



Board Report

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OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE SEPTEMBER 21, 2023

SUBJECT: MICROTRANSIT PILOT PROJECT - PART B

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

AUTHORIZE the:

- A. extension of the MicroTransit Pilot Program to allow the project team to move forward with a new operational business model to improve overall performance and support a more sustainable on-demand transit service program as outlined in Attachment G;
- B. Chief Executive Officer (CEO) to execute Modification No. 11 to Contract No. PS46292001 with RideCo., Inc., for the MicroTransit Pilot Project to extend the period of performance from October 1, 2023, through September 30, 2024, in an amount not to exceed \$14,120,992, increasing the Total Contract Value from \$43,225,766 to \$57,346,758; and
- C. CEO to negotiate and execute a contract modification to extend Contract No. PS46292001 with RideCo, Inc., for an additional six months, if necessary, from October 1, 2024 through March 31, 2025, for demobilization, mobilization and deployment efforts utilizing funds to be requested during future fiscal year's budget process.

ISSUE

The MicroTransit Pilot (MTP) has faced several challenges, such as an unsuited business model and the impact of COVID-19. Despite these challenges, staff recognizes the program's potential benefits and highly recommend extending the pilot to more accurately assess its effectiveness. The MTP Part B contract expires on September 30, 2023. This modification extends the current contract to allow the project team to develop new solicitation packages scheduled for release in Fall 2023 for MicroTransit service based on the improved business model. Without this extension, MicroTransit service would need to be suspended at the conclusion of the current contract extension, lasting until the new business model is implemented.

BACKGROUND

MicroTransit combines technology and operational approaches to provide flexible, on-demand transit

service. Passengers using MicroTransit enjoy flexible pick-up and drop-off locations and times. Instead of using a fixed schedule and route for each driver and vehicle, customers seeking to travel within a service zone are matched with drivers using a smartphone application, phone dispatch service, and/or website.

On February 27, 2020, the Metro Board of Directors awarded Contract No. PS46292001 Part B to RideCo, Inc. to implement and operate the MTP service. The intent of the MTP was to test the viability of a flexible on-demand service in terms of impacts on ridership, equity, accessibility (first/last mile), workforce development, and as a cost-effective alternative to underperforming fixed route services. The current MTP annual cost is approximately \$31M (\$16M contract cost and \$15M for SMART, AFSCME, and Management Labor & Overhead).

The first two Micro Zones were Watts/Willowbrook and LAX/Inglewood, deployed in December 2020. Within 45 days, the Pilot was expanded to incorporate the MOD/Sandbox Pilot adding three more zones covering Compton/Artesia, El Monte, and North Hollywood/Burbank. In June 2021, Highland Park/Eagle Rock/Glendale and the Altadena/Pasadena/Sierra Madre Micro Zones were implemented, followed by the Northwest San Fernando Valley Micro Zone in September 2021. The Compton/Artesia Zone was also merged into the existing Watts/Willowbrook Micro Zone in that same month of September. The UCLA/Westwood/VA Medical Center Micro Zone was added in December 2021 to create a total of eight Micro Zones, all deployed within one year. Today, within the eight zones as displayed in Attachment E, the MTP provides coverage in 21 cities as well as several unincorporated Los Angeles County communities across 165 square miles.

To ensure the goals of the service launch, the MTP was coupled with the NextGen Bus Plan as a key ridership initiative to drive usage by current and new customers. As such, the MTP programming was synchronized and, ultimately, implemented to help replace low-performing fixed-route Metro bus services. Replacing fixed-route bus services with the MTP was seen as a way to resolve changes to the network while improving transit access for residents in the areas served by these low-performing bus routes. In total, fourteen routes were partially or fully replaced by the MTP.

