



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

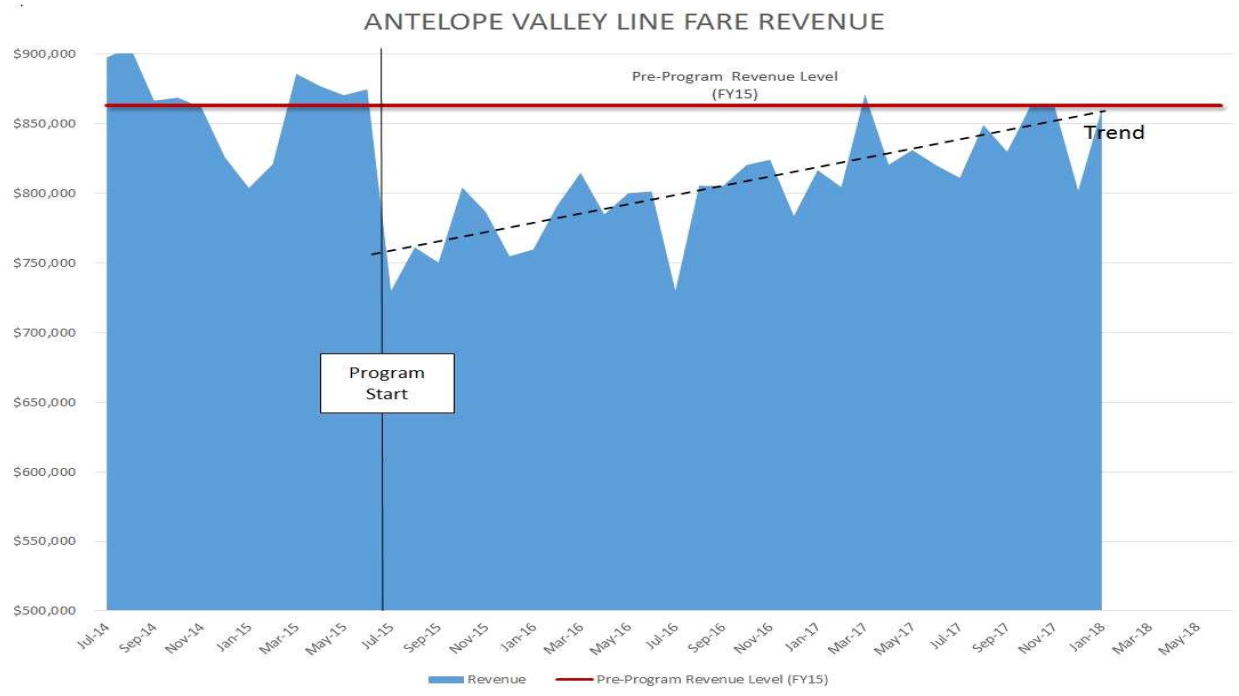
In April 2015, the Board approved a motion to reduce fares 25% on the Metrolink AVL. Since that program’s launch in July 2015, the AVL Fare Discount Pilot Program has been successful in growing ridership on the AVL, with a projection of up to 33% higher ridership than pre-program levels by June 2018.

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				

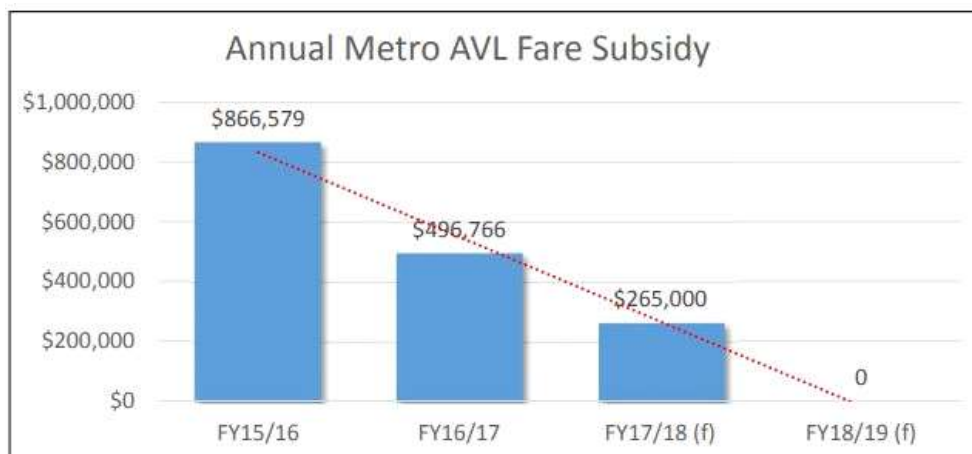
Several key findings have emerged regarding the growth in AVL ridership:

- 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:

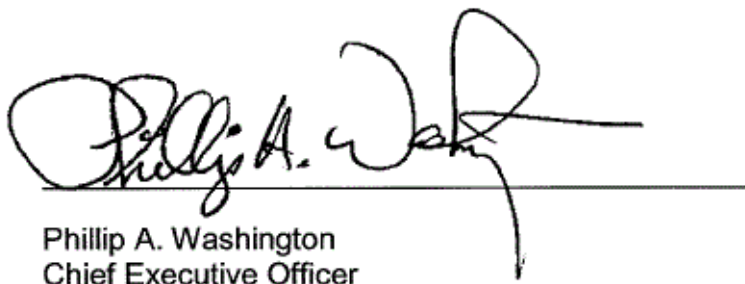
Jay Fuhrman, Manager, Transportation Planning, (213) 418-3179

Jeanet Owens, Senior Executive Officer, Project Management, (213) 418-3189

Reviewed by:

Nalini Ahuja, Chief Financial Officer (213) 922-3088

Richard Clarke, Chief Program Management Officer (213) 922-7557



Phillip A. Washington
Chief Executive Officer

Attachment A

Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA



Board Report

File #:2017-0901, File Type:Motion / Motion
Response

Agenda Number:44.

