



Board Report

File #: 2018-0099, File Type: Program

Agenda Number: 20.

PLANNING AND PROGRAMMING COMMITTEE APRIL 11, 2018

**SUBJECT: METROLINK SAN BERNARDINO LINE (SBL)
25 PERCENT FARE DISCOUNT SIX-MONTH PILOT
PROGRAM**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING the Metrolink San Bernardino Line 25% Fare Discount Six-month Pilot Program;
- B. PROGRAMMING up to \$2 Million in prior year Proposition C 10% surplus funds for FY 2018-19 funding only for the Metrolink SBL 25% Fare Discount Six-month Pilot Program; and
- C. AUTHORIZING the CEO to enter into all agreements necessary to implement the Metrolink SBL 25% Fare Discount Pilot Program.

ISSUE

In January 2018, Directors Solis, Najarian, Barger, Krekorian and Fasana directed the Chief Executive Officer to work with the Southern California Regional Rail Authority (SCRRA) and San Bernardino County Transportation Authority (SBCTA) to develop a strategic plan to implement a Fare Discount Pilot Program to better understand the potential impact to ridership and demand for additional service on SBL and report back in 90 days (refer to Attachment A-Metro Board Motion #44). In partnership with SBCTA and collaboration with SCRRA, staff is returning to the Board with recommendations to implement a six-month 25% “across-the-board” Fare Discount Pilot Program on the Metrolink San Bernardino Line (SBL), to start as early as July 2018.

DISCUSSION

The Metrolink SBL had the highest ridership in the Metrolink regional commuter rail system historically until 2016. Since then, over the past five years, the SBL has continued to experience a steady decline with an average drop of 16% in ridership. Currently, there is an excess seating capacity of up to 69% during non-peak weekday period and up to 75% on weekends. Factors contributing to ridership loss on the Metrolink SBL include low fuel prices, increased car ownership, service reliability and on-time performance issues, in addition to a 27% ridership loss at the Metrolink

Covina Station since the Gold Line was extended to Azusa in March 2016.

METROLINK AVERAGE WEEKDAY BOARDINGS BY FISCAL YEAR							
Line	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18 *	CHANGE FY 18 VS. FY 13
San Bernardino	11,426	10,796	10,436	10,443	9,721	9,580	-16%
Ventura County	4,608	4,454	4,434	4,383	4,377	4,410	-4%
Antelope Valley	5,460	5,156	4,978	5,731	6,044	6,332	16%
Riverside	4,625	4,409	4,148	4,109	4,050	4,091	-12%
Orange County	9,918	9,649	9,697	10,147	10,369	10,414	5%
I/EOC	4,558	4,961	4,866	5,158	5,111	4,943	8%
91/PVL	2,777	2,715	2,674	2,866	3,258	3,282	18%
Total:	43,372	42,140	41,233	42,837	42,930	43,052	-1%

* budgeted/projected

Metrolink SBL 25% Fare Discount Six-month Pilot Program

In response to the continued ridership loss on the SBL, SCRRA staff has been considering a multi-pronged customized ridership strategy for the SBL, to consist of: 1) fare reductions; 2) service enhancements; and, 3) improving the customer experience.

In partnership with SBCTA, staff worked with SCRRA to prepare a fare reduction feasibility proposal for the Metrolink SBL that consists of 25%, 20%, 15% and 10% discounts with an increase of ridership projections for each level of discount. Due to the highest potential increase of ridership and given the success a similar discount program on the Metrolink Antelope Valley Line, staff is recommending a 25% fare discount program with a projected ridership increase of approximately 413,000 new riders in the first year.

SAN BERNARDINO LINE FARE REDUCTION IMPACT (SCRRA Analysis)				
	25%	20%	15%	10%
Revenue (millions)				
FY 19 Base (pre-discount revenue)	\$ 20.39	\$ 20.39	\$ 20.39	\$ 20.39
Revenue Loss From Discount	\$ (5.10)	\$ (4.08)	\$ (3.06)	\$ (2.04)
New Rider Revenue	\$ 2.37	\$ 1.93	\$ 1.47	\$ 0.99
Total Discount Effect	\$ (2.73)	\$ (2.15)	\$ (1.59)	\$ (1.05)
Program Expenses	\$ (0.43)	\$ (0.43)	\$ (0.43)	\$ (0.43)
Subsidy Required (millions)	\$ (3.16)	\$ (2.58)	\$ (2.02)	\$ (1.48)
Ridership (thousands)				
FY 19 base (pre-discount ridership)	2,667.8	2,667.8	2,667.8	2,667.8
New Riders (FY 19)	412.7	314.9	225.8	144.3
Post-Discount Ridership	3,080.5	2,982.7	2,893.6	2,812.1
Change (thousands)	412.7	314.9	225.8	144.3
Assumptions:	discount valid for all SBL station pairs no fare reciprocity with Riverside Line changes in revenue and ridership from Riverside Line switching to the SBL and unknown at this time and not accounted for elasticity calculations based on CH2M analysis			

To date, SCRRA has implemented two 25% fare discount pilot programs, the Metrolink Antelope Valley Line (AVL) in Los Angeles County and the Metrolink Perris Valley Line in Riverside County.

