

**Board Report**

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**EXECUTIVE MANAGEMENT COMMITTEE  
FEBRUARY 18, 2016**

**SUBJECT: PROGRAM SUPPORT - EMPLOYER ANNUAL PASS PROGRAMS**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the **cost benefit analysis and customer satisfaction survey results for the Employer Annual Pass Programs.**

**ISSUE**

In February 2015, Staff went to the Board requesting approval for a contract to provide program support for Metro's Employer Annual Pass Program (EAPP). FY14 the EAPP generated over \$6.2 million in revenue for Metro and serves over 900 businesses with 32,000 annual TAP cardholders. The Board was pleased with the program's growth, but denied approval of the new 10 year vendor support contract and instead approved to extend the current EAPP vendor support contract which will expire March 31, 2016. At that time, a motion by the Board was approved to direct the CEO to:

- A. Extend the current EAPP support vendor contract by 9 months, (which has been completed). This vendor contract will expire on March 31, 2016.
- B. Conduct a cost/benefit analysis of adding staff (full-time equivalent, non-contract, part-time, etc.) based on historical and projected growth rates of the program, including potential consequences if staffing levels are not consistent with program growth.
- C. Conduct a customer satisfaction survey of clients, including those that chose to no longer participate in the program. These surveys were completed in March 2015.
- D. Recommend an Employer Annual Pass Program staffing plan, including but not limited to bringing the program in house, contracting out entirely, or a hybrid approach.

**DISCUSSION**

Motion 5 (Solis and Garcetti) requested that staff conduct an analysis of historical and forecasted sales data and complete two customer satisfaction surveys. The summary results are described below.

Cost Benefit Analysis

Staff conducted an historical analysis for the sales and appointment setter functions of the EAPP process. This included sales, contract management and fulfillment functions and determined productivity levels of both historical and projected sales rates of EAPP.

A.1 Sales

A 5 year historical analysis of FY2011 - FY2015 averaged \$858,884 in sales per fiscal year per 6 Senior Account Executives (Sr. AEs). Currently 6 of the 7 allocated sales positions are filled. This breaks down into:

**5 Year Historical Data (2011 - 2015) - Table 1**

	<b>Avg. New Revenue/6 Staff</b>	<b>Avg. Revenue/Year</b>
Sr. AE Sales - New Revenue	\$115,950.13	\$695,701
Sr. AE Sales - Renewal Revenue	\$742,934.10	\$4,457,605
<b>Total Sr. AE Revenue</b>	<b>\$858,884.23</b>	<b>\$5,153,305</b>

Sales productivity ratios and Metro’s current annual sales reached \$7.7 million for FY15. The current staff configuration is as follows:

**Hybrid Approach (Current) - Table 2**

	<b>Metro</b>	<b>As Needed</b>	<b>Contracted</b>	<b>Total</b>
Sales	3	1	3	7
Appointment Setters	0	0	2	2
Contract Management	1	2	0	3
Fulfillment (5 TCU & 1 TAP Manager - Non Contract)	6	0	0	6
Management	2	0	0	2
<b>Total</b>	<b>12</b>	<b>3</b>	<b>5</b>	<b>20</b>

Historical data indicates an average increase of 22% over the last 5 years from FY11-FY15 in new sales revenue, 11% in worksites and a 14% increase in tap cards. The EAPP program grew 24% in sales from \$6.2 to 7.7 million in FY15. The EAPP program has demonstrated its ability to maintain business partnerships while sustaining a 75% annual renewal rate.

**5 Year Historical Analysis Summary (2011 - 2015) - Table 3**

	<b>FY 11</b>	<b>FY 12</b>	<b>FY 13</b>	<b>FY 14</b>	<b>FY 15</b>
Revenue	\$4,330,175	\$4,310,201	\$4,877,050	\$6,252,336	\$7,778,412
Worksites	754	953	873	977	844
Tap Cards	18,950	21,453	25,606	32,000	27,464

LACMTA Audit Management recently conducted a comprehensive audit of special fare programs, including the A-TAP, B-TAP and I-TAP programs. Complete audit results are pending; however, risk assessment measures have been put in place to maintain the integrity of the EAPP program.

