



Board Report

File #: 2024-0998, File Type: Program

Agenda Number: 12.

FINANCE, BUDGET, AND AUDIT COMMITTEE NOVEMBER 21, 2024

SUBJECT: PROPOSITION A 5% OF 40% INCENTIVE GUIDELINES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. ADOPTING the revised Proposition A 5% of 40% Incentive Guidelines (Attachment A); and
- B. AUTHORIZING the Chief Executive Officer to amend existing agreements between Los Angeles County Metropolitan Transportation Authority (Metro) and Local Transit Operators to incorporate guideline amendments, and execute all necessary future agreements as pertains to this program.

ISSUE

The Proposition A 5% of 40% Incentive (Prop A Incentive) Guidelines have not been updated since 2001. Due to COVID-19 pandemic impacts, in 2021 - 2024, program participants requested revisions to the criteria that govern Prop A Incentive funding distribution. This prompted Metro staff to work with program participants to update the guidelines to reflect the changing Los Angeles County transportation landscape and accommodate funding challenges that small local operators are experiencing while maintaining their transit systems.

BACKGROUND

The Prop A Incentive Program earmarks 5 percent of the Proposition A 40 Percent Discretionary funding to promote projects that encourage the development of an integrated local public transportation system that addresses the varied transportation needs of Los Angeles County residents. This includes subregional paratransit, eligible fixed-route services, locally funded community-based transportation services and other specialized transportation services. This funding program was instituted to divert demand from costlier regional paratransit services (i.e. Access Services) by partially funding more cost-effective subregional services operated by local jurisdictions in their respective communities. An additional element of the Prop A Incentive Program consists of

small Los Angeles County operators who voluntarily report to the Federal Transit Administration (FTA) National Transit Database (NTD). These agencies are incentivized to report data in exchange for federal Section 5307 Urbanized Area Formula Grant- equivalent funding. Program expenditures are audited annually and reviewed by the Independent Citizen's Advisory and Oversight Committee (ICAOC) and the Local Transit Systems Subcommittee (LTSS).

The purpose in developing the Subregional Paratransit program element was twofold: 1) to encourage coordinated paratransit systems that are subregional in nature, and 2) to institute performance standards that promote the effectiveness of participating systems as a condition of receipt of funds.

DISCUSSION

In the current program, a base funding amount of 15% of operating costs is provided to participating jurisdictions. Up to an additional 10% of operating costs can be achieved by operators through meeting three standards: 1) cost per revenue hour test, 2) subsidy per passenger test, and 3) passengers per vehicle revenue hour test. If any of the three standards are not met, the agency's funding is reduced causing budgetary issues for participants. The rate of meeting all three standards before the pandemic went from 26% in FY19 to 15% in FY24. Most operators now fail at least one of these tests due to the impacts of the pandemic. This led to fluctuations in program funding to recipients which has made it more difficult to coordinate service and resulted in the loss of a half dozen program participants in the last decade.

In September 2023, LTSS formed the Prop A Incentive Guidelines Working Group to review program requirements and update the program to reflect current transit trends and address financial challenges coming out of the COVID-19 pandemic. The working group convened, along with Metro staff, on four occasions to develop the revised Guidelines contained in Attachment A, with redlined version in Attachment B. The Working Group proposed to remove the passengers per vehicle revenue hour test as this standard did not adequately measure the efficiency of ADA paratransit service and was the most difficult for agencies to meet. In keeping with the program purpose, the Working Group agreed that it was still important to maintain performance standards to ensure cost-effective service and NTD reporting that generates additional FTA Section 5307 funding for the region. LTSS approved the proposed revised Guidelines in September 2024 and the Technical Advisory Committee (TAC) approved them in October 2024. The agencies that make up these committees are not Prop A Incentive recipients that benefit from the revised guidelines and serve as objective and regional oversight. A letter of support for these revisions was provided by the Alliance of Local Transit Operators, see Attachment C.

The revised Guidelines would provide each participating agency increased base funding of 20% of operating costs for program participation and reporting ridership data to the National Transit Database (NTD). Agencies can receive an additional 5% of operating costs by meeting one of two standards:

1. Cost Per Revenue Hour Test

No changes were made in the calculation of this standard. To pass, an operator's total cost per revenue hour must increase no more than 110% of the Los Angeles County Consumer Price

Index, as compared to previous year, or a compounded previous 3-year period.

2. Subsidy Per Passenger Test

This standard calculation is simplified by removing the requirement to report passenger mile data and categorizing results by service type (ex. general public, subsidized taxi, etc.) which will reduce calculation errors. To pass the test, an agency's total subsidy per passenger cannot exceed 133% of the countywide median.

Metro staff assessed the financial impact of the proposed Prop A Incentive Program changes by using FY19 transit data to represent the most likely post-COVID operating conditions. Staff determined that if the revised guidelines are adopted as proposed, all program participants except one would receive 25% of their operating costs. This would increase the draw on this fund source by approximately \$736,000, which the funding pot has the capacity to cover.

DETERMINATION OF SAFETY IMPACT

Adoption of the revised Prop A Incentive Guidelines will not impact Metro's safety standards as the transit services funded by this program are operated by other agencies.

FINANCIAL IMPACT

The proposed changes to the Prop A Incentive Program will not impact the FY25 Budget. The program funds are budgeted under Cost Center 0443 and Project 410057. Since this is a multi-year program, the Program Manager will be responsible for budgeting the costs in future years and will ensure program reserves are not overdrawn.

Impact to Budget

This fund source is specifically earmarked for this program and is not eligible for Metro bus and rail operations.

EQUITY PLATFORM

Under Board-adopted guidelines, this item enables the programming of funds to recipients to support the implementation of various transportation projects throughout the county. Without this action, almost all participating jurisdictions noted in Table 1 of the proposed Guidelines would receive less funding from the program to operate their paratransit services due to the inability to meet the current program standards, and many may be forced to reduce their service operations. Approval of this item would enable more sustained funding to program recipients that provide paratransit services primarily to disabled riders and older adults, though some services provide general public community transportation as well. Of the 49 participating jurisdictions, 36 have residents residing in Equity Focus Communities.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports the following Vision 2028 Strategic Plan Goals by providing funding for essential local transit systems throughout the county:

Goal 1: Provide high-quality mobility options that enable people to spend less time traveling.

Goal 3: Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

Should the Board choose not to approve the recommendations above, which staff does not recommend, small transit systems throughout Los Angeles County that take the pressure off Access Services and provide essential transit to underserved residents, could lead to operational funding deficits of these programs and the eventual termination of these transit systems. Further, the revised guidelines follow the intent for which the program was developed in the provision of funding for intra-community public transportation services for paratransit and specialized transit services. The streamlining of performance measures allows agencies to continue this valuable service but still promotes the effective use of funds by maintaining performance standards.

NEXT STEPS

Upon adoption, staff will execute amendments to existing funding agreements with participating agencies and incorporate the program changes into future program funding agreements.

ATTACHMENTS

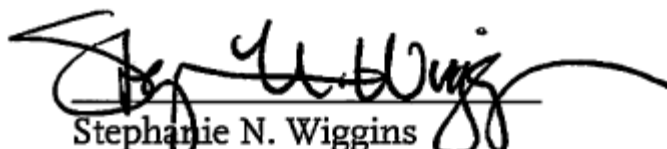
Attachment A - Proposed Proposition A Incentive Program Guidelines

Attachment B - Proposed Proposition A Incentive Program Guidelines Redlined Version

Attachment C - Alliance of Local Transit Operators - Letter of Support

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