b>	
9:00 - 11:00 am	Introductions/Welcome
	CEO Remarks
	Review Objectives/Agenda Discussion
	Metro/Los Angeles Environment (Metro Structure, Stats, Relationship with Munis). Financial (Deficit and forecast). Service Guidelines (Service Concept, Line Performance).
	Workshop/Roundtable discussion with CAC and Service Councils on national perspective on fares, new revenue generation, and additional pricing strategies. <b>Working Lunch.</b>
11:00 - 1:00 pm	
1:00 - 4:00 pm	<b>Objective #3:</b> <b>Alternative revenue generation strategies</b> Other revenue streams Metro is not using 1. Advertising Revenues 2. Leasing Revenues 3. Park and Rides
<b>Tuesday, January 27, 2015</b>	
8:30 - 1:00 pm	Ride system to Foothill Transit. Foothill Transit site visit and meeting to discuss Metro/Muni service coordination, Metro rail extensions, Muni COA efforts, Muni fare structure, Regional travel demand. <b>Working Lunch.</b>
1:00 - 3:00 pm	FARES Current Fare Structure (History and Impacts) Peer Agency Review Comparison with other agencies Other Fare Structures (Distance-based, Service-based, Time-based) Discounted/Reduced Fares (Seniors/Disabled) Fare Restructuring Fare Model Proposed Fare Restructure (3-phased approach)
3:00 - 4:30 pm	TAP Lab - Briefing and tour

## LACMTA FARE POLICY PEER REVIEW AGENDA (CONT'D)

Appendix B

Wednesday, January 28, 2015	
8:30 - 11:00 am	<b>Objective #2:</b> <b>Fare Restructuring strategies that optimize Metro's financial performance</b> <b>Minimize the burden on the lowest income riders</b> Municipal Operators/EZ Pass Monthly and EZ Pass Merge New strategies for lower impact on low income riders-Subsidy programs
11:00 - 1:00 pm	Workshop/Roundtable discussion with board deputies on national perspective on fares, new revenue generation, and additional pricing strategies. <b>Working Lunch.</b>
1:00 - 4:30 pm	<b>Objective #1:</b> <b>Expand Ridership</b> Strategic Bus Network Plan Reduce unproductive services Silver Line and other new HOV/HOT services Simplify/integrate system Promote underutilized services/time periods 2 hour transfer opportunities - reduce duplication, convenient transfers Ways to increase service speed Loading standards
Thursday, January 29, 2015	
8:30 - 1:00 pm	Ride system to Santa Monica BBB. Santa Monica BBB site visit and meeting to discuss Metro/Muni service coordination, Metro rail extensions, Muni COA efforts, Muni fare structure, Regional travel demand. <b>Working Lunch.</b>
1:00 - 4:00 pm	Peer Review Panel deliberations
Friday, January 30, 2015	
8:30 - 11:00 am	Exit Conference

## DOCUMENT LIST

1. LACMTA Federally Funded Projects: FY15- FY24 (chart)
2. Short Range Transportation Plan Summary: FY15- FY24 (1/26/15)
3. Federally Funded Projects In 2014 SRTP (chart 1- 1/26/15)
4. MTA Transit Operations Investment (SRTP)/ Federal Share of Transit Operations (chart 2- 1/26/15)
5. Metro Fares and Ridership (1/27/15)
6. Metro Organization Charts: “*We’re Delivering for LA County*” FY 2015, July 1, 2014- June 30, 2015
7. FY16 Budget Development- *Strategies for Potential Cost Reduction and Revenue Enhancement* (2<sup>nd</sup> revised) (December 4, 2014)
8. Adopted Budget FY 2015 (July 1, 2014- June 30, 2015)
9. *Metro Fare Restructuring*- Report to Metro Board Meeting, May 22, 2014
10. Metro Transit Service Policy, July, 2012
11. *Pursuing Opportunities for A Fair and Balanced Fare Structure* – Report to Metro Board Executive Management Committee, September 18, 2014
12. *Perspectives On Fare Structure*: Wally Schidler, Citizens Advisory Council (1/26/15)

