

**Metro**Los Angeles County  
Metropolitan Transportation AuthorityOne Gateway Plaza  
Los Angeles, CA 90012-2952213.922.2000 Tel  
metro.net**REGULAR BOARD MEETING  
JANUARY 23, 2014****SUBJECT: PUBLIC HEARING FOR FARE RESTRUCTURING****ACTION: SCHEDULE A PUBLIC HEARING DATE ON MARCH 29, 2014;  
AUTHORIZE PUBLICATION OF LEGAL NOTICE****RECOMMENDATION**

- A. Schedule a public hearing date on Saturday, March 29, 2014 to receive public comment on possible fare restructuring; and
- B. Authorize publication of the attached legal notice (Attachment A)

**ISSUE**

Metro faces an operating deficit of \$36M in two years. This deficit is projected to grow to \$225M in ten years. Metro's full funding grant agreements are dependent on a 33% farebox recovery ratio; Metro's current farebox recovery is 26%.

Metro's fare policies are incompatible with current and future services. Metro's current base fare is \$1.50 and does not include transfers. This discourages riders without a pass from transferring because they are required to pay another full fare at each boarding. In short, the system penalizes riders for transferring. As the transit network continues to expand, easier transfers will benefit riders and allow greater connectivity.

This proposal helps to mitigate the upcoming deficit as well as benefit Metro customers. With a fare adjustment, we seek to ensure Metro's ability to continue providing reliable service, as well as incentivize riders to use the system, and their investment in it, to its fullest potential.

In compliance with federal public hearing requirements and Metro policy, the Board is required to hold a public hearing and receive public testimony before approving a modification to fares. In addition, the Board will consider the potential impacts these changes may have on the community.

The attached proposed Notice of Public Hearing notifies the public of a hearing on March 29, 2014. The notice includes a description of the changes under consideration.

The approved notice will be posted and distributed following the January 2014 Board adoption of this report. Additional outreach will also be conducted at Metro Service Councils in March, as well as other communications vehicles to encourage public comment. The Board will preside over the public hearing and receive testimony from the public on these matters. A staff report would then be prepared summarizing the findings of the public hearing along with specific staff recommendations. The report would be presented to the Board of Directors at its regular meeting on May 22, 2014 for action. Initial implementation of the fare adjustments is proposed for September 1, 2014.

## **DISCUSSION**

Staff is proposing two options for a revised fare structure as presented in Attachment A. Highlights of the proposed changes are summarized below.

- In Option 1 (Attachment A, page 2), the base fare allows unlimited multidirectional transfers to any Metro rail or bus line within 90 minutes of payment when using a TAP card.
- Option 2 (Attachment A, page 3) also allows unlimited multidirectional transfers to any Metro rail or bus line within 90 minutes when using a TAP card *and* introduces lower fares during off-peak hours and higher fares during peak hours.

Both options have been developed as a multi-year fare restructuring program in three phases, with incremental changes taking place in FY15, FY18 and FY21.

- Monthly passes will be consolidated with EZ passes beginning in Phase 2, allowing passengers to connect between Metro and other local transit operators using a single pass. This consolidation also eliminates additional fares for riders with a Metro pass transferring to a municipal carrier.
- Fares for Express bus lines will be consolidated into one premium surcharge.
- Fares will be adjusted every two years based on Consumer Price Index (CPI) beginning in FY23 in order to keep fares in line with inflation rates.

Metro proposes to realign fares with service this year and to conduct a more comprehensive study of services next year.