PLANNING AND PROGRAMMING COMMITTEE JANUARY 17, 2018

Motion by:

Solis, Najarian, Barger, Krekorian, and Fasana

Item 44: Metrolink San Bernardino Line Fare Discount Pilot Program

Over the past several years, Metrolink has made tremendous strides to attract more riders to its system and become a more viable option for Southern California residents. Since introducing the 25% Fare Discount Program on the Antelope Valley Line (AVL) in July of 2015, ridership has grown 27% in FY 2016-17 compared to FY 2014-15. The increased ridership and associated fare revenues has resulted in recovering more than 80% of funds originally allocated to the program. Assuming the upward ridership trend continues, the AVL Fare Discount Program is projected to "break even" by the summer of 2018.

In December of 2016, the Riverside County Transportation Commission (RCTC) funded and replicated the discount program to stimulate ridership growth at four new stations along the 24-mile Perris Valley Line (PVL) extension. Due to initial success, RCTC is seeking to offer the discounted fare for an extended period of time.

While the AVL and PVL are realizing a ridership uptick resulting from the program, Metrolink's most heavily used line, the San Bernardino Line (SBL) is steadily declining. Over the past five years, the SBL has experienced an 11% drop in ridership with an excess of seating capacity throughout the line, including all peak hour trains. Moreover, the population density and intense congestion on the I-10 and I-210 freeways that parallel the SBL corridor are strong indicators that Metrolink has the potential to maximize ridership on the San Bernardino Line. Given the available seats to fill and the need to retain and grow ridership on the SBL

**SUBJECT: MOTION BY SOLIS, NAJARIAN, BARGER,
KREKORIAN AND FASANA**

METROLINK SAN BERNARDINO LINE FARE DISCOUNT PILOT PROGRAM

WE THEREFORE MOVE that the Board direct the CEO to work with the Southern California Regional Railroad Authority (SCRRA) and the 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 the San Bernardino Line.

File #:2017-0901, **File Type:**Motion / Motion
Response

Agenda Number:44.

WE FURTHER MOVE that the CEO report back in 90 days.

Attachment B



METROLINK.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

metrolinktrains.com/meeting

TRANSMITTAL DATE: March 16, 2018

MEETING DATE: March 23, 2018 **ITEM 16**

TO: Board of Directors

FROM: Arthur T. Leahy *ATL*

SUBJECT: Antelope Valley Line Fare Reduction Program Evaluation

Issue

In July 2015 the Antelope Valley Line (AVL) Fare Reduction Program was launched with the funding support from Los Angeles County Metropolitan Transportation Authority (Metro) to help increase ridership on AVL. This item provides the Board with an evaluation of the continued success of this program through December 2017.

Recommendation

The Board may receive and file this report.

Strategic Goal Alignment

This report aligns with the strategic goal to *retain and grow ridership*. Past experience has shown that fare reductions are one of several effective strategies to grow ridership and win market share.

Background

Between FY2011-12 and FY2014-15, the AVL experienced a ridership decline of 13%, from 5,726 average weekday boardings to 4,978. In an effort to halt ridership losses, on April 10, 2015, the Board approved a pilot program with reduced fares for AVL riders to test how ridership on that line responded to lower fares.

Two successive pilot programs were implemented. The first pilot consisted of a 25% fare reduction and a \$2 one-way fare to the next station. It was funded through revenue shortfall funding provided by Metro in an amount of up to \$2.5 million during FY2015-16. Only trips with both origin and destination stations on the AVL, which includes the section that overlaps with the Ventura County Line (Los Angeles Union Station to Burbank-Downtown) were eligible for the reduced fares. Fares that included a transfer to another line were not discounted.

The second pilot launched in January 2016 and replaced the \$2 station fare with a \$3 station fare that was launched system-wide.¹

Ridership Response

Ridership analysis was conducted based on actual ticket sales for the Antelope Valley Line stations. This allows an accurate evaluation of ridership response to the fare reduction and helps account for ridership on the shared line segment between Los Angeles Union Station and Burbank which is served by Ventura County, AVL, and Burbank Airport Line trains.

Following up on prior Board reports with program updates on December 11, 2015 and February 26, 2016, the latest results show that ridership growth has continued into the third year of the program. December 2017, the latest month for which data are available, shows a 37% ridership increase over the same month in 2014 prior to the program launch. Comparing the six-month period July-December 2017 with the same period in 2014, ridership grew by 32.7% which reflects a compounded annual growth rate of 9.9% (Figure 1).