## Proposed Fare Changes (May 2015)

CURRENT		PHASE 1	PHASE 2	PHASE 3
		FY15	FY18	FY21
<b>Regular</b>	<b>Current Pricing</b>			
Base Fare (90 min transfer TAP card only)	\$1.50	\$1.75	\$2.00	\$2.25
(120 minutes, TAP card only, NO R/T)				
Day Pass	\$5.00	\$7.00	\$8.00	\$9.00
Weekly (7 day)	\$20.00	\$25.00	\$30.00	\$32.00
Monthly (30 day)	\$75.00	\$100.00	Consolidate w/ EZ	Consolidate w/ EZ
EZ Pass	\$84.00	\$110.00	\$120.00	\$135.00
Muni Transfers	\$0.35	\$0.50	\$0.50	\$0.50
Monthly Zone Upcharge (EZ/Silver/Express)	\$22.00	\$22.00	\$22.00	\$22.00
<b>Senior/Disabled</b>				
Peak	\$0.55	\$0.75	\$0.90	\$1.10
Off-Peak <sup>1</sup>	\$0.25	\$0.35	\$0.50	\$0.70
Day Pass	\$1.80	\$2.50	\$3.00	\$3.50
Monthly (30 day)	\$14.00	\$20.00	\$24.00	\$28.00
EZ Pass	\$35.00	\$42.00	\$50.00	\$60.00
Monthly Zone Upcharge (EZ Pass)	\$9.50	\$9.50	\$9.50	\$9.50
Muni Transfers	\$0.10	\$0.25	\$0.25	\$0.25
<b>Student/College</b>				
Student Cash	\$1.00	\$1.25	\$1.50	\$1.75
Student 30 Day	\$24.00	\$29.00	\$35.00	\$42.00
College 30 Day	\$36.00	\$43.00	\$52.00	\$62.00
<b>Silver</b>				
Regular Silver <sup>2</sup>	\$2.45	\$2.50	\$2.50	\$2.50
Silver Upcharge	\$0.25 - \$0.95	\$0.75	\$0.50	\$0.25
Senior/Disabled Silver	\$1.15	\$1.35	\$1.35	\$1.35
Senior/Disabled Off-peak Silver	\$0.85	\$0.95	\$0.95	\$0.95
Senior/Disabled Silver Upcharge <sup>3</sup>	\$0.30 - \$0.60	\$0.60	\$0.45	\$0.25
<b>Express</b>				
Express Fare	\$2.20 - \$2.90	\$2.50	\$2.50	\$2.50
Express Zone Upcharge <sup>3</sup>	\$0.70 - \$1.40	\$0.75	\$0.50	\$0.25
Senior/Disabled Express Upcharge	\$0.30 - \$0.60	\$0.60	\$0.45	\$0.25
Boardings		-4%	-3%	-2%
<b>Additional Revenues</b>		<b>\$30M</b>	<b>\$40M</b>	<b>\$50M</b>

After Phase 3, staff is recommending that fares be adjusted by CPI every two years, beginning in FY23. The escalated fares would be rounded to the nearest 5¢ for regular fares and to the nearest dollar for passes.

<sup>1</sup> Off-Peak hours are Weekdays 9 a.m. – 3 p.m. and 7 p.m. – 5 a.m. and all day on weekends and Federal holidays.

<sup>2</sup> The special fares for Silver and Express lines will be gradually phased out to be the same price as the base fare.

<sup>3</sup> The Silver and Express upcharge applies to weekly, monthly and EZ pass holders. Senior/Disabled, Students/College monthly pass holders and Day Pass holders pay no additional upcharge, currently or in any future phases.

REVISED MOTION BY:

**SUPERVISOR MARK RIDLEY-THOMAS, MAYOR ERIC GARCETTI SUPERVISOR  
ZEV YAROSLAVSKY & SUPERVISOR DON KNABE as AMENDED  
BY BONIN**

Pursuing Opportunities for a Fair and Balanced Fare Structure

May 22, 2014

The Los Angeles County Metropolitan Transportation Authority (MTA) Board of Directors (the Board) is being asked to consider a series of fare increases for riders that use our bus and light rail system. The fare increases are proposed to mitigate what is projected to be a \$36.8 million operating deficit anticipated by 2016, which is expected to grow to \$225 million by 2024.

