

Fareless System Initiative

Executive Management Committee

May 20, 2021



Recommendation

- Approve an 18-month Fareless System Initiative Pilot in accordance with FTA Waiver Approval (with future additional request to extend 5 more months) for a total of 23 months
- Authorize three Full Time Employee (FTE) positions
 - One Deputy Executive Officer, two support FTE
 - Staff will be housed in the Office of the CEO
 - Additional staffing needs to be assessed going forward

Pilot Recommendation

- Aug 2021: K-12 + Community Colleges, cost-sharing negotiations pending
- Jan 2022: Low Income, cost-sharing negotiations pending
- Munis included in all pilot phases, cost-sharing negotiations pending
- Pilot through June 30th, 2023
- Board has the discretion to terminate the program at the conclusion of the pilot if long-term Federal/State funding commitments are not secured.

Independent Pilot Evaluation Criteria (Eno)

- Eno Center for Transportation - finalizing participation in evaluating pilot
- Framework
 - Metrics relevant to riders
 - Metrics relevant to operators
 - Metrics relevant to the region
- Qualitative and quantitative metrics are being identified
 - Ridership
 - Reducing Carbon Footprint
 - Customer Experience
 - Equity
 - Operational Costs
 - Safety & Security Impacts
 - Efficiency
 - Regional Impacts

Municipal Operators & Local Transit System Subcommittee (LTSS) concerns

- Funding Concerns – short term benefits do not outweigh long term funding issues
 - Program has high likelihood of success in terms of rider approval, but uncertain permanent funding
 - Difficulty of reversing the program
 - Unwinding existing college funded fare programs is a major risk – many agencies have a large proportion of funding from agreements with institutions
- Goals of Program
 - Should clearly be reflected in evaluation metrics of success
 - Equity is a longer-term goal that requires long-term funding
- Scope of Pilot
 - Low-income ridership is too high of a ridership share for a pilot
 - Agencies were *most open* to a pilot for K-12 riders only, as it would not unravel existing funding agreements with colleges
 - Impacts of a K-12 pilot would be easier to track, i.e., school attendance records
- Inclusion of the Perspective from Other Operators
 - Ongoing
 - Will be addressed during the pilot evaluation process (includes unintended consequences)

Transit Operator Survey Results

- Open 10 days, sent to all operators via LACMOA, Bus Operations Subcommittee, LTSS, and FSI Ad Hoc Committee
 - 19 of 46 (41%) fixed route operators responded
 - Anonymous, AVTA, City of Commerce, Gardena's GTrans, Glendale, Norwalk Transit System, City of Redondo Beach- Beach Cities Transit, City of Santa Clarita, Big Blue Bus, South Pasadena, Culver City Transportation Department, Foothill Transit, LADOT, Long Beach Transit, Montebello Bus Lines, Palos Verdes Peninsula Transit Authority, Pasadena Transit, Pomona Valley Transportation Authority, Torrance Transit System

Transit Operator Survey Results (cont.)

- Three (3) agencies "yes" to participate (Culver City, Torrance, Commerce)
- Two (2) agencies "no" to participate (Palos Verdes, Montebello Bus Lines)
- Fourteen (14) agencies 'other'
 - Subject to the decision of their governing body
 - Concern for long-term funding
 - Nine (9) agencies, existing cost-sharing agreements w/educational institutions
 - Annual Community College agreements range from \$15,242 to \$1,258,000
 - Annual Community College agreements combined value \$3,568,373 for all nine agencies
- Farebox recovery average for 19 agencies response
 - 12.9%

Community College & K-12 Agreements

- Cost-sharing strategy and approach ongoing
 - Finalized prior to August 2021 start date
- Munis/LTSS concern regarding existing Community College agreements (ongoing discussions)

Proposed Cost-Sharing Discussion w/Transit Operators

- FSI Ad Hoc Committee Members (15+ meetings since October)
 - Access Services, LA County Public Works, City of Glendale, Long Beach Transit (LBT), City of Glendora, Norwalk Transit (LACMOA Chair), Commerce Bus Lines, Pomona Valley Transit Authority, Culver CityBus, Santa Monica Big Blue Bus (BBB), Foothill Transit, Torrance Transit, Gardena Transit (GTrans)
- Metro proposing that participating Transit Operators use Metro's pilot cost assumptions
- Cost-sharing negotiations continue
- Discussion with CEO and Ad Hoc Committee 5-11-21
 - Ad Hoc Committee will caucus and return to discussion