Figure 1. Ridership Growth

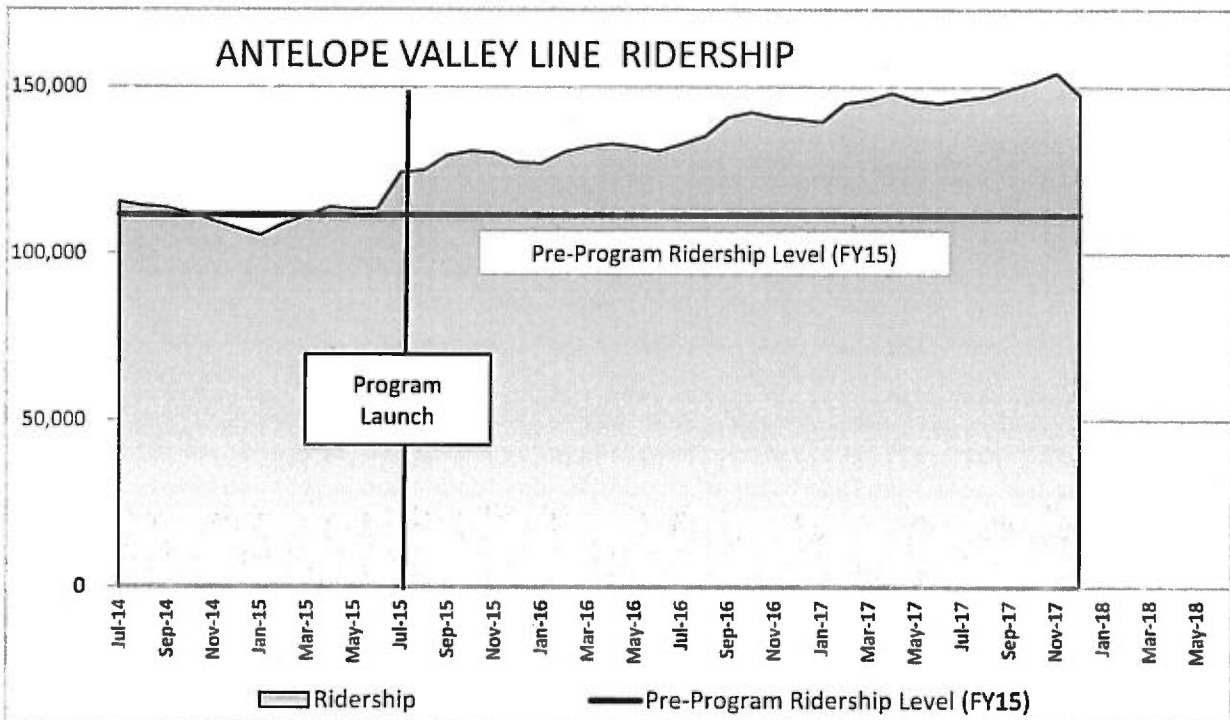
Period	Ridership
July-Dec 2014	671,938
July-Dec 2017	891,759
Compounded Annual Growth Rate	9.9%

As indicated above, when the AVL Fare Reduction Pilot was launched it had two program components: a 25% fare reduction and \$2 (later \$3) station fare. Whereas the station fare was available for one-way tickets only, the 25% fare discount was available on all ticket types (with the exception of already discounted Weekend Day Passes). Of the two promotional discounts, the 25% discount was the more effective one. A 2016 fare study by CH2M determined that the 25% fare discount accounted for 85% of the increase in ridership.

Since launch of the program the ridership response has exceeded expectations. Analysis of ticket sales show a strong ridership response during the first several months driven by increases in one-way and roundtrip ticket sales, followed by a flattening in the growth rate (Figure 2).

¹ The one-way station fare ticket was replaced July 1, 2016 with restructured short distance fares that reduced the cost of short distance travel for all ticket types throughout the system.

Figure 2. Antelope Valley Line Ridership Trend



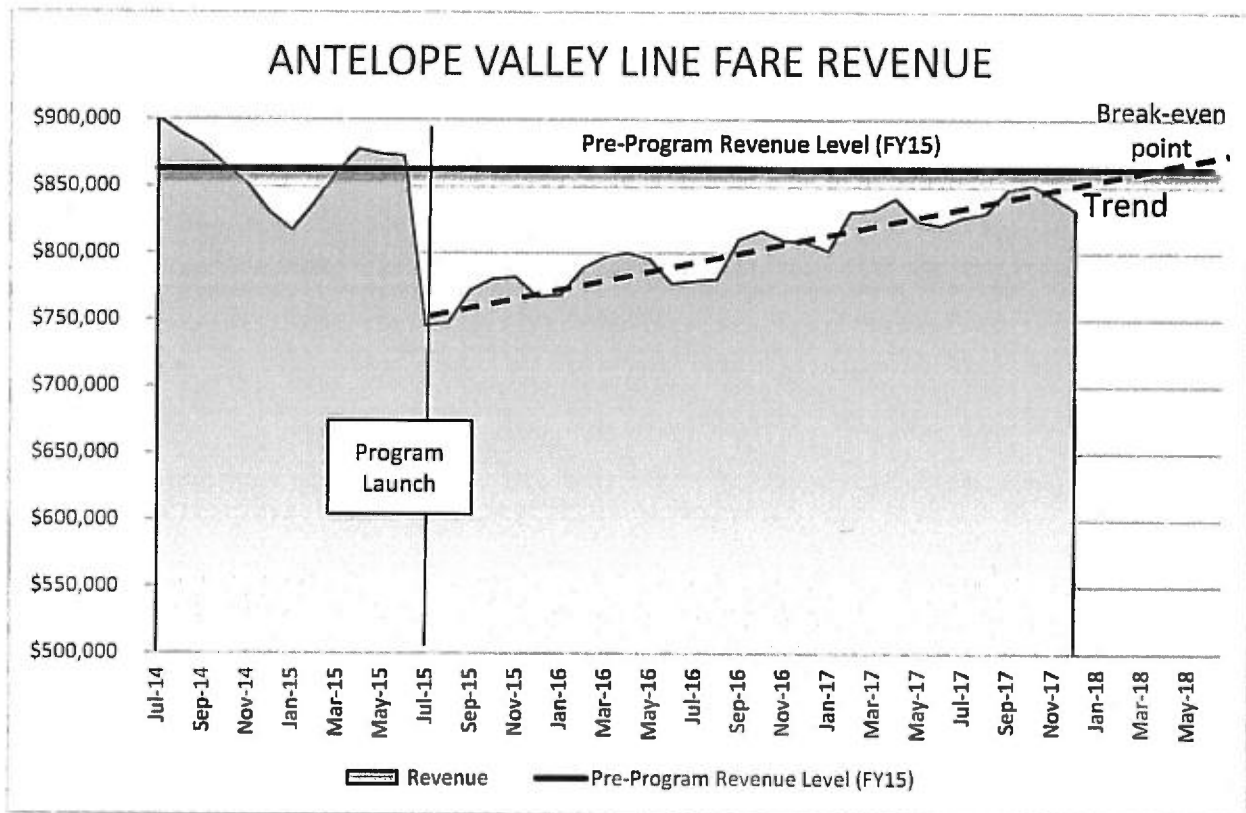
Ridership growth started to accelerate again into the second year and continues its upward momentum even in the absence of additional fare promotions. Several key findings have emerged:

- The strongest response to the lower fares came from infrequent riders: one-way and roundtrip ticket sales increased by 23% during the first year of the pilot.
- There is some evidence that many of the new riders that were attracted by the pilot have become regular commuters. In FY17 pass ridership grew by 5.9% over the prior year, exceeding the overall ridership growth on the Antelope Valley Line (5.4%) and also matching the rate of growth for one-way and roundtrip tickets (5.8%).
- Student and youth ridership continued to exhibit the fastest rate of growth in FY17 (up 17.8% from the prior year). That follows a 35% increase in FY16 when the student and youth fare discount was increased to 25%.
- The growth in short-distance ridership (trips of less than 20 miles one-way distance) reached 12% in FY17.