In March 2023, the Board approved a six-month extension to the existing contract with RideCo, Inc. to continue the pilot operation and evaluation of MicroTransit. During this time, staff continued to optimize the deployment of operators and vehicles, as well as the software and dispatch rules, including automatic booking limits, improving on-time performance, and time snapping. Staff also completed an evaluation of the MicroTransit pilot, and researched other MicroTransit deployments across the country to determine the best path forward for the program, both were presented to the Board at its July 2023 meeting.

DISCUSSION

From a service perspective, the MTP has several major goals, including focusing on the customer experience and ease of use, improved connections to the larger Metro system and local and regional operators, addressing inequities in the availability and affordability of on-demand ride-hailing offered by private companies, which are often less available in communities of color and areas with lower median household incomes, and providing service throughout areas with low-performing Metro bus lines removed in the NextGen systemwide bus network redesign. The original MTP zones were

developed through a separate, but parallel planning process with NextGen. The MTP zone development aimed to identify areas that had specific use cases to test, were not duplicative of productive fixed route service, and aimed to address inequities in the availability of on demand service in equity focused communities. As the MTP and NextGen planning process were coming to a close, the plans were compared and adjusted to ensure coordination of service and consistency in service priorities between MTP and fixed route bus. Therefore, some of the MTP zones were revised to account for discontinued unproductive fixed route bus service.

Replacing Underperforming Fixed Route Bus Service:

As stated earlier, MicroTransit was partially implemented to replace underperforming fixed route bus service discontinued as part of the NextGen bus network redesign project. As shown in the table in Attachment E, the total value of savings of the discontinued bus service is about \$20.5 million per year in operating costs.

The annual cost of the MicroTransit program is \$31 million, which includes \$16 million in Contract cost and \$15 million in Metro Labor and overhead. Deducting the NextGen service reductions of \$20.5 million from the total cost, the adjusted cost of operating MicroTransit is \$10.5 million per year. Therefore, after removing \$2 million in capital costs from the contract, the net cost of operating MicroTransit is \$8.5 million per year.

The 12-month contract extension requested in this report will allow staff to complete the following:

Continue the MTP but with Operational Changes

One way to partially achieve the original MTP goals and work toward achieving performance measures would be to discontinue or curtail service in some Micro Zones and concentrate as well as conserve resources in the remaining Zones. Additional steps could be taken such as:

- Incrementally raising fares to the original planned fare of \$2.50 (current MTP fares are \$1 per trip as an introductory fare)
- Shifting operating costs to capital costs to reduce operating costs and improve overall financial viability
- Streamlining operating hours (current MTP hours of operation are generally from 5 am to 11 pm) to address the demand for more service levels during high demand periods as indicated by failed search percentages
- Structuring future contracts with better accounting for time-of-day and performance delivery to remain useful to customers and cost-effective for Metro
- Discontinuing or curtailing service in some low-performing Metro MicroTransit zones with consideration of continued service in zones where bus lines were eliminated/reduced due to NextGen

Implement a New Business Model

Staff is working towards achieving the performance and cost efficiency goals through a new business model. Using the information from the MTP evaluation and peer agencies comparison, Metro will be able to reduce the current per trip cost to \$20-\$25. The concepts for the MicroTransit Operational Model are outlined in Attachment G.

DETERMINATION OF SAFETY IMPACT

Ongoing operations of the MTP through this extension are not anticipated to adversely impact safety.

FINANCIAL IMPACT

Funding for Contract No. PS46292001 in the NTE increase amount of \$14,120,992 for the FY24 is allocated under Cost Center 3595 - MTP Operations, Project 309001, Operations Department Strategic Initiatives.

Since this is a multi-year contract, the Executive Officer, Transit Operations - Strategic Initiatives will be accountable for budgeting the cost in future years.

Impact to Budget

The sources of funding for this action include Proposition A, Proposition C, Measure R, Measure M, TDA, and STA. These funds are eligible for bus operations.