Based on the success of these two fare discount programs, the SBCTA Transit Committee approved the SBL 25% Fare Discount Pilot Program with a recommendation for approval to their Board of Directors on April 4, 2018.

With the recommended approval, staff will work with SBCTA and SCRRA to develop a work plan and implement a temporary promotional 25% fare discount for six months to begin as early as July 2018. Staff will also work with SCRRA and SBCTA to evaluate a federal Title VI study that requires all fare changes to be evaluated for equity impacts should the promotional 25% fare discount extend beyond the six-month pilot period. Depending upon preliminary ridership and revenue impacts, staff will report to the Board by February 2019 with a recommendation to terminate, modify or extend the Metrolink SBL 25% Fare Discount Six-month Pilot Program.

Motion #44 acknowledged the success of the AVL 25% Fare Discount Pilot Program, as an opportunity to implement a similar program to increase ridership and revenues on the SBL.

Metrolink AVL 25% Fare Discount Pilot Program

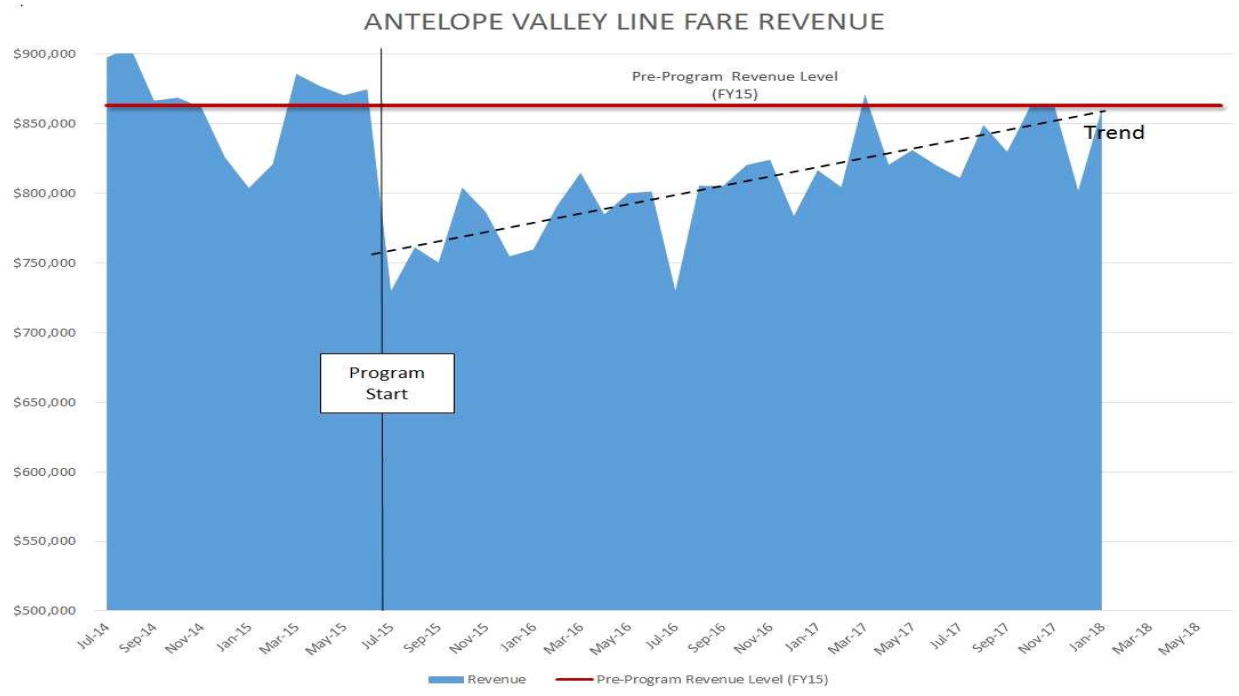
In April 2015, the Board approved a motion to reduce fares 25% on the Metrolink AVL. Since that program’s launch in July 2015, the AVL Fare Discount Pilot Program has been successful in growing ridership on the AVL, with a projection of up to 33% higher ridership than pre-program levels by June 2018.