Fare Revenue Impact

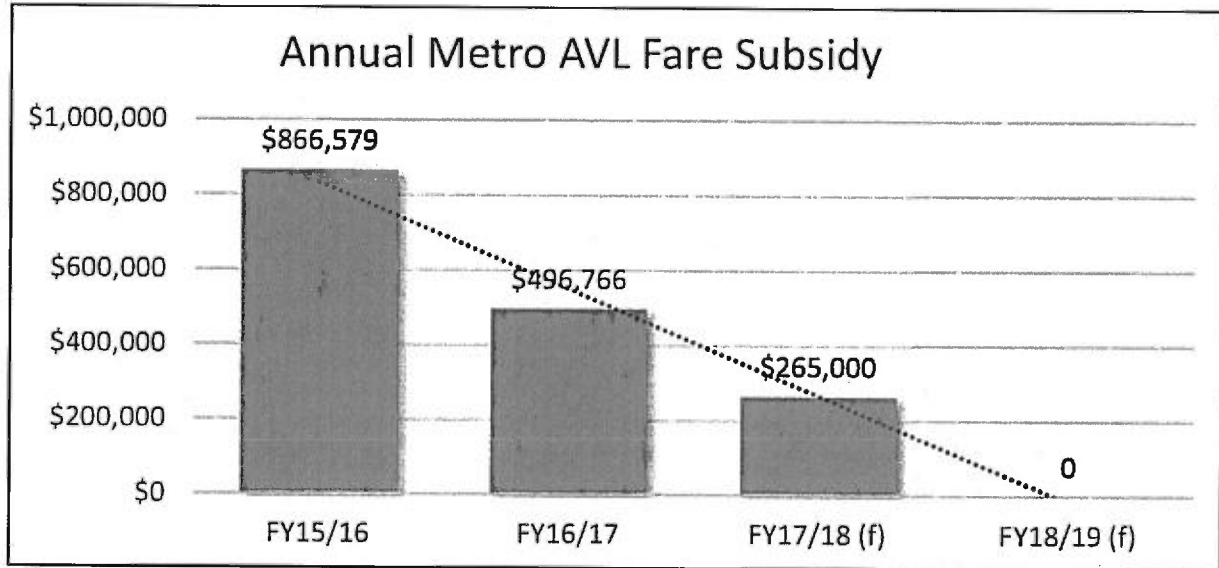
Changes to fares and the resulting ridership change directly impact fare revenue. Given the demand elasticity to changes in fares it was expected that the increase in ridership would not be sufficient to off-set the lower fares. Immediately following the fare reduction in July 2015, fare revenue fell by nearly 20%. But as ridership continued to grow during the following months fare revenue grew as well. Based on the current trend fare revenue is expected to reach the break-even point with pre-program fare revenue levels in Spring 2018 (Figure 3).

Figure 3. Antelope Valley Line Fare Revenue Trend



When the Board approved the fare reduction pilot in 2015 it also included up to \$2.5 million in revenue shortfall funding from Metro during FY2015-16. Only \$866,000 of that was actually required to offset the lower fare revenue on the AVL during the first year. During the following year as ridership continued to grow only \$497,000 in fare subsidy was required. In FY2017-18 the fare subsidy will further decline until no fare subsidy will be required anymore for FY2018-19 (Figure 4).

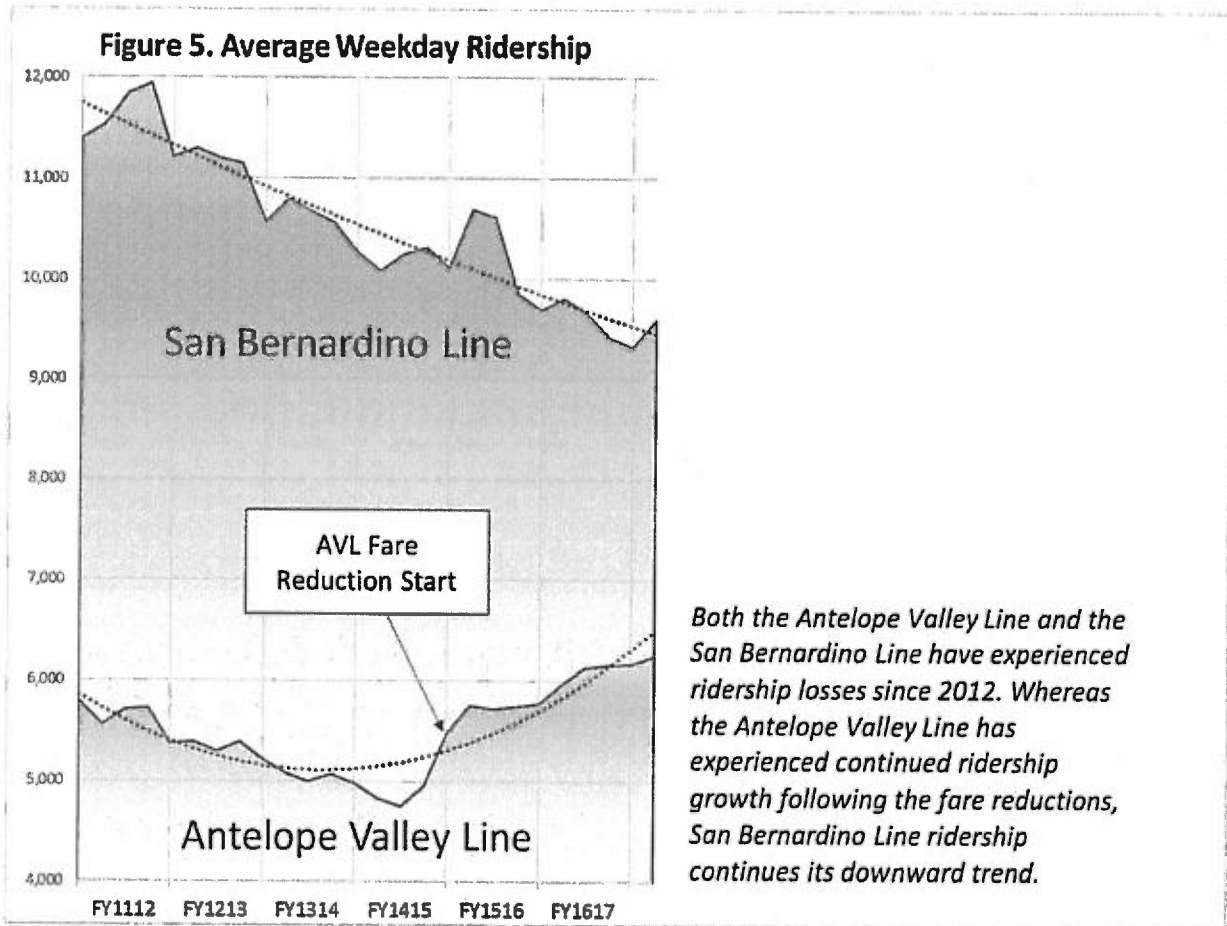
Figure 4. Shrinking Fare Subsidy Requirement