Low Income Enrollment, Early Steps

- Convened multi-agency discussion, 5/7/21
 - Eighty-one (81) attendees; 30+ Social Service Agencies & Community Based Organizations
 - FSI will be great incentive to participation, 80K currently enrolled in LIFE program
 - Literacy/language challenges
 - Enrollment Work Group to be formed; Provide enrollment training to agencies & CBOs
- Explore Low-income eligibility Self-Attestation (self-certification)
 - Policy Decision
 - Precedence already established during COVID-19
- Takeaway: many agencies & CBOs are willing to assist with pilot enrollment

FTA approval

- The FSI pilot extension has been approved by the FTA
- Fare changes (increases or decreases) longer than 6 months are considered permanent
 - Fare equity analysis required for disparate impact on Title VI-protected populations
 - Metro's request to extend pilot beyond six months - approved by FTA for 18 months, with additional request for (5 more months) for a total of 23 months.

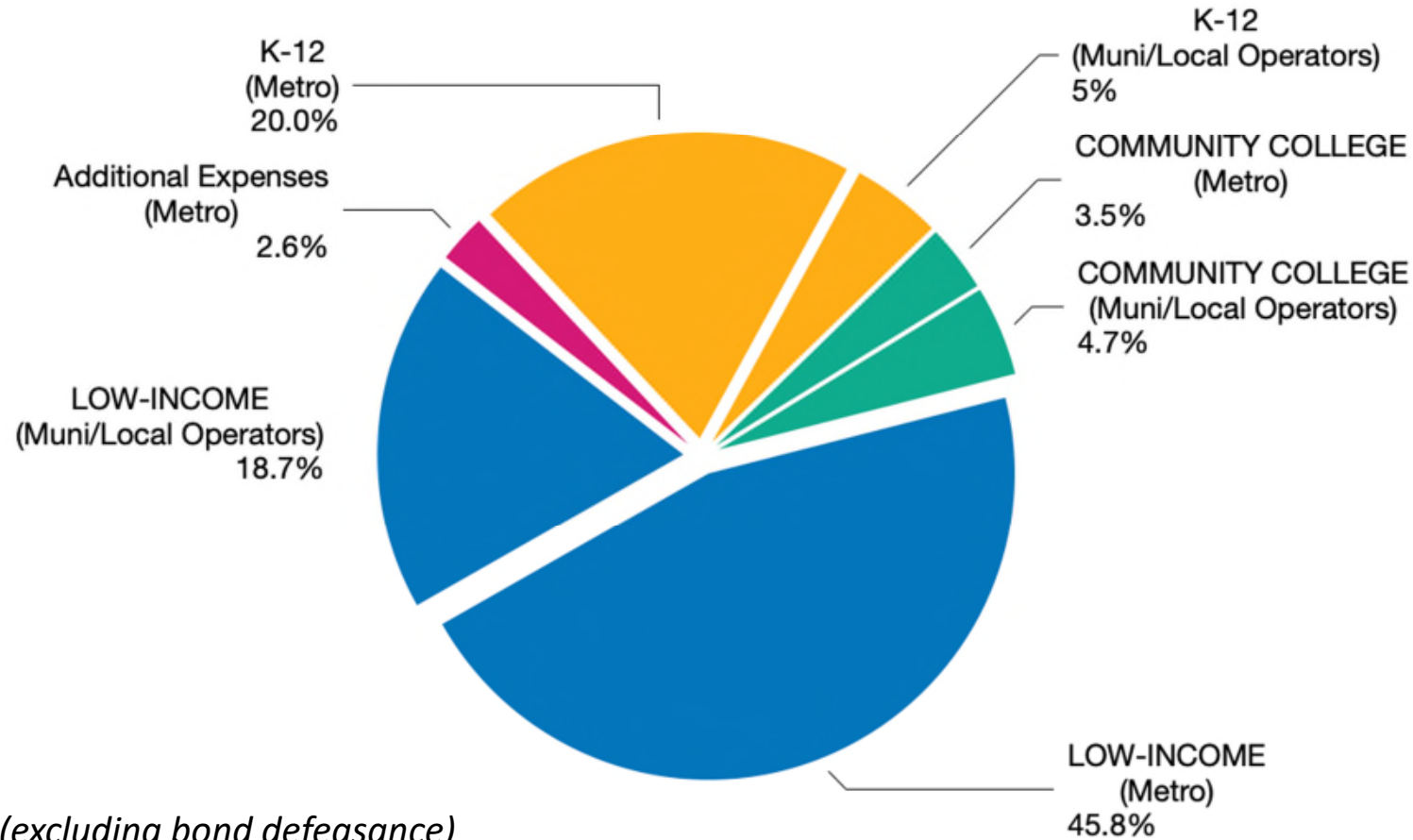
Budget Update (In Progress)