ANTELOPE VALLEY LINE 25% FARE DISCOUNT PROGRAM – RIDERSHIP				
25% Fare Subsidy	FY 15 (Before)	FY 16	FY 17	FY 18 *
Annual Ridership	1,338,121	1,553,019	1,701,353	1,776,695
% change from FY 15		16%	27%	33%
* projected				

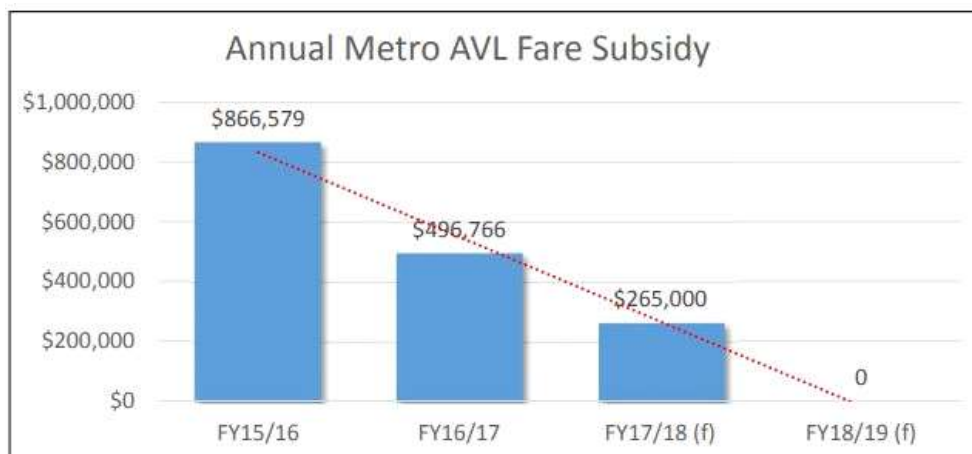
Several key findings have emerged regarding the growth in AVL ridership:

- The strongest response has been from infrequent riders, with an increase in one-way and round trip sales of 23%
- Many of the new riders have become regular riders. Monthly pass sales are up at a higher rate than the overall growth rate on the AVL.
- Student and youth ridership continues to be very strong, up 35% in FY 16 and an additional 18% in FY 17.
- Short distance ridership (less than 20 miles) increased 12% in FY 17.

Due to the strong ridership growth on the AVL, fare revenue is almost at pre-program levels, and is projected to break even by Summer 2018.



Although Metro has programmed \$5.462 million for the AVL Fare Discount Program, Metro has spent less than \$2 million and is not anticipating any further subsidy in FY 19.



Attachment B provides a Metrolink evaluation of the AVL Fare Discount Pilot Program, 30 months since the program’s implementation.

DETERMINATION OF SAFETY IMPACT

This is a programming and fare reduction action which has no impact on safety.

FINANCIAL IMPACT

The recommended approval authorizes a six month pilot program, July 2018 through December 2018 with a cost not to exceed \$2 million for FY 19. Based upon the success of the AVL 25% Fare Discount Pilot Program and fare elasticity analysis conducted by SCRRA, staff anticipates that ridership will grow the first year at 15% and continue to grow thereafter. Due to the revenue growth associated with strong ridership, the revenue loss will be less per year, FY 19 thru FY 22, until breaking even, and then starting to generate positive revenue in FY 23. Should the SBL 25% Fare Discount Six-month Pilot Program be approved by the SCRRA board to go forward as an ongoing program, the four-year cost to Metro is anticipated to be \$4,190,969 before the program breaks even, and no additional Metro subsidy would be required thereafter.

SAN BERNARDINO LINE 25% FARE DISCOUNT PILOT PROGRAM – PROJECTION FROM METROLINK						
	FY 19	FY 20	FY 21	FY 22	FY 23	FY 19 - FY 22 REQUIRED SUBSIDY TOTAL
Pre-Discount Revenues	\$ 20,390,386	\$ 20,390,386	\$ 20,390,386	\$ 20,390,386	\$ 20,390,386	\$ 81,561,544
Post-Discount Revenues	\$ 17,658,592	\$ 18,364,936	\$ 19,099,533	\$ 19,863,515	\$ 20,658,055	\$ 74,986,576
Effect of Discount	\$ (2,731,794)	\$ (2,025,450)	\$ (1,290,853)	\$ (526,871)	\$ 267,669	\$ (6,574,968)
Program Expenditures *	\$ (431,000)	\$ -	\$ -	\$ -	\$ -	\$ (431,000)
Subsidy Required	\$ 3,162,794	\$ 2,025,450	\$ 1,290,853	\$ 526,871	\$ (267,669)	\$ 7,005,968
Metro Subsidy (59.82%)	\$ 1,891,983	\$ 1,211,624	\$ 772,188	\$ 315,174	\$ (160,120)	\$ 4,190,969
SBCTA Subsidy (40.18%)	\$ 1,270,811	\$ 813,826	\$ 518,665	\$ 211,697	\$ (107,549)	\$ 2,814,999