Next Steps

Staff is evaluating “lessons learned” from the AVL Fare Reduction Program and how they may be applied to other lines. Of particular interest is the San Bernardino Line which, like the AVL, has experienced ridership losses since FY2011-12. But whereas the AVL has seen continued ridership increases since the fare reduction, San Bernardino Line ridership continues to decline (Figure 5). Staff is considering a more customized ridership strategy for the San Bernardino Line that may consist of a multi-pronged approach with:

1. Fare reductions
2. Service enhancements
3. Improving the customer experience



Budget Impact

There is no budgetary impact as a result of this report.

Prepared by: Roderick Diaz, Director, Planning and Development
Henning Eichler, Planning Manager II

Kimberly Yu
Deputy Chief Operating Officer
(Planning and Project Delivery)

Gary Lettengarver
Chief Operating Officer

Attachment C

Minute Action

AGENDA ITEM:

Date: April 4, 2018

Subject:

San Bernardino Line Fare Discount Program & Allocation

Recommendation:

That the Board, acting as the San Bernardino County Transportation Authority:

- A. Allocate \$2 million of available Mobile Source Air Pollution Reduction Program grant funds and \$814,999 of Metrolink generated State Transit Assistance – Operator Share funds to a Metrolink San Bernardino Line Fare Discount Pilot Program.
- B. Authorize staff to develop a work plan and implement the 25% fare discount in partnership with the Los Angeles County Metropolitan Transportation Authority and the Southern California Regional Rail Authority which operates Metrolink.
- C. Authorize the Executive Director to execute an agreement between SBCTA, LA Metro, and SCRRA for the implementation of the 25% fare discount program, upon concurrence from General Counsel.

Background:

Historically, the San Bernardino Line (SBL) has been one of the most heavily used lines throughout the regional Metrolink system. However, over the past five (5) years, the line has experienced an average 11% drop in ridership, as well as an excess seating capacity of 68.6% during non-peak periods on weekdays and, 74.6% on weekends between July and December 2017. In addition to other factors such as increases in car ownership and low fuel costs, the timing of the drop in ridership correlates with a 2013 fare increase. While Metrolink retains a farebox recovery rate of approximately 41% to 44.4%, the resulting drop in revenue has had an impact to San Bernardino County Transportation Authority (SBCTA) and Los Angeles County Metropolitan Transportation Authority (LA Metro) subsidies. In an attempt to re-build ridership and to support Metrolink service, the LA Metro Board directed their staff to work with Southern California Regional Rail Authority (SCRRA) and SBCTA to develop a strategic plan to implement a SBL Fare Discount Pilot Program, and better understand the price elasticity of demand, as well as the potential for increasing ridership on the SBL moving forward. SBCTA provides an annual operating subsidy to SCRRA, with Local Transportation Funds (LTF) being the primary fund-source. The proposed Fiscal Year 2018/2019 operating subsidy requested by SCRRA consists of a 2.2% cost increase which is reasonable; however, when coupled with a drop in expected fare revenue, the cost increase results in a 5.5% net increase over the Fiscal Year 2017/2018 operating subsidy which is unsustainable. In addition, the Fund Administration Department recently completed an independent analysis of LTF projections by an outside consultant which indicated a need for more conservative revenue projections. As LTF is the primary fund-source for both SCRRA and Omnitrans operations, this impacts SBCTA's ability to sustainably fund San Bernardino County's share of Metrolink's cost on a long-term basis. While SBCTA staff continues to review funding alternatives, the decline in LTF sales tax revenue, combined with the reduction in fare revenue due to ridership decline, requires SBCTA to strategically review opportunities to grow ridership and thus reduce the long-term subsidy need. The availability of the Mobile Source Air Pollution Reduction Program (MSRCP) and State Transit Assistance Operator Share funding, in conjunction with LA Metro's desire to move forward with a SBL Fare Discount Program, provides the opportunity to mitigate the dropping fare revenue through implementation of a fare discount pilot program that ultimately grows ridership.