Due to stronger governance and increased program risk management policies and procedures that were implemented prior the 2016 EEAP renewals, the EAPP program has experienced a 10% decrease from 75% to 65% for the 2016 program renewal. Staff expects to experience a 3% growth over the next two years. A 2 year forecast at 3% growth is illustrated below, provided the program parameters remain the same:

**Current Statistics - Table 4**

FY15 illustrates all new and renewing accounts as of December 31, 2015. A 35% decrease in revenue is a direct result of increased program management policies and procedures.

	<b>FY 16</b>	<b>FY 17</b>
Revenue	\$5,056,351.00	\$5,208,041.53
Worksites	473	487
Tap Cards	18,304	18,853.12

**A.2 Sales Appointment Setters**

Metro uses 2 appointment setters (AS) through a vendor contractor (Table 2, page 2). Based on historical data and projected sales data, each Appointment Setter averages a conversion rate of secured appointments into 88 sales per year.

**B. Contract Management**

Given historical productivity of 300 contracts per staff ratios, the EAPP currently has 1 Senior Account Executives (Sr. AE) and 2 As Needed to handle 900 contracts per year (Table 2, page 2).

**C. Fulfillment**

Currently Metro has 1 Tap Manager, 1 Lead TCU and 4 TCU agents in fulfillment (Table 2, page 2). This group transitioned to Metro from Xerox in the TCU binding arbitration in the past year. This group is too new to have much historical data to project from. Staff assumptions are that productivity

improvements will keep up with sales growth.

Recommended Staffing Plan

Below is a summary of the hybrid, in-house and contracted approaches. Complete staffing plan/cost analysis and cost center/project number summary and fare per boarding summary are attached as Exhibits A-G.

Staff conducted a cost benefit analysis of 5 scenarios. Analysis includes a hybrid approach with current staff, in-house approach with current staff, contract out approach with current staff and an in house approach with 3 FTEs.

**1. Hybrid Approach with Current Staff**

	<b>Annualized Cost</b>	<b>Staff Count</b>
Program Support Vendor (Inland Transportation Service)	\$683,074.00	5
Metro FTE (Non Contract)	\$1,165,952.03	7
Metro TCU (Union)	\$481,832.00	5
As Needed/ELTP	\$135,976.76	3
<b>Total Annual Cost</b>	<b>\$2,466,834.79</b>	<b>20</b>

**2. In House Approach with Current Staff**

	<b>Annualized Cost</b>	<b>Staff Count</b>
Metro FTE (Non Contract)	\$1,761,924.03	12
Metro TCU (Union)	\$481,832.00	5
As Needed/ELTP	\$135,976.76	3
<b>Total Annual Cost</b>	<b>\$2,379,732.79</b>	<b>20</b>

**3. Contract Out Approach with Current Staff**

	<b>Annualized Cost</b>	<b>Staff Count</b>
<b>Total Annual Cost</b>	<b>\$2,129,746.40</b>	<b>20</b>

\*Metro TCU employees cannot be contracted out - Violates TCU Binding Arbitration of 2014.

**4. In House Approach with 5 As Needed**

	<b>Annualized Cost</b>	<b>Staff Count</b>
Metro FTE (Non Contract)	\$1,165,952.03	7

Metro TCU (Union)	\$481,832.00	5
As Needed/ELTP	\$400,721.76	8
<b>Total Annual Cost</b>	<b>\$2,048,505.79</b>	<b>20</b>

**5. In House Approach with 3 FTEs**

	<b>Annualized Cost</b>	<b>Staff Count</b>
Metro FTE (Non Contract)	\$1,564,532.03	10
Metro TCU (Union)	\$481,832.00	5
As Needed/ELTP	\$135,976.76	3
<b>Total Annual Cost</b>	<b>\$2,182,340.79</b>	<b>18</b>

At this time Staff is not recommending any new actions to increase staff or bring staff in house. Audit Management is currently conducting a comprehensive audit of all special fare programs, including A-TAP, B-TAP and I-TAP. Program suggestions and modifications are pending audit results.

