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**AD HOC CONGESTION PRICING COMMITTEE  
JANUARY 16, 2013  
SYSTEMS, SAFETY AND OPERATIONS COMMITTEE  
JANUARY 17, 2013**

**SUBJECT:       FASTRAK MONTHLY ACCOUNT MAINTENANCE FEE****ACTION:        RECEIVE AND FILE****RECOMMENDATION**

Receive and File the analysis of the elimination of the monthly FasTrak account maintenance fee.

**ISSUE**

At its December 13, 2012 Board meeting, Director Yaroslavsky introduced a motion for the elimination of the \$3 FasTrak monthly account maintenance fee. The motion will be considered by the full Board at its January 24, 2013 meeting. This report summarizes the advantages and disadvantages including the cost impact of the elimination of this fee.

**BACKGROUND**

All motorists traveling on the 110 ExpressLanes are required to have a pre-paid FasTrak transponder. The amount to open a FasTrak account and receive a transponder is \$40 with a credit/debit card. The transponder deposit is waived. Should customers choose to use the ExpressLanes as a toll-paying customer the toll is deducted from the \$40 pre-paid toll balance. Any remaining toll balance is refunded to the customer when their account is closed in good standing and they return the transponder in good working condition.

Since the \$40 in pre-paid tolls serves as a customer deposit with the toll system operator, these funds are not available to Metro to offset expenses unless and until the customer pays a toll when traveling alone on the 110 ExpressLanes or pays administrative fees. Per State law, the customer can also use the Metro issued FasTrak transponder to pay a toll on toll facilities throughout the State. When this occurs, Metro deducts the toll from the customer's account and wires the funds to the respective toll facility. This function streamlines the toll payment process for the customer and provides a key benefit for the customer of only needing to establish a single account

and transponder to use any FasTrak facility; customers are not required to maintain multiple accounts with various agencies.

Comparison with other Toll Facilities in California

Other agencies across the State have concluded that a significant percentage (30% on average) of customers will open FasTrak accounts and rarely/never use them on their toll facility while the agency incurs costs associated with maintaining the account without receiving the corresponding congestion relief benefit. As a result, four out of the five toll agencies across the State have implemented the monthly account maintenance fee to ensure every customer pays their fair share for the cost of maintaining the account, either by actually using the tolled facility or by paying the fee.

Serving as a financial clearinghouse due to diversion has been a concern in the State as demonstrated by the fact that three of the toll facilities (TCA, SANDAG, and South Bay Expressway (now part of SANDAG)) initially opened their facilities without a monthly account maintenance fee. Within a few years of operating, all three facilities implemented the monthly account maintenance fee because of the need to manage rising operating costs incurred with inactive/infrequent account users. As an example, last year the Orange County facilities generated between \$6 million and \$9 million from the account maintenance fee, significantly offsetting the cost of inactive/infrequent users.

As illustrated in *Table 1* below, Metro's monthly account maintenance fee is similar to the other toll facilities in California in that it is based on usage and offers an incentive -- four one-way trips (any combination of driving alone, carpool, vanpool, motorcycle, or transit) in a month on the Metro ExpressLanes waives the fee. The fee is also automatically waived for LA County low income commuters enrolled in the Equity Plan.

**Table 1**

Agency	Has Fee Policy?	How Are Fees Assessed?	Standard Fee Amount (\$)	Offers Incentive?	Monthly Fee is Waived if:
TCA	Yes	Per Account	\$2.00 per mo	Yes	Tolls Exceed \$25 per mo
OCTA	Yes	Per Account	\$7.00 per mo	Yes	Tolls Exceed \$7 per mo
SANDAG	Yes	Per Account	\$4.50 per mo	Yes	Tolls Exceed \$4.50 per mo
METRO	Yes	Per Account	\$3.00 per mo	Yes	4 one-way trips per mo (regardless of toll amount)
BATA*	No	--	--	--	--

\*The Bay Area Toll Authority (BATA) does not charge a monthly account maintenance fee to its more than one million FasTrak accounts. BATA serves as the regional toll operator for all of the facilities in the Bay Area (7 toll bridges and 2 Express Lane facilities) which creates economies of scale. More than two million transponders are distributed in the Bay Area. Contrast this with

Southern California where there are 4 separate toll agencies with less than 2,000,000 transponders issued among them combined. Further, BATA receives a greater percentage of toll revenue from all of their account holders since they charge two-person carpools a toll on all seven bridges. Conversely, the majority of Metro ExpressLane users on the 110 are carpools and are not charged a toll and therefore Metro does not receive revenue from these accounts.

Purpose of the Monthly Account Maintenance Fee

There is a cost incurred by Metro associated with issuing a transponder for each vehicle and there is also a cost for maintaining the FasTrak account, as indicated in *Table 2* below.

Table 2

<b>Metro Costs Associated with an Account</b>	<b>Monthly</b>
Transponder Depreciation (\$20/3 years)	\$0.18
Customer Service Center Support (\$206k per mo/76k accounts)	\$2.82
<b>TOTAL</b>	<b>\$3.00</b>

Operating a sustainable business model that generates net toll revenue for the ExpressLanes is among one of the key critical success factors of the program. The \$3 monthly account maintenance fee was approved by the Board at its April 2010 meeting. The monthly fee concept was developed to encourage customers to maintain an account with the Agency where they are regular users and to recover some of the costs incurred for the account.