Entity: San Bernardino County Transportation Authority

The Metrolink regional rail system has implemented two (2) different discount programs along two (2) lines in recent years, both of which achieved an increase in ridership. In July 2015, LA Metro introduced a 25% discount along the Antelope Valley Line (AVL), and by Fiscal Year 2016/2017, ridership grew by 21% as compared to Fiscal Year 2014/2015. To date, the increase in ridership and associated fare revenues have resulted in a recovery of approximately 90% of funds allocated to the program. LA Metro projects the break-even point to be assumed in summer 2018. In December 2016, the Riverside County Transportation Commission (RCTC) funded a similar discount structure on the new Perris Valley Line (PVL) with the goal of stimulating ridership across the four (4) new stations along the 24-mile line extension. Although the PVL scenario differs from AVL in that it is a new extension that lacks a history of ridership numbers to serve as a base line, to date, RCTC has not had to increase operating subsidies.

Due to the success of the two fare discount pilot programs implemented in Los Angeles and Riverside Counties and in partnership with LA Metro, SBCTA is supportive of a similar program along the SBL. However, due to operating subsidy constraints, funding is needed to move forward with the program. SBCTA has identified \$2 million in grant funding from the MSRC Clean Transportation Funding that is available on a one-time basis with San Bernardino County being guaranteed a fair-share amount based on geographic equity. By using these funds, in addition to State Transit Assistance Operator Share monies for this purpose, SBCTA can provide San Bernardino County residents with a fare discount that is consistent with that of Los Angeles County, with the goal of increasing ridership and associated revenues in the future.

A cost and implementation analysis of the proposed SBL Fare Discount Pilot Program, which includes discount scenarios of 25%, 20%, 15%, and 10%, is provided in Attachment A, and serves as a basis for continued discussions with LA Metro and SCRRA. In accordance with the cost analysis, an allocation of \$2 million in MSRCP funds, with the remaining balance of \$814,999 funded by State Transit Assistance Operator Share, would sufficiently fund SBCTA's projected share of the "across the board" 25% discount scenario. Additionally, Metrolink Fare Policy indicates the existence of reciprocity between the Metrolink San Bernardino and Riverside lines due to the higher frequency of service along the San Bernardino Line. Reciprocity will be addressed during the development of a strategic work plan.

SBCTA staff would like to develop a work plan in partnership with LA Metro, who is to report back to their Board in April. The allocation of the \$2 million of MSRCP funds to the San Bernardino Line Fare Discount Program allows staff to move forward quickly with adequate funds for the program and in alignment with LA Metro. Additionally, the timely allocation of funds provides staff with sufficient amount of time to meet the MSRCP programming deadline of June 2018.

Financial Impact:

This item is consistent with SBCTA Fiscal Year 2017/2018 Budget.

Reviewed By:

This item was reviewed and unanimously recommended for approval by the Transit Committee on March 14, 2018.

Responsible Staff:

Carrie Schindler, Director of Transit and Rail Programs

Approved
Board of Directors
Date: April 4, 2018
Witnessed By:

Metrolink San Bernardino Line 25% Discount Six-Month Pilot Program



Planning and Programming Committee – April 11, 2018 – Item #20

Metrolink San Bernardino Line Fare Discount Pilot Program

In January 2018, Directors Solis, Najarian, Barger, Krekorian and Fasana directed the CEO to report back in 90 days on efforts to develop a strategic plan to implement a fare discount program on the Metrolink San Bernardino Line (SBL).



Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Board Report

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Response

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PLANNING AND PROGRAMMING COMMITTEE
JANUARY 17, 2018

Motion by:

Solis, Najarian, Barger, Krekorian, and Fasana

Item 44: Metrolink San Bernardino Line Fare Discount Pilot Program

Over the past several years, Metrolink has made tremendous strides to attract more riders to its system and become a more viable option for Southern California residents. Since introducing the 25% Fare Discount Program on the Antelope Valley Line (AVL) in July of 2015, ridership has grown 27% in FY 2016-17 compared to FY 2014-15. The increased ridership and associated fare revenues has resulted in recovering more than 80% of funds originally allocated to the program. Assuming the upward ridership trend continues, the AVL Fare Discount Program is projected to "break even" by the summer of 2018.

In December of 2016, the Riverside County Transportation Commission (RCTC) funded and replicated the discount program to stimulate ridership growth at four new stations along the 24-mile Perris Valley Line (PVL) extension. Due to initial success, RCTC is seeking to offer the discounted fare for an extended period of time.

While the AVL and PVL are realizing a ridership uptick resulting from the program, Metrolink's most heavily used line, the San Bernardino Line (SBL) is steadily declining. Over the past five years, the SBL has experienced an 11% drop in ridership with an excess of seating capacity throughout the line, including all peak hour trains. Moreover, the population density and intense congestion on the I-10 and I-210 freeways that parallel the SBL corridor are strong indicators that Metrolink has the potential to maximize ridership on the San Bernardino Line. Given the available seats to fill and the need to retain and grow ridership on the SBL.