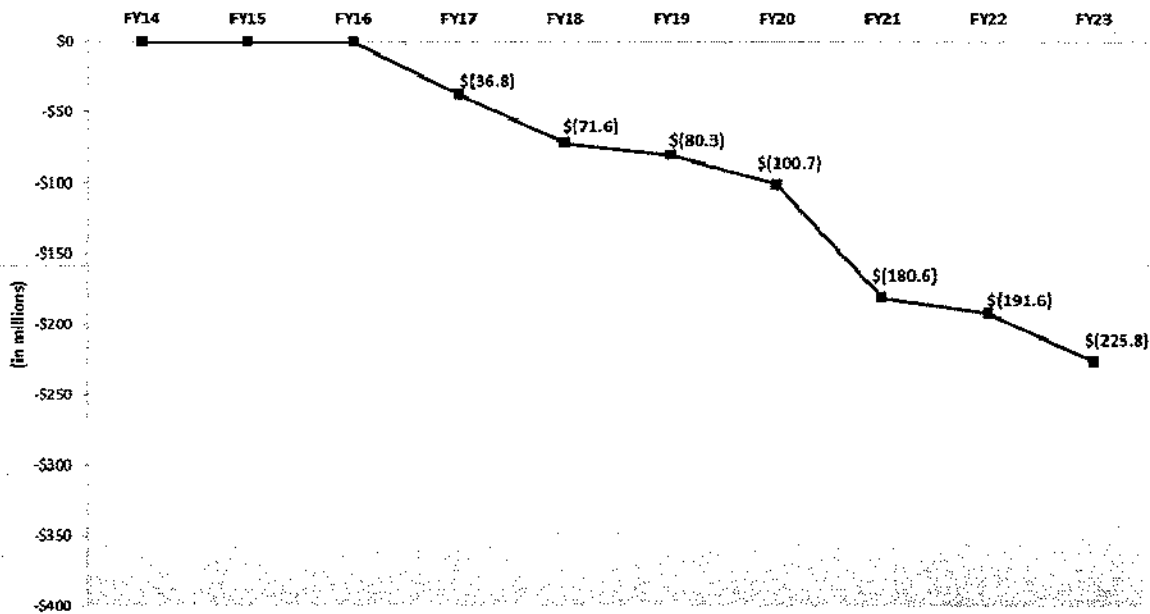
Many passengers transfer at least one time to reach their destination, but the current fare structure requires payment for each boarding. While Metro offers discounted inter-agency transfers (Metro to Muni), we do not offer intra-agency transfers (Metro to Metro). Metro's current fare structure penalizes transit-dependent riders for transferring although industry trends show that most transit agencies offer free or discounted transfers. The inability to transfer results in system inequities, because riders whose origin and destination are not served by a single route pay more when not using a pass. Further, this model does not encourage full use of the public investment in Metro's system.

In an effort to encourage riders to use the system to its fullest, staff proposes implementation of a 90 minute ride with unlimited boardings in any direction on one base fare. This would allow the rider to use the entire transit network to provide the most equitable form of travel. Under the current fare structure, riders taking more than bus or rail line to their destination must pay the base fare a second time to complete their trip. Under the new fare structure, the total cost to the passengers would be less because these riders could complete their trip on one base fare, as long as the final transfer boarding occurs within 90 minutes of initial boarding.

Background: Projected Operating Deficit and Metro’s Long Range Transportation Plan

While Metro’s current base fare is \$1.50, the average fare per boarding is only 70¢ and dropping. As Metro continues to expand and improve our transit network, Metro faces an operating deficit of \$36.8M in two years, which will grow to \$225M in ten years.

Table 1:



The Long Range Transportation Plan (LRTP) assumes a farebox recovery ratio of 33%, while Metro is currently at 26%. Furthermore, Metro’s full funding grant agreements with FTA are dependent on a 33% farebox recovery ratio and the assurance that Metro will be able to operate and sustain new lines.

Since 1995, CPI has increased by 46%, while Metro’s average fares have only increased by 17%. Compared to Metro’s peer agencies, Metro has the lowest base fare, fare per boarding, load factor and farebox recovery ratio of major US cities with comparable systems. This is an unsustainable structural deficit that must be addressed

now. Adjusting fares will help increase revenues to fund future projects and operational costs.

Metro customers have seen only three fare increases in nineteen years. In 2008, senior, disabled and student fares were frozen through December 2012 and remain frozen. As labor costs and other costs have risen, Metro's fare revenues have not kept pace with inflation. Metro must increase its fare revenues to adhere to its LRTP and be able to meet its expenses.

### Three Phased Approach

To minimize financial impact to customers, this fiscally responsible fare policy would incorporate gradual and periodic fare changes.

Fare restructuring has been proposed in three phases, with incremental 25¢ base fare changes occurring every three years, and pass fares increasing accordingly. The first phased change would take place in FY15, the second in FY18 and the third in FY21. The targeted farebox recovery ratio of 33% would be accomplished with the implementation of Phase 3.

### Consolidation of Regular Monthly Passes and EZ Passes

The changes under consideration include consolidating the Metro regular monthly pass with the EZ pass, allowing riders to connect to other transit operators and ride throughout LA County with one pass. However, because all municipal operators are not yet TAP-enabled, this alternative can only be implemented during Phase 2.

