



Board Report

File #: 2017-0335, File Type: Budget

Agenda Number: 12.

FINANCE, BUDGET AND AUDIT COMMITTEE JUNE 14, 2017

SUBJECT: ACCESS SERVICES PROPOSED FISCAL YEAR 2018 BUDGET

**ACTION: APPROVE FUNDING FOR ACCESS SERVICES FOR
FISCAL YEAR 2018 (FY18)**

RECOMMENDATION

CONSIDER:

- A. APPROVING local funding request for Access Services (Access) in an amount not to exceed \$91,892,571 for FY18. This amount includes:
- Operating and Capital funds in the amount of \$89.7 million; and
 - Funds paid directly to Metrolink in the amount of \$2.2 million for its participation in Access' Free Fare Program
- B. AUTHORIZE the Chief Executive Officer to negotiate and execute all necessary agreements between Metro and Access.

ISSUE

Access provides Americans with Disabilities Act (ADA) paratransit service on behalf of Metro and 44 other Los Angeles County fixed route operators, as mandated by the ADA. In coordination with Metro staff, Access has determined that a total of \$177.8 million is required for its FY18 operating and capital activities. Of this amount, a total of \$85.9M will be funded from passenger fares, federal grants and other income generated by Access. The remaining \$91.9 million will be funded by Metro from Proposition C 40% Discretionary (PC 40%) funds, as follows: \$87.7 million, and an additional \$2.0 million to set aside a reserve for funding trips in excess of the budgeted amount, if needed, and another \$2.2 million programmed to Metrolink for its participation in Access' Free Fare Program. See Attachment A.

DISCUSSION

Access' passenger trips are projected to increase by 4.3% for FY18. However, in the event that Access experiences a higher rate of trip growth closer to 6.5%, staff is recommending a \$2 million reserve be set aside with Metro to meet this potential additional trip demand.

As seen in the chart below, the major cost drivers in FY18 are in Direct Operations and can be attributed to increases in projected ridership and the mandated minimum wage hike in Los Angeles County. The increase in Contracted Support is a result of costs associated with implementation and start-up of a new eligibility contractor as well as the leasing of a new eligibility facility. In the area of Management and Administration, a reduction of 6.6% is due to the outsourcing of the Customer Service and Operations Monitoring Call Centers, which were originally in-house functions, along with other cost controls. Overall, Access' proposed FY18 budget will increase by \$12.6 million or 7.7%.

Access Services - Budget (\$ in thousands)

	FY17 Budget	FY18 Proposed	\$ Change	% Change
Expenses				
Direct Operations	\$ 129,312.0	\$ 139,413.0	\$ 10,101.0	7.8%
Contracted Support	11,878.0	14,569.0	2,691.0	22.7%
Management/Administration	12,582.0	11,749.0	(833.0)	-6.6%
Total Operating Costs	\$ 153,772.0	\$ 165,731.0	\$ 11,959.0	7.8%
Total Capital Costs	\$ 9,430.0	\$ 10,100.0	\$ 670.0	7%
Total Expenses	\$ 163,202.0	\$ 175,831.0	\$ 12,629.0	7.7%

BACKGROUND

Access administers the delivery of regional ADA paratransit service on behalf of Metro and 44 other public fixed route operators in Los Angeles County consistent with the adopted Countywide Paratransit Plan. The provision of compliant ADA-mandated paratransit service is considered a civil right under federal law and must be appropriately funded.

Access' system provides more than 4.7 million passengers trips per year to more than 173,000 qualified ADA paratransit riders in a service area covering over 1,950 square miles of Los Angeles County by utilizing over 1,400 accessible vehicles and taxicabs. Access' service area is divided into six regions to ensure efficiency and effectiveness of service. The current average cost per trip is \$35.65, with an average cost per mile of \$3.83. Both of these costs are expected to increase concurrent with the minimum wage increases in the City of Los Angeles, Los Angeles County and the State of California.

Funding Sources

Access is funded, in part, by Federal Section 5310 funds from the Regional Surface Transportation Program and local PC sales tax funds. While Federal funds have increased by less than 2% per year

since FY03, PC 40% has increased by more than 14% per year during the same period.