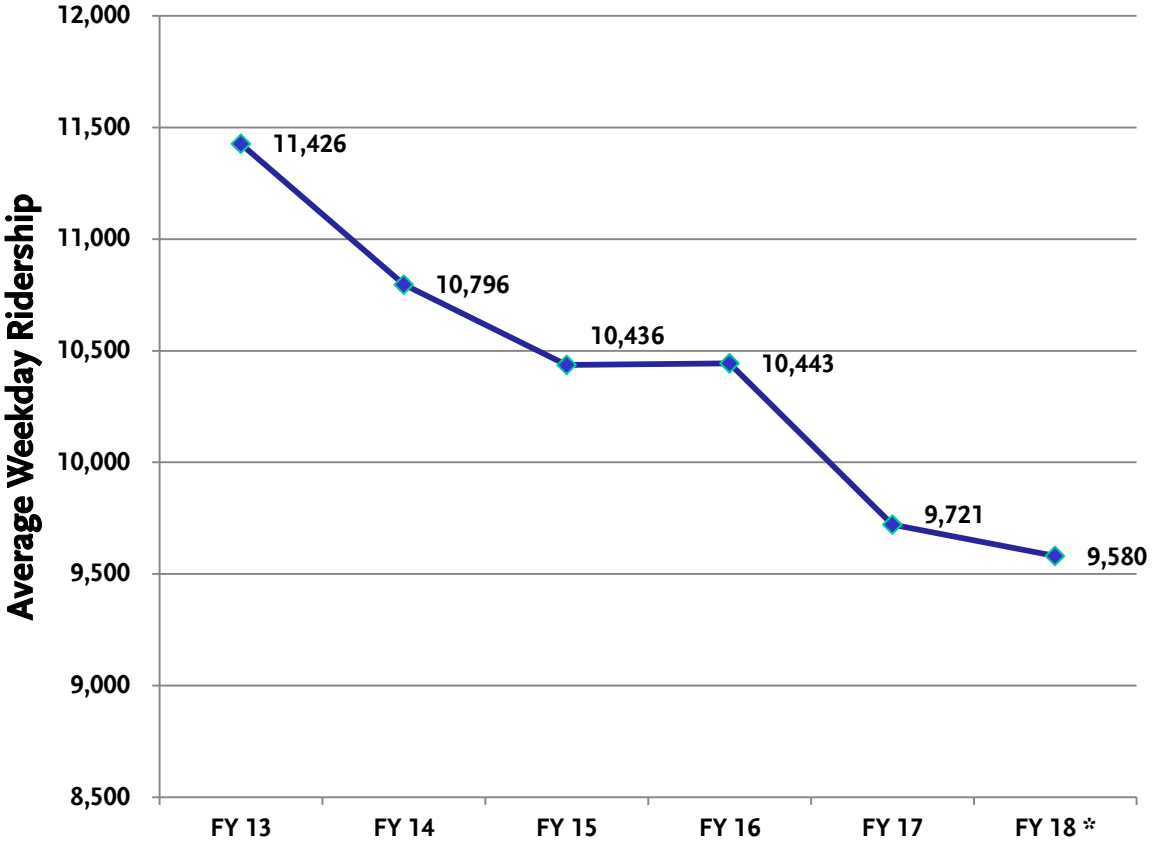
Staff Recommendations

CONSIDER:

- 1. APPROVING** the Metrolink San Bernardino Line (SBL) 25% Fare Discount 6-month Pilot Program;
- 2. PROGRAMMING** up to \$2 million in prior year Proposition C 10% surplus funds for FY 2018-19 funding for the Metrolink SBL 25% Fare Discount 6-month Pilot Program; and
- 3. AUTHORIZING** the CEO to enter into all agreements necessary to implement the Metrolink SBL 25% Fare Discount Pilot Program.