### Silver and Express Bus Lines

Also to benefit riders, this proposal includes a simplification of zone and premium fares. Under the current fare structure, a premium fare is charged on the Silver Line, and there are two zone upcharges in addition to the base fare for Express buses. To simplify the fare structure, the proposed changes include the consolidation of the two express zones into one premium surcharge. Furthermore, the new fare structure equalizes the fares for the Silver Line and Express buses, with the goal of eventually eliminating zones. Once zones have been eliminated, the cost of riding the Silver Line or an Express bus would be the same as the base fare.

### Future Fare Adjustments Based on CPI

Historically, Metro's fares have not kept pace with inflation. This creates a situation in which fares fall behind and increases become reactionary, making them unpredictable to riders.

To ensure that the farebox recovery ratio remains at a sustainable level beyond the implementation of Phase 3 and to allow the riding public to plan accordingly, Metro

should consider revising its fare policy to allow for fare adjustments commensurate with the rate of inflation. Every two years, fares should be adjusted by CPI, rounded to the nearest 5¢ for regular fares and to the nearest dollar for passes.

## Title VI

Based on a Title VI analysis, the two options as presented in Attachment A do not create any disparate impacts or disproportionate burdens on Metro's minority and low-income riders. Staff is currently performing a Title VI analysis on whether offering off-peak discounts only to TAP card users poses a disparate impact or disproportionate burden on minority or low-income riders. The full Title VI analysis will be provided at the March 29, 2014 public hearing.

## FINANCIAL IMPACT

In Phase 1, the proposed fare restructuring is estimated to provide approximately \$30M of incremental fare revenues over the FY15 budgeted amount of \$350M for total FY15 fare revenues of \$380M. Implementation of Phase 2 is estimated to provide approximately \$41M of incremental fare revenues over the FY18 projected amount of \$384M for total FY18 fare revenues of \$425M. Phase 3 is estimated to provide approximately \$53M of incremental fare revenues over the FY21 projected amount of \$417M for total FY21 fare revenues of \$470M. Additional revenues will be used to fund current service levels and planned expansions.

Financial projections assume that increased fares will cause short-term declines in ridership after each phase is implemented. Historical experience suggests that some riders will return to the system within three to six months after each price change.

## ALTERNATIVES CONSIDERED

Option 2 (Attachment A, page 3) as presented in Attachment A yields the same 29% farebox recovery rate achieved in Phase 1 of Option 1. Projections indicate that the peak base fare in Phase 1 for this alternative should be at least \$2.25. This would represent a 50% increase from the current \$1.50 base fare during peak hours.

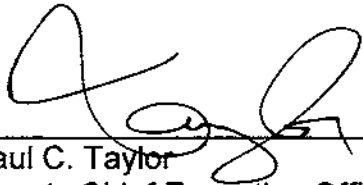
## NEXT STEPS

With Board approval, staff will initiate the publication of the legal notice and prepare for the upcoming public hearing.

## ATTACHMENTS

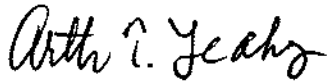
- A. Notice of Public Hearing

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Michelle Navarro, Director of Budget, Office of Management and Budget



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Paul C. Taylor  
Deputy Chief Executive Officer



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Arthur T. Leahy  
Chief Executive Officer

## Notice of Public Hearing

Los Angeles Metropolitan Transportation Authority

A public hearing will be held by the Board of Directors of the Los Angeles County Metropolitan Transportation Authority (Metro) on Saturday March 29, 2014 at 9:00am in the Metro Headquarters Building, located at One Gateway Plaza, Los Angeles. The hearing is being held in conformance with federal public hearing requirements outlined in Section 9 (e) (3) (H) of the Surface Transportation Assistance Act of 1982, as amended, and public hearing guidelines adopted by Metro's Board of Directors in 1993, as amended.

Under the new fare structure, beginning in Phase 1, the base fare will include unlimited multidirectional transfers to any Metro rail or bus line within 90 minutes of first boarding when using a TAP card. The last boarding must occur within 90 minutes of the first boarding. Beginning in Phase 2, the monthly pass will be consolidated with the EZ pass, allowing customers to ride Metro vehicles and connect to other local transit operators using a single pass. After Phase 3 and beginning in FY23, fares will be adjusted by the Consumer Price Index (CPI) every two years to ensure that fares keep pace with inflation.