Estimated Funding Gap (\$ in millions)	Proposed Pilot Program		
	FY22	FY23	Total
Metro			
Metro - K-12 Students (August 2021 - June 2023)	26.5	26.5	\$ 53.0
Metro - Community College Students (August 2021 - June 2023)	4.7	4.7	\$ 9.4
Metro Passenger Fares - Low Income (January 2022 - June 2023)	\$ 14.3	\$ 107.1	\$ 121.4
<u>Additional Expenses</u>			
Transit Service Increase	-	-	-
Administrative Costs for New Low-Income Program	2.4	1.0	3.4
New Data Infrastructure / Operating Costs	0.2	-	0.2
Public Outreach Costs for Pilot Period	1.0	2.0	3.0
<i>Metro Pilot Subtotal</i>	\$ 49.1	\$ 141.3	\$ 190.4
Defeasance for General Revenue Bonds Secured by Fares (one-time payoff of outstanding Bond balance. Metro would have paid this amount regardless of the pilot, but the pilot would require paying earlier.)	80.0	-	80.0
Bond Savings from Defeasance	(12.0)	(12.0)	(24.0)
<i>Metro Total Including Bond Defeasement</i>	\$ 117.1	\$ 129.3	\$ 246.4
LA County Operators			
Regional - K-12 Students (August 2021 - June 2023) <i>*assumes 8% K-12 ridership</i>	6.3	6.3	\$ 12.6
Regional- Community College Students (August 2021 - June 2023) <i>*assumes 8% Community College ridership</i>	6.3	6.3	12.6
Regional Passenger Fares - Low Income (January 2022 - June 2023)	\$ 8.3	\$ 41.2	\$ 49.5
<i>LA County Operators Total</i>	\$ 20.9	\$ 53.8	\$ 74.7
Grand Total Estimated Funding Gap	\$ 138.0	\$ 183.1	\$ 321.1

Budget Update (alternate view-by phase)

Estimated Funding Gap (\$ in millions)	Proposed Pilot Program		
	FY22	FY23	Total
Pilot			
Metro - K-12 Students (August 2021 - June 2023)	26.5	26.5	\$ 53.0
Regional - K-12 Students (August 2021 - June 2023) <i>*assumes 8% K-12 ridership</i>	6.3	6.3	\$ 12.6
<i>K-12 Pilot</i>	\$ 32.8	\$ 32.8	\$ 65.6
Metro- Community College Students (August 2021 - June 2023)	4.7	4.7	\$ 9.4
Regional- Community College Students (August 2021 - June 2023) <i>*assumes 8% Community College ridership</i>	6.3	6.3	12.6
<i>Community College Pilot</i>	\$ 11.0	\$ 11.0	\$ 22.0
Metro Passenger Fares - Low Income (January 2022 - June 2023)	\$ 14.3	\$ 107.1	\$ 121.4
Regional Passenger Fares - Low Income (January 2022 - June 2023)	\$ 8.3	\$ 41.2	\$ 49.5
<i>Low-income Pilot</i>	\$ 22.6	\$ 148.3	\$ 170.9
<u>Additional Expenses (Metro only)</u>			
Transit Service Increase	-	-	-
Administrative Costs for New Low-Income Program <i>(Metro only)</i>	2.4	1.0	3.4
New Data Infrastructure / Operating Costs <i>(Metro only)</i>	0.2	-	0.2
Public Outreach Costs for Pilot Period	1.0	2.0	3.0
Defeasance for General Revenue Bonds Secured by Fares (one-time payoff of outstanding Bond balance; Metro would have paid this amount regardless of the pilot, but the pilot would require paying earlier.)	80.0	-	80.0
Bond Savings from Defeasance	(12.0)	(12.0)	(24.0)
<i>Metro Expenses, including Bond Defeasement</i>	\$ 71.6	\$ (9.0)	\$ 62.6
Grand Total Estimated Funding Gap	\$ 138.0	\$ 183.1	\$ 321.1