Metrolink San Bernardino Line (SBL) Ridership

San Bernardino Line Average Weekday Boardings by Fiscal Year

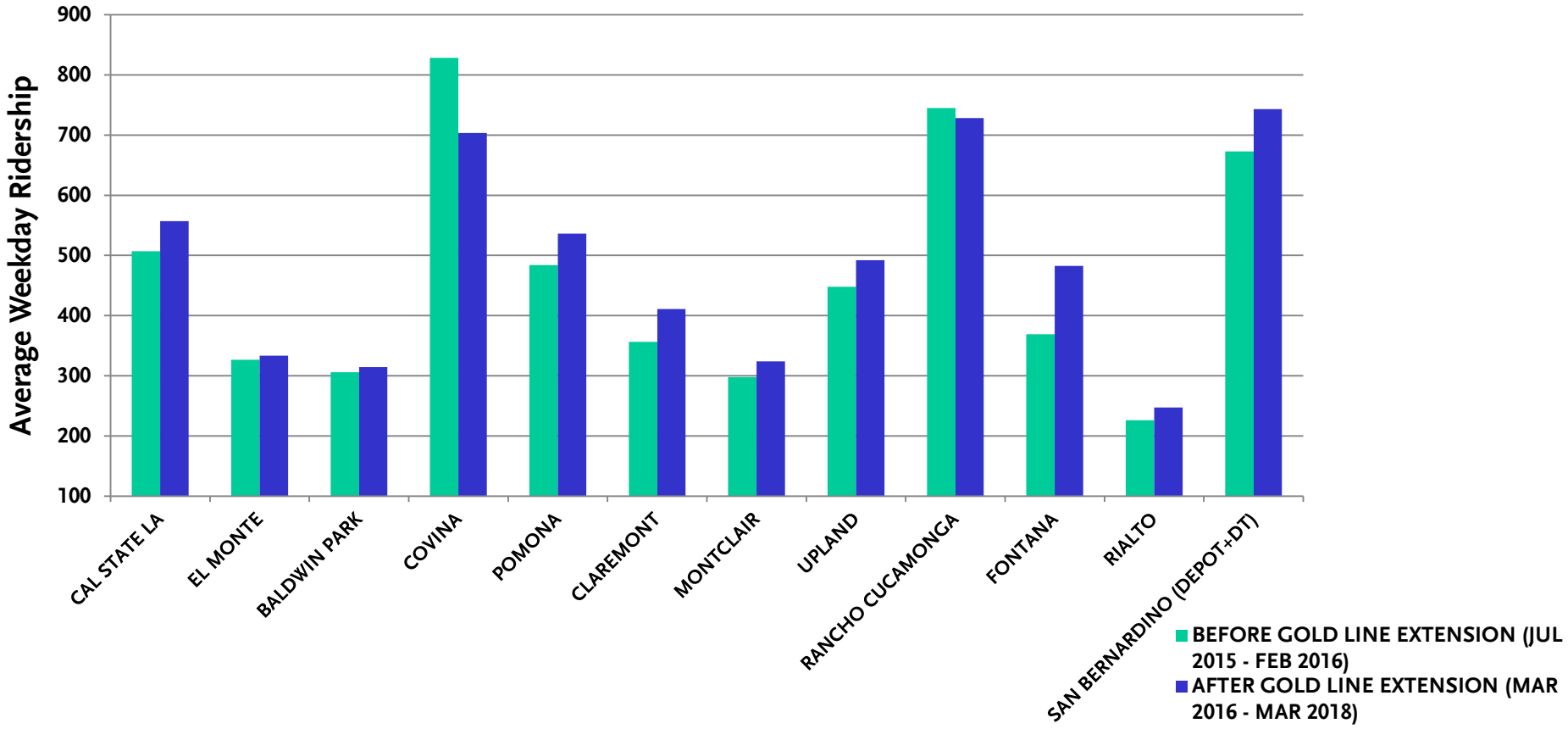


- 1. SBL has experienced a 16% overall ridership decline from FY 13 to FY 18
- 2. Factors contributing to the ridership loss:
 - a. Service reduction (42 trains to 38 trains per weekday in 2014)
 - b. Lower fuel prices
 - c. Increased car ownership
 - d. Service reliability and on-time performance
 - e. 27% ridership loss at the Metrolink Covina Station since the Gold Line was extended to Azusa in March 2016.



Metrolink San Bernardino Line (SBL) Ridership

San Bernardino Line Ridership Before and After Gold Line Extension to Azusa from July 2015 - March 2018

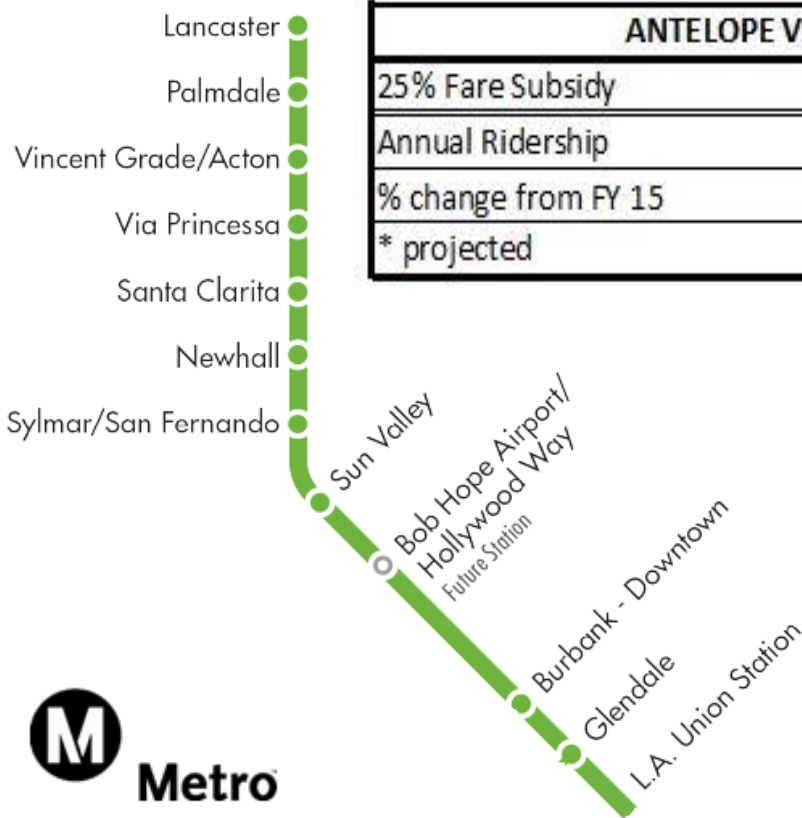


With the Gold Line Phase 2A extension to Azusa, Covina has experienced a 27% ridership loss. Most of the Metrolink Stations have seen an increase in ridership.

Antelope Valley Line (AVL) 25% Fare Reduction Program

Due to the success of the AVL and Perris Valley Line 25% Fare Reduction Programs, the motion seeks to grow the ridership by implementing a similar program on the SBL.

Since the AVL 25% Fare Reduction Program's start in July 2015, **ridership is up 33% and projected to continue to grow.**



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				

Metro has programmed \$5.462 million for the AVL Fare Discount Program, however, due to the steady increase in ridership, Metro is anticipated to spend less than \$2 million with **no additional subsidy by Summer 2019.**



Proposed San Bernardino Line Discount Program

In partnership with SCRRA and SBCTA, staff analyzed 4 options for an across-the-board fare reduction program of 25%, 20%, 15% and 10%.

SAN BERNARDINO LINE FARE REDUCTION IMPACT (SCRRA Analysis)				
Revenue (millions)	25%	20%	15%	10%
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)	25%	20%	15%	10%
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				

Consistent with the Board Motion and due to the success of the AVL Fare Discount program, **staff is recommending 25% fare discount program on the Metrolink SBL since it will generate the most ridership growth.**



Cost Sharing with San Bernardino County Transportation Authority (SBCTA)

Metro shares the cost for the Metrolink SBL with SBCTA where Metro funds 60% and SBCTA funds the remaining 40%. **On March 14 2018, the SBCTA Transit Committee approved the total funding of \$2.815 million for the Metrolink SBL 25% Fare Discount Program.** This item was approved at the SBCTA BOD meeting on April 4, 2018. The anticipated costs shared with SBCTA are shown below:

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

Staff recommends the Board to approve up to \$ 2 million for FY 19 only, to be paid by Metro’s share of SCRRA’s surplus operating funds. Staff will return to the Metro Board by February 2019 with recommendations that may include modify, terminate or continue with the Fare Discount Pilot program for the remaining \$2.191 million.

NEXT STEPS

- 1. Upon Board approval, staff will work with SCRRA and SBCTA to develop a work plan and implement the 6 month Fare Discount Pilot Program to start July 2018.**
- 2. As part of the pilot program, SCRRA will conduct a Title VI analysis.**
- 3. Staff report back to the Metro Board by February 2019 with recommendations to either continue, modify or terminate the program.**