While MTA is in the midst of an unprecedented construction program to expand public transit and related amenities, fares currently only cover roughly a quarter of operating costs — the lowest of any major transit agency in the nation. This low fare recovery rate of 26.2% potentially jeopardizes MTA's ability to secure federal funding, as existing agreements with the Federal Transit Administration (FTA) are based on a 33% fare box recovery. **Metro's light rail network is expanding dramatically over the next 6 years; next year the Exposition Line and the Foothill/Gold Line Extension will open, the Crenshaw Line will follow in 2019, as will the Regional Connector in 2020. For the past few years, Metro has been able to balance its budget by drawing on reserves; however, those reserve sources have been depleted, and Metro will not be able to rely on them in future years.** If fares are not raised, services will very likely need to be cut, and planned capital projects would potentially need to be deferred in order to address this looming deficit.

As part of the public hearing process on the three-phased fare increase proposal, a variety of meaningful feedback was provided to the Board. Amongst the chief concerns identified include the impact of the fare increases on low-income riders and students, the criminalization of fare evasion amongst youth (under age 18) and general questions about the pricing structure.

Firstly, while MTA may have proportionately lower fares compared to other urban transportation systems, any proposed fare increase is bound to hurt the pocket books of Los Angeles County's working poor, a majority of which rely on the public transportation system. As the California Community Foundation notes in their 2013 Los Angeles Equity Atlas, 70% of transit commuters earn only \$25,000 annually. At a time when we must be building up the ridership base in order to reduce congestion, promote environmental stewardship and enhance the quality of life in the region, we must ensure fairness in our fare structure.



MTA currently invests over \$10.5 million annually in subsidy programs to buffer transit costs amongst the very low income. However, over the past few years, eligibility for participation continues to be based on the United States Department of Housing and Urban Development 2007 Poverty Guidelines. The guidelines should be updated to represent current year rates and adjusted annually. In addition, the program should be more aggressively marketed, including on Metro's website, so that low income riders are aware of the program.

It is also critical that students have safe, reliable and affordable ways to get to school. Students from low-income households are more likely than those from higher income households to rely on public transportation to get to school. However, the lack of affordable transportation is a frequently cited barrier to regular school attendance. It is critical that the Board make meaningful attempts to address this barrier as those who attend school regularly are more likely to graduate, and have lower rates of incarceration, teen pregnancy, substance abuse, and chronic disease.

Secondly, the criminalization of fare evasion amongst youth riders has also been a significant concern voiced during the hearing process. Fare evasion is the number one reason why youth are cited by the Los Angeles County Sheriff's Department, which can result in heavy fines or court appearances. A first-time court appearance during high school quadruples a student's dropping out rate. MTA currently offers an online educational diversion program to help youth who received a citation reduce fines and avoid court involvement. However, in 2012, less than 500 youth, out of the 9,966 cited for fare evasion, completed the program. Efforts should be made to expand the utilization of diversion programs so that youth are not criminalized for fare evasion and additional outreach should be done to ensure that students are aware of the variety of fare subsidies that are available.

Thirdly, this Board should be satisfied that a range of options, with quality analysis and modeling, have been evaluated to ensure that fare structures optimize ridership to raise revenue are recommended over the next decade. Moreover, in November 2016, voters may potentially approve another sales tax measure with increased funds for operations, which may be sufficient to cover MTA's growing operational requirements. Regardless, a number of additional questions and strategies should be evaluated to minimize the impacts to low income riders, including, but not limited to:

- Evaluating the efficacy of merging the 30-day pass with the EZ Pass;
- Modifying fare increases for the 7-day and 30-day pass in order to mitigate impacts on low income riders;
- Charging for parking at MTA stations;
- Evaluating opportunities to create additional operational cost savings and new revenue opportunities;

- Developing a multi-day passes to encourage tourists to use the public transit system; and
- Adjusting MTA fares annually consistent with the Consumer Price Index instead of stand-alone fare increases.