Budget Update (alternate view-by phase)



Direct pilot costs (excluding bond defeasance)

Budget Update (cont.)

(B) Budget Prioritization Opportunities	Preliminary Budget	
	FY22	FY23
Efficiency Savings on Bus and Rail Operating and Maintenance (O&M)	\$ 2,038.9	\$ 2,230.8
MicroTransit Pilot Evaluation	39.6	40.7
Assessment of SGR Program Modernization Need beyond Asset Condition Replacement	452.3	462.7
**5% Agency Overhead, Adm and Support Department Cost Reduction	131.9	134.9
Reallocate LIFE to Metro Pilot Pass	13.0	13.3
***Potential Savings		

Potential Savings		Notes
FY22	FY23	
\$ (40.8)	\$ (44.6)	Recommend start with 2% reduction per year through internal efficiencies; will not impact capital projects and will not degrade the quality of service, nor State of Good Repair*
(7.3)	(7.4)	Evaluate more thoroughly Micro-Transit Pilot zone by zone prior to full implementation
(37.6)	(37.0)	Align cashflow requirement based on actual expenditure rate of SGR after removing one time purchase in the past such as bus buy, New Blue and etc.
(6.6)	(6.7)	
(8.4)	(8.4)	Metro portion only
\$ (101)	\$ (104)	

- Notes:**
- *Will not impact capital projects and will not degrade the quality of service, nor State of Good Repair
 - **Ongoing discussions between Operations, FSI Task Force, OMB, and OCEO
 - ***Ongoing pursuit of cost-sharing with Transit Operators, Community Colleges, K-12 partners, and State and Federal funding assistance
 - ***Other funding possibilities for Board Consideration: Electrification program, advertisement revenue
 - *** Reconsider allowing Metro to conform to California Air Resources Board (CARB) timeline for electrification of Metro buses
 - ***Budget to be amended upon Board approval and will reflect cost-sharing agreements

Sample Internal Cost Efficiencies

Options for Budget Reductions	Examples for Departments' consideration
Efficiency Savings on Bus and Rail Operating and Maintenance (O&M)	<ol style="list-style-type: none"> 1. Condition of buses (acquisition of new buses, reduced mileage during the pandemic) should generate less maintenance costs 2. With aggressive Operator hiring, potential savings in less Operator call-backs 3. PPE costs should be less than prior year (due to completion of one-time installation of PPE equipment, plastic shields/barriers, social distancing signage)
5% Agency Overhead, Admin, and Support Department Cost Reduction	<p>Support departments: CEO Office (Customer Experience, Equity), Chief Policy Office, OEI, General Services, HC&D, Finance & Budget, VCM, IT, Risk Management, MASD, Office of Civil Rights, Communications, System Security</p> <ul style="list-style-type: none"> • Professional Services charges to General Overhead should reduce • Miscellaneous Accounts (Travel/Training/Professional Associations) <p>Total reductions to equate to 5% of General OH</p>

Process for budget adjustments to take place after Board adoption of FSI and to be implemented by August 2021.

Work Plan Development (post Board action)

- Stand up office of FSI
- Communications Plan;
- Outreach Plan
- Cost-sharing & Enrollment Coordination
 - K-12; Community Colleges; Low-Income
- Evaluation Methodology
- TAP media – distribution items
- Amending the Budget
- Pursue pilot, and potential, long-term funding
- Back-end tech development in conjunction with school/low-income partners

Next Steps

- Stand up the FSI office within the Office of the CEO
- Continue collaboration with Munis/Local Transit Operators
- Negotiations with schools/community colleges
- Ease of enrollment/registration
- Secure FTA approval for an additional five (5) months

Q&A