EQUITY PLATFORM

The MTP sought to also address inequities in the availability and affordability of on-demand ride-hailing services offered by private companies, which are often less available in communities of color and areas with lower median household incomes. Part of this effort included asking appropriate questions in our April/May 2023 Mode Shift Survey that examined how we can provide better availability and affordability through the MTP program.

To generate the broadest sample possible, the survey was issued through three methods: (1) an online survey, announced via email in English and Spanish; (2) an on-board survey conducted by bilingual outreach personnel in English and Spanish; and (3) a telephone survey in English and Spanish of people booking through the Metro Call Center in September 2022 who opted-in to be contacted. A total of 2,875 Metro MicroTransit customers completed surveys. The survey was available in English and Spanish. The completion rate for English-language individuals was 80%, and the Spanish-language completion rate was 78%. 95% (n=2733) of the surveys were completed in English, and 5% (n=142) were completed in Spanish.

Initial survey results indicate:

- More than half of respondents identified as female (53%), 40% identified as male, 3% as non-

- binary, and 0.3% as other gender
- Compared to Metro customers overall, Metro Micro users identified as Asian/Native Hawaiian/Pacific Islander (18% vs. 7% overall) and White/Caucasian (28% vs. 12% overall), compared to riders identifying as Black/African American (10% vs 14% overall) or Hispanic/Latinx (40% vs 58% overall)
- Compared to overall Metro customer household income, Metro Micro users identified as under \$15,000 (19% vs 39% overall), \$15,000-\$24,999 (14% vs 23% overall), \$25,000-\$49,999 (19% vs 21% overall), compared to \$50,000-\$99,999 (16% vs 11% overall) or \$100,000 or more (13% vs 6% overall)

While all Metro MicroTransit zones contain EFCs, there is a range of EFC coverage among zones. This coverage can be found in Attachment F EFC Coverage Among Zones.

For context, 31% of the land area of the eight Metro MicroTransit zones are in EFCs.

Metro staff continues to monitor changes to daily operations for equity-related impacts.

As the MTP seeks to increase ridership and efficiency with an eye toward reducing cost per boarding, Metro staff will be conscious of the potential impacts on equity.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The MTP supports strategic plan goals #1.2 and 2.3: Metro MicroTransit is an investment in a world-class transportation system that is reliable, convenient, and attractive to more customers for more trips. Metro MicroTransit was designed to improve customer satisfaction at customer touch points by offering an accessible, flexible service that better adapts to customer demand and needs.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the recommended action(s). This alternative would cease revenue service operations for the communities and neighborhoods that utilize MTP for essential trips, including:

- Loss of population access to transit for nearly 350,000 residents, including in EFCs and loss in first/last mile connections as currently 19% of Metro Micro customers connect to fixed route transit using the new offering
- Loss of potential new customers as 11% of Metro Micro customers are new to Metro
- Loss of a well-liked transit service with a 4.8 out of 5 customer rating
- Loss of jobs/pathways for existing and new operators

In addition, staff will need to recommend mitigations to the Board to consider for replacement service in areas where MTP was used to replace unproductive fixed route bus service.

NEXT STEPS

Upon Board approval, staff will execute Modification No. 11 to Contract No. PS46292001 with RideCo, Inc.

Staff will move forward with the implementation of the business model concepts that were derived from lessons learned. The new model appropriately assigns risk and responsibilities to Metro and the private sector by using expertise to maximize cost efficiency, service quality, innovation, and productivity.


Staff will come back to the Board with a recommendation for a new contract award based on the new business model for an optimized MicroTransit program that is expected to provide a more cost-competitive solution and efficient operation.

ATTACHMENTS

- Attachment A - Procurement Summary
- Attachment B - Contract Modification/Change Order Log
- Attachment C - DEOD Summary
- Attachment D - MicroTransit Zones Map
- Attachment E - NextGen Bus Route Mitigations
- Attachment F - EFC Coverage Among Zones
- Attachment G - MicroTransit Operations Model Concepts

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