Performance and Oversight

Access has established contractual performance standards for service delivery in every region. Starting on July 1, 2017, the Access Board of Directors approved the introduction of liquidated damages tied to key performance indicators to ensure that optimal levels of service are met. See chart below for a yearly comparison of Access’ Key Performance Standards.

Access Performance Standards

	Standards	FY16	Goals Met	FY17-YTD*	Goals Met
On-Time Performance	≥ 91%	90.8%	No	91.4%	Yes
"Late 4" Trips (45+ mins late)	≤ 0.10%	0.13%	No	0.09%	Yes
Average Hold Time	≤ 120 secs	89 secs	Yes	85 secs	Yes
Calls on Hold over 5 Mins	≤ 5.0%	4.6%	Yes	4.4%	Yes

*YTD thru April 2017

Comprehensive Operational Review (COR)

A recent Metro review of Access recommended that its operating structure be studied to determine if services could be provided in a more efficient manner. In response, the Access Board approved a contract with the transit consulting firm Nelson/Nygaard to conduct a COR beginning in January 2017. As part of the review, Nelson/Nygaard will analyze paratransit trip patterns in Los Angeles County to determine if changes to Access’ operating model could result in more efficient paratransit service. The consultant’s final report and recommendations are on target to be completed by September 2017, with an interim presentation to the Access Board scheduled in June 2017.

Metro will continue oversight of Access to ensure system effectiveness, cost efficiency and accountability. Metro has and will continue to be an active participant on Access’ Board of Directors, the Budget Subcommittee and Audit Subcommittee. In addition, a review of Access is part of the consolidated audit conducted annually by independent auditors hired by Metro.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not have a negative impact on the safety of Metro’s customers, its employees, or the general public.

FINANCIAL IMPACT

Access’ local funding will come from PC 40% for \$91.9 million. These funds are eligible for Metro bus

and rail operations and capital.

Impact to Budget

Metro's FY18 budget includes \$91.9 million from PC 40% to fund Access.

ALTERNATIVES CONSIDERED

Not fully funding Access to provide mandated paratransit service for FY18 would place Metro and the other 44 Los Angeles County fixed route operators in violation of the ADA, which mandates that fixed route operators provide complementary paratransit service within $\frac{3}{4}$ of a mile of local rail and bus line. This could impact Metro's ability to procure federal grants.

NEXT STEPS

Upon approval of the recommended funding, staff will execute a Memorandum of Understanding with Access for FY18 to ensure proper disbursement of funds. Funds from Measure M will be programmed in FY19 in accordance with the board adopted Measure M guidelines.

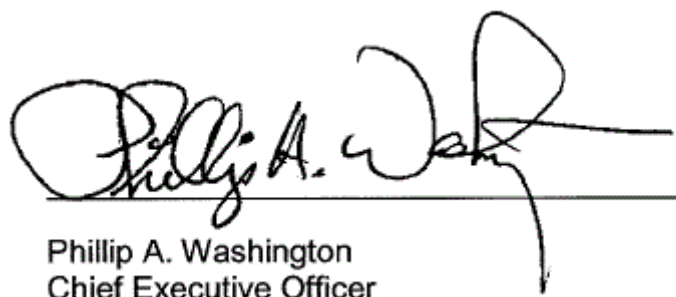
Attachment A - Access Funding Sources for Fiscal Year 2017-2018

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Chief Executive Officer

ATTACHMENT A

Access Funding Sources – Fiscal Year 2017-2018

(\$ in millions)	FY18 Funding Sources
<u>Federal, fares, and other income</u>	
Federal grants	\$ 73.7
Passenger fares and other income	12.2
Federal grants, fares and other income Subtotal	85.9
<u>Prop C 40%</u>	
Operating and Capital Funds	87.7
Funds to Metrolink for Access' Free Fare Program	2.2
Reserve (held with Metro)	2.0
PC40 Subtotal	91.9
Total Funding	\$ 177.8
TOTAL FUNDING REQUESTED	
	\$ 91.9