MTA could benefit from outside expertise on this issue. A Transit Ridership Best Practices Task Force, composed of transportation representatives from similar, large transit authorities, could provide guidance on other revenue generation strategies. There is precedence for this. In 2004, a team of high-ranking transit officials were asked to provide input on the Exposition Line's contracting procedures and provided significant insight and feedback. Additional ideas and input that incorporates best practices from similar agencies should be incorporated before the additional fare increases in 2017 and 2020 take effect. The American Public Transportation Association (APTA) would be well suited to provide support and input into this effort.

There should also be a Rider's Advocate positioned within the Inspector General's Office that could serve as an independent advocate tasked with monitoring and assessing customer service related issues and evaluating future fare structuring strategies recommended by the Chief Executive Officer.

#### **I THEREFORE MOVE THAT THE BOARD OF DIRECTORS:**

A. Direct the Chief Executive Officer to take the following actions related to the Fare Subsidy Program:

1. Update the eligibility for participation based on the United States Department of Housing and Urban Development's 2014 Poverty Guidelines and adjust eligibility annually based on updates to the guidelines;
2. Report back to the Board in September 2014 with recommendations on how to expand outreach and enhance marketing for the program; including but not limited to: multi-lingual advertising on buses and trains, at transit stations, and at all points of sale for TAP cards and Metro passes; on TAP purchase kiosks; through partnerships with community based organizations, social service agencies, senior centers, schools, churches, and job training centers; through public service announcements on local media; and
3. Report back to the Board in January May 2015 with assessments regarding whether additional funding should to be allocated to meet growing demand.

- B. Direct the Chief Executive Officer to temporarily freeze student fares at their current pricing levels until **July 2015 with such a freeze being subject to** further evaluation by the **APTA-coordinated** Transit Ridership Best Practices Task Force. **Staff must come back to the board for authorization to unfreeze student fares. Report back at the next meeting on the costs associated with expanding the fare hike freeze to seniors and disabled passengers.**
- C. Direct the Chief Executive Officer to take the following steps in order to decriminalize youth fare evasion on Metro's system:
1. Report back to the Board in September 2014 on the **implementation of an enhanced establishment of a** comprehensive diversion program, **including investigating whether non-sworn or non-Sheriff personnel should check fares and cite fare evasion as part of the Metro Security Service procurement process, the** feasibility of requiring all youth that are cited for fare evasion to participate in a mandatory online educational diversion program and/or participate in community service in lieu of fines and court appearances and recommendations on any necessary changes to the California Penal Code; and
  2. **Metro should also report quarterly at the Executive Management Committee on the demographic profile of those cited for fare violations.**
- D. Postpone implementation consideration of the proposed 2017 and 2020 fare increases until after the Chief Executive Officer convenes a Transit Ridership Best Practices Task Force, in coordination with the American Public Transportation Association, to provide guidance on fare structuring strategies that optimize MTA's financial performance while minimizing the burden on the system's lowest income riders. The panel should be asked to consider alternative revenue generation strategies as well as provide recommendations on opportunities to expand ridership; and report back to the Board by July 2015 with their recommendations. **Formal adoption of the 2017 and 2020 increases should be contingent upon validation of the fare restructuring by the APTA-coordinated Transit Ridership Best Practices Task Force, no other potential revenue streams for bus and rail operations being identified, and a public hearing.**
- E. Direct the Inspector General **to immediately research the establishment of within her office,** a Rider's Advocate that would serve as an independent advocate to monitor and assess customer service related issues and evaluate future fare structuring strategies. **Initial research should include consideration of the following questions, and report back to the Board in January 2015:**
1. **Existing models presently utilized at other comparable transit authorities;**  
**Potential criteria and protocol for evaluating customer service issues**



2. Potential criteria and protocol for evaluating customer service issues;
  3. Metrics for evaluating customer service concerns and how they relate to fare structures;
  4. Potential governance models for the Rider's Advocate function within the MTA;
  5. Reporting structure for this position through the Office of the Inspector General; and
  6. Methodology for the Office of the Inspector General to review and make recommendations to the Metro Board of Directors.
- F. Require Metro not implement any fare hike until the 2-hour free transfer goes into effect, so that the fare hike and free transfer take effect simultaneously.