Option 2 includes all of the above changes and introduces reduced off-peak fare for regular riders Monday to Friday from 9am to 3pm and 7pm to 5am. The initial boarding will determine the fare. Off-peak includes all day on the weekends and all federal holidays. This option can possibly shift riders from peak to off peak hours.

The purpose of this hearing is to receive public testimony on possible restructuring of Metro's fare structure. These changes are necessary to finance Metro's bus and rail operations and planned expansions. Based on a Title VI analysis, the two options as presented do not create any disparate impacts or disproportionate burdens on minority or low-income riders. The full Title VI analysis will be provided at the March 29, 2014 public hearing. Listed below are the proposals now under consideration:



**OPTION 1**

<b>CURRENT</b>		<b>PHASE 1</b>	<b>PHASE 2</b>	<b>PHASE 3</b>
		<b>FY15</b>	<b>FY18</b>	<b>FY21</b>
<b>Regular</b>	<b>Current Pricing</b>	<b>A</b>	<b>A</b>	<b>A</b>
Base Fare (90 min transfer TAP card only)	\$1.50	\$1.75	\$2.00	\$2.25
Day Pass	\$5.00	\$7.00	\$8.00	\$9.00
Weekly (7 day)	\$20.00	\$25.00	\$30.00	\$32.00
Monthly (30 day)	\$75.00	\$100.00	<i>Consolidate w/ EZ</i>	<i>Consolidate w/ EZ</i>
EZ Pass	\$85.00	\$110.00	\$120.00	\$135.00
Muni Transfers	\$0.35	\$0.50	\$0.50	\$0.50
Monthly Zone Upcharge (EZ/Silver/Express)	\$22.00	\$22.00	\$22.00	\$22.00
<b>Senior/Disabled</b>				
Peak	\$0.55	\$0.75	\$0.90	\$1.10
Off-Peak <sup>1</sup>	\$0.25	\$0.35	\$0.50	\$0.70
Day Pass	\$1.80	\$2.50	\$3.00	\$3.50
Monthly (30 day)	\$14.00	\$20.00	\$24.00	\$28.00
EZ Pass	\$35.00	\$42.00	\$50.00	\$60.00
Monthly Zone Upcharge (EZ Pass)	\$9.50	\$9.50	\$9.50	\$9.50
Muni Transfers	\$0.10	\$0.25	\$0.25	\$0.25
<b>Student/College</b>				
Student Cash	\$1.00	\$1.25	\$1.50	\$1.75
Student 30 Day	\$24.00	\$29.00	\$35.00	\$42.00
College 30 Day	\$36.00	\$43.00	\$52.00	\$62.00
<b>Silver</b>				
Regular Silver <sup>2</sup>	\$2.45	\$2.50	\$2.50	\$2.50
Silver Upcharge	\$0.25 - \$0.95	\$0.75	\$0.50	\$0.25
Senior/Disabled Silver	\$1.15	\$1.35	\$1.35	\$1.35
Senior/Disabled Off-peak Silver	\$0.85	\$0.95	\$0.95	\$0.95
Senior/Disabled Silver Upcharge <sup>3</sup>	\$0.30 - \$0.60	\$0.60	\$0.45	\$0.25
<b>Express</b>				
Express Fare	\$2.20 - \$2.90	\$2.50	\$2.50	\$2.50
Express Zone Upcharge <sup>3</sup>	\$0.70 - \$1.40	\$0.75	\$0.50	\$0.25
Senior/Disabled Express Upcharge	\$0.30 - \$0.60	\$0.60	\$0.45	\$0.25
Boardings		-4%	-3%	-2%
<b>IMPACTS:</b>				
Farebox Recovery	26%	29.65%	32.44%	34.14%
Fare per Boarding	\$0.70	\$0.85	\$0.99	\$1.11

<sup>1</sup> Off-Peak hours are Weekdays 9 a.m. – 3 p.m. and 7 p.m. – 5 a.m. and all day on weekends and Federal holidays.

<sup>2</sup> The special fares for Silver and Express lines will be gradually phased out to be the same price as the base fare.