Advantages of Elimination of the Monthly Account Maintenance Fee

***Increase in FasTrak Adoption by Infrequent Users***

Metro has received complaints from members of the public who acknowledge that they will not likely use the Metro ExpressLanes often enough to waive the fee and therefore have chosen not to opt-in to the Program. Eliminating the monthly account maintenance fee will encourage the participation of infrequent users, thereby increasing the rate of FasTrak adoption.

Disadvantages of Elimination of the Monthly Account Maintenance Fee

***No Net Toll Revenue Generated for the 110 ExpressLanes***

Currently, gross toll revenue is estimated at \$18-\$20 million annually, with approximately \$10 million estimated for operations and maintenance. The balance is a net toll revenue estimate of \$8-10 million to be reinvested in the corridor where generated in transit (capital or operations) and/or carpool lane improvements. This is a key sustainability element of the Program to provide ongoing reinvestment in congestion relief to the corresponding corridor communities. The elimination of the monthly account maintenance fee would increase Metro's operating costs by a minimum of approximately \$7 million annually (split between the 110 and 10), resulting in significantly (70%) less net toll revenue available for reinvestment in the 110 and 10 corridors. Further, since the 110 is forecast to generate less toll revenue than the 10, the elimination of the \$3 account maintenance fee is expected to increase operating

expenses such that there will be no net toll revenue generated for the 110 ExpressLanes.

***Increase in FasTrak Accounts Without Congestion Relief Benefit***

By creating a monthly account maintenance fee structure that is similar with other California agencies, Metro reduces the risk that the public will enroll with any one agency over the other and thus cannibalizing any existing program. For example, if Metro established too low of a fee, customers within and outside of Los Angeles County may opt to open up their account under Metro’s program but not use the 110 or 10 ExpressLanes. As a result, Metro would serve as a financial clearinghouse and be responsible for the administrative cost associated with managing that account but not receive the matching revenues nor the congestion relief and emission reduction benefit.

As *Table 3* below illustrates, the main driver of the \$6.9 million increase in operating costs due to the elimination of the monthly maintenance fee is the ongoing monthly expense associated with maintaining inactive/infrequent accounts where toll revenue is not received by Metro. The calculation is based upon the current pool of local FasTrak accounts of 644,931, multiplied by 30% (the average percent of inactive/infrequent customer accounts likely to divert to Metro). This yields an estimate of more than 193,000 new inactive/infrequent FasTrak accounts to Metro. Metro would be charged \$3 per month for each infrequent account, resulting in an operating expense increase of \$6.9 million over 12 months.

**Table 3**

Agency	Has Fee Policy?	How Are Fees Assessed?	Standard Fee Amount	Current Accounts
TCA	Yes	Per Account	\$2.00 per mo	416,000 (as of 9/30/12)
OCTA	Yes	Per Account	\$7.00 per mo	112,973 (as of 9/30/12)
SANDAG	Yes	Per Account	\$4.50 per mo	46,727 (as of 10/31/12)
METRO	Yes	Per Account	\$3.00 per mo	69,231 (as of 12/13/12)
<b>Total Current Accounts</b>				<b>644,931</b>
<b>Potential Pool (30% of total accounts)</b>				<b>193,479</b>
<b>Potential New Costs to Metro (Accounts x \$3.00 per month for 1 yr)</b>				<b>\$6,965,255</b>

Additional operating costs associated with elimination of the monthly account maintenance fee are estimated at \$250,000 for customer communication such as re-printing customer materials including applications, terms and conditions, brochures and information material, and re-training of staff.

**DETERMINATION OF SAFETY IMPACT**

There is no safety implication related to this Board Report.

## **ALTERNATIVES CONSIDERED**

While it is not recommended that the monthly maintenance fee be eliminated for the reasons outlined in this report, the Metro Board could consider the following to address the significant increase in operating costs associated with elimination of the monthly account maintenance fee:

- Authorize the use of Prop C 25% highway funds to serve as a contingency for elimination of the monthly fee from the ExpressLanes operation. However, Prop C 25% is currently programmed for highway projects. Any reallocation would delay a highway project.
- Increase the toll rates. The current range is \$0.25 per mile to \$1.40 per mile. Any increase to the toll rates would require a public hearing and would take up to four months to implement.
- Reduce the amount of the monthly account maintenance fee. This would still increase Metro's operating costs but not as much as the full elimination of the fee.
- Implement the monthly account maintenance fee as planned and reevaluate the need for the fee after the end of a 120 day period to ensure an analysis of Metro ExpressLane user data.

## **NEXT STEPS**

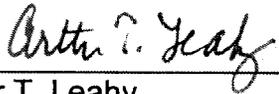
The full Board will consider the motion to eliminate the monthly account maintenance fee at the January 24, 2013 meeting. If approved, staff will report back to the February Board with a request to increase the Life of Project Budget, increase the FY13 budget, and amend the current contract with the toll systems operator.

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