Customer Satisfaction Survey Results - Current and Former Participants

The customer satisfaction survey for our current participants indicated very high levels of satisfaction in all three functional areas of sales, contract management and fulfillment within Metro Commute Services. On a scale of 1-10, with 1 being very poor and 10 being excellent, Sales Representatives scored an 8.86, Contract Management scored 8.60 and Fulfillment Representatives scored an 8.36.

Former participants indicated that the main reasons for not continuing participating was due to 1) not having enough employees to participate (47.22%) and; 2) not enough interested employees (11.11%).

Highlights of the survey are listed below. Complete survey is attached as Exhibit H-I. Surveys were conducted prior to the implementation of program safeguards which lessened the number of actual 2016 renewals.

- 98% plan to renew their contract with Metro next year
- 98% would recommend the program to other employers
- 92.2% of the employers who enrolled said their number one reason was because BTAP is a great benefit for their employees
- 86% of employers agree that their employees began taking public transit because of BTAP

**DETERMINATION OF SAFETY IMPACT**

These programs do not affect the incidence of injuries or healthful conditions for patrons or employees. Therefore, approval of this request will have no impact on safety.

### **Impact to Budget**

The funding source for the Employer Annual Pass Programs is Enterprise Fund operating revenues. The source of funds for this action, operating revenues, is eligible to fund bus and rail operating and expenditures.

The average annualized impact for boarding's, revenue and fare per boarding for the B-TAP and A-TAP programs for the 2014 - 2015 calendar year are as follows:

- B-TAP
  - Boarding's: 14,309,711
  - Revenue: \$5,496,260
  - Average fare per boarding: \$0.38
  
- A-TAP
  - Boarding's: 753,640
  - Revenue: \$2,104,468
  - Average fare per boarding: \$2.79

The current average agency wide fare per boarding is \$.76; however, the B-TAP program is \$.38. Even though progress has been made, the issue of revenue neutrality still needs to be addressed.

### **NEXT STEPS**

Upon completion of Audit Managements comprehensive evaluation of the Special Fares programs, Staff will report back to the Board with necessary proposed changes and new program developments such as residential, Universal Pass and affordable housing. At that time, Staff may request the addition of FTE staff in lieu of renewing a vendor contract which will save the agency approximately \$700,000. Final agency savings will be dependent on the number of additional FTE(s) required for program support.

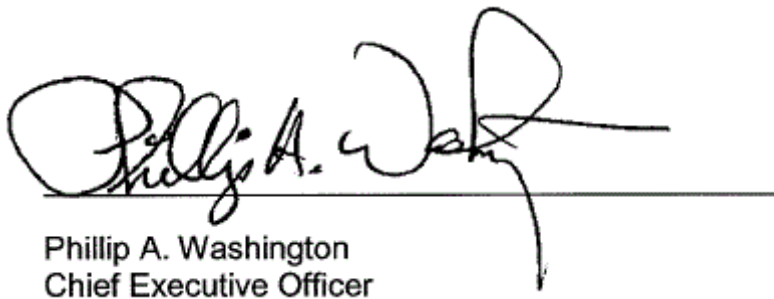
### **ATTACHMENTS**

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|-----|--------------|--|
| 1.  | Attachment A | Total Annualized Cost Summary                    |
| 2.  | Attachment B | Detailed Annualized Cost Hybrid Approach         |
| 3.  | Attachment C | Detailed Annualized Cost In House Approach       |
| 4.  | Attachment D | Detailed Annualized Cost Contract Out Approach   |
| 5.  | Attachment E | Cost Center Project Number Labor Charges Summary |
| 6.  | Attachment F | Staffing Analysis                                |
| 7.  | Attachment G | Fare Per Boarding July 2014 to June 2015         |
| 8.  | Attachment H | Current Participation Customer Survey            |
| 9.  | Attachment I | Former Participation Customer Survey             |
| 10. | Attachment J | Board Report item 3 Dated 2.18.15                |
| 11. | Attachment K | Solis & Garcetti Motion 5                        |
| 12. | Attachment L | Recap of Proceedings Item 5 Dated 2.26.15        |

- 13. Attachment M Board Report Item 20 Dated 2.20.2003
- 14. Attachment N Departmental Organizational Chart

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