* marketing, TVM programming, Title VI analysis

SBCTA Cost-Sharing

The operating costs and revenues for the SBL are shared between Metro and SBCTA. Metro provides 59.82% of the costs to operate the SBL, and SBCTA provides 40.18% of the costs to operate the SBL. Per the Board motion, Metro and SBCTA staff worked closely to collaborate and partner on the cost sharing for the SBL Fare Discount Six-month Pilot Program. The SBCTA Board is supportive of the 25% Fare Discount Six-month Pilot Program, and has recently allocated funds for the SBL Fare Discount Six-month Pilot Program (Attachment C).

Impact to Budget

Staff is proposing to fund the SBL 25% Fare Discount Six-month Pilot Program from prior year deferred revenues and operating surpluses that are currently on hand with Metrolink. Currently Metrolink has \$14.9 million of Metro surplus funds. After applying the \$2 million in funds for the SBL 25% Fare Discount Six-month Pilot Program, approximately \$12.9M would remain in deferred revenues that can be used to fund extension of the program, Metrolink Operations, rehabilitation/state of good repair, or other items the Metro board may deem to be of high priority.

METRO DEFERRED REVENUES CURRENTLY ON HAND WITH SCRRA	
FY 16 Operations Surplus	\$ 5,326,925
FY 17 Operations Surplus	\$ 3,529,011
Misc. Prior Year Deferred Revenue	\$ 6,047,072
Subtotal:	\$ 14,903,008
SBL 25% Fare Reduction Six Month Pilot Program	\$ 2,000,000
Total Remaining that can be reprogrammed for TBD:	\$ 12,903,008

Metro is currently carrying a negative fund balance of Proposition C 10% and Measure M 1% funds available to support Metrolink Operations. This negative fund balance is projected to continue until it

grows positive in FY 25. Funding for Metrolink Operations is constrained, and the deferred revenue funds could be used to offset the negative funding balance for Metrolink Operations.

ALTERNATIVES CONSIDERED

One alternative is to not implement a SBL Fare Discount Six-month Pilot Program. This is not recommended due to the success of the AVL Fare Discount Pilot Program, the anticipated ridership growth, and the funding support of SBCTA.

A second option is to offer a reduced discount program of 20%, 15% or 10%. This is not recommended since SBCTA has approved their 25% discount commitment and ridership growth will be significantly less than 25% discount.

NEXT STEPS

Metro will work with Metrolink staff to initiate a marketing campaign to promote the SBL 25% Fare Discount Six-month Pilot Program. The pilot program is targeted to start on July 1, 2018. Ridership, revenues and other impacts will be monitored monthly by SCRRA staff.

Staff will continue to provide updates to ridership and revenues via the Regional Rail Quarterly Report this Fall. Depending upon preliminary ridership and revenue impacts, staff will report back to the Board by February 2019 with a recommendation to terminate, modify or extend the Metrolink SBL 25% Fare Discount Six-month Pilot Program.

ATTACHMENTS

Attachment A - Metro Board Motion #44

Attachment B - Metrolink Staff Report/Evaluation of AVL Fare Discount Program

Attachment C - SBTCA Staff Report

Prepared by:

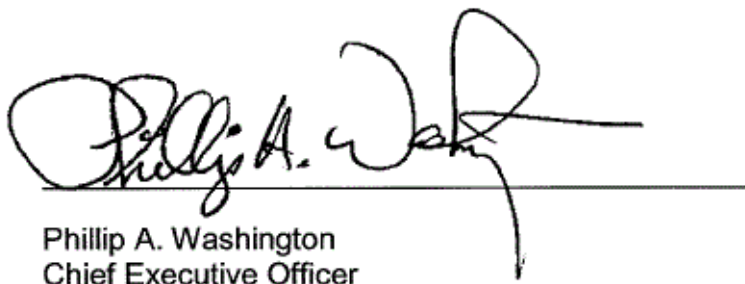
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