<sup>3</sup> The Silver and Express upcharge applies to weekly, monthly and EZ pass holders. Senior/Disabled, Students/College monthly pass holders and Day Pass holders pay no additional upcharge, currently or in any future phases

## OPTION 2 - Off Peak Included

CURRENT		PHASE 1	PHASE 2	PHASE 3
		FY15	FY18	FY21
Regular	Current Pricing	A	A	A
Base Fare (90 min transfer TAP card only)	\$1.50	\$2.25	\$2.75	\$3.25
Off Peak <sup>1</sup>		\$1.50	\$1.75	\$2.00
Day Pass	\$5.00	\$9.00	\$11.00	\$13.00
Weekly (7 day)	\$20.00	\$32.00	\$38.00	\$45.00
Monthly (30 day)	\$75.00	\$125.00	Consolidate w/EZ	Consolidate w/EZ
EZ Pass	\$85.00	\$135.00	\$150.00	\$180.00
Muni Transfers	\$0.35	\$0.50	\$0.50	\$0.50
Monthly Zone Upcharge (Silver/Express)	\$22.00	\$22.00	\$0.00	\$0.00
Monthly Zone Upcharge( EZ Pass)	\$22.00	\$22.00	\$22.00	\$22.00
Senior/Disabled				
Peak	\$0.55	\$0.90	\$1.00	\$1.10
Off-Peak <sup>1</sup>	\$0.25	\$0.50	\$0.55	\$0.60
Day Pass	\$1.80	\$2.75	\$3.25	\$3.50
Monthly (30 day)	\$14.00	\$22.00	\$25.00	\$28.00
EZ Pass	\$35.00	\$42.00	\$50.00	\$60.00
Monthly Zone Upcharge (EZ Pass)	\$9.50	\$9.50	\$9.50	\$9.50
Muni Transfers	\$0.10	\$0.25	\$0.25	\$0.25
Student/College				
Student Cash	\$1.00	\$1.25	\$1.50	\$1.75
Student 30 Day	\$24.00	\$29.00	\$35.00	\$42.00
College 30 Day	\$36.00	\$43.00	\$52.00	\$62.00
Silver				
Regular Silver <sup>2</sup>	\$2.45	\$2.50	Same as Base Fare	Same as Base Fare
Regular Silver Off-Peak <sup>1</sup>		\$1.75	Same as Base Fare	Same as Base Fare
Silver Upcharge <sup>3</sup>	\$0.25 - \$0.95	\$0.25	none	none
Senior/Disabled Silver	\$1.15	\$1.15	Same as Base Fare	Same as Base Fare
Senior/Disabled Off-peak Silver <sup>1</sup>	\$0.85	\$0.95	Same as Base Fare	Same as Base Fare
Senior/Disabled Silver Upcharge	\$0.30 - \$0.60	\$0.45	none	none
Express				
Regular Express	\$2.20 - \$2.90	\$2.50	Same as Base Fare	Same as Base Fare
Regular Express Off-Peak		\$1.75	Same as Base Fare	Same as Base Fare
Express Zone Upcharge <sup>3</sup>	\$0.70 - \$1.40	\$0.25	none	none
Senior/Disabled Express	\$0.85 - \$1.15	\$1.15	Same as Base Fare	Same as Base Fare
Senior/Disabled Express Upcharge	\$0.30 - \$0.60	\$0.25	none	none
Boardings		-6%	-3%	-3%
IMPACTS:				
Farebox Recovery	26%	29.10%	31.23%	34.33%
Fare per Boarding	\$0.70	\$0.84	\$0.97	\$1.14

<sup>1</sup> Off-Peak hours are Weekdays 9 a.m. – 3 p.m. and 7 p.m. – 5 a.m. and all day on weekends and Federal holidays.

<sup>2</sup> The special fares for Silver and Express lines will be gradually phased out to be the same price as the base fare.

<sup>3</sup> The Silver and Express upcharge applies to weekly, monthly and EZ pass holders. Senior/Disabled, Students/College monthly pass holders and Day Pass holders pay no additional upcharge, currently or in any future phases

Fare changes consistent with these proposals may be approved in whole or in part later this year based on public input. The proposed effective date for the approved changes is September 1, 2014. Interested members of the public are encouraged to attend the upcoming public hearing and provide testimony. There will also be additional fare forums held at the regularly scheduled Service Council meetings in March. Persons unable to attend the hearing or the fare forums may submit a written testimony postmarked through March 29, 2014. Correspondence should be addressed to:

Los Angeles County Metropolitan Transportation Authority  
One Gateway Plaza  
Los Angeles, CA 90012-2932  
Attn: Michele Jackson

Comments may also be submitted electronically to [publichearing@metro.net](mailto:publichearing@metro.net).