



Board Report

File #: 2018-0207, File Type: Budget

Agenda Number: 12.

FINANCE, BUDGET AND AUDIT COMMITTEE JUNE 20, 2018

**SUBJECT: ACCESS SERVICES PROPOSED FISCAL YEAR 2019
BUDGET**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING local funding request for Access Services (Access) in an amount not to exceed \$90,599,512 million for FY19. This amount includes:
- Operating and Capital funds in the amount of \$88.3 million, and
 - Funds paid directly to Metrolink for its participation in Access' Free Fare Program in the amount of \$2.2 million
- B. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements to implement the above funding programs.

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 \$184 million is required for its FY19 operating and capital needs and \$2.2 million for Metrolink's participation in Access' Free Fare program. Access' resources in the amount of \$95.7 million are funded from federal grants, passenger fares, carryover and other income generated by Access. The remaining \$90.6 million will be funded by Metro with Measure M 2%, ADA Paratransit Service (MM 2%) and Proposition C 40% Discretionary funds (PC 40%). See Attachment A.

DISCUSSION

Ridership

Each year funding levels are established based on paratransit ridership projections provided by HDR Engineering, Inc. (HDR), Access' third-party independent consulting firm. The paratransit demand analysis uses economic factors, historical data and other variables to form the basis for the ridership projections, which are then converted into passenger trips.

Per HDR projections, Access' budget projects a small increase in ridership for FY19 over projected FY18 levels. The FY19 Budget will fund Access' Budget request, reflecting HDR's FY19 projected

ridership, with \$3.5 million, held in reserve for this projected growth in ridership. Metro staff will continue to monitor ridership levels regularly.

Major Cost Drivers and Reductions for FY19 Budget

The cost for paratransit trips is increasing primarily due to legislated changes in the minimum wage in Los Angeles City and Los Angeles County. The FY19 projected average cost per trip is \$39.74, which is a 14% increase from FY18. These increases are tempered by lower demand for paratransit services. Based on year-to-date data, the number of Access trips in FY18 is projected to decline by 2.7% from FY17 levels. The decrease in ridership is consistent with regional and national ridership trends, as well as a decline in eligible Access customers.

As illustrated in the chart below, the largest increase in the FY19 Budget is from Direct Operations, with an increase of 7.4% compared to FY18. This increase is primarily attributed to the increase in minimum wage as explained above. In FY18, Access revamped its eligibility process, which has led to a 30% decrease in costs for Contracted Services in FY19. For Management and Administration, costs are expected to increase by approximately 3.8% compared to FY18, associated with cost inflation and wage increases. Access' total FY19 Budget will increase by 4.7% or \$8.3 million over the previous year.

Access Services - Budget					
(\$ in thousands)					
	FY18	FY19			
	Budget	Proposed	\$ Change	% Change	
Expenses					
Direct Operations	\$ 139.4	\$ 149.8	\$ 10.4	7.4%	
Contracted Support	14.6	10.1	(4.4)	-30.4%	
Management/Administration	<u>11.7</u>	<u>12.2</u>	<u>0.4</u>	<u>3.8%</u>	
Total Operating Costs	\$ 165.7	\$ 172.1	\$ 6.4	3.8%	
Total Capital Costs	\$ 10.1	\$ 12.0	\$ 1.9	18.8%	
Total Expenses	\$ 175.8	\$ 184.1	\$ 8.3	4.7%	
Carry Over from FY17		\$ (4.4)	\$ (4.4)		

FY17 Carryover Funds of \$4.4M

In FY17, actual ridership was lower than projected, which resulted in unused funds of \$4.4 million. Under the Memorandum of Understanding (MOU), Access has the option to either return the funds to Metro or request to carry them over to the following fiscal year. Access has requested to carry over a total amount of \$4.4 million into the FY19 proposed budget.

BACKGROUND

Metro, in its role as the Regional Transportation Planning Authority, provides funding to Access to administer 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 passenger trips per year to more than 160,000 qualified ADA paratransit riders in a service area covering over 1,950 square miles of Los Angeles County by utilizing over 1,959 accessible vehicles and taxicabs. Access' service area is divided into six regions to ensure efficient and effective service.

Funding Sources - STBG Program Federal, Local Funding (PC 40% and Measure M)

Access, a federally mandated program, is partially funded by Federal Section 5310 funds from the Surface Transportation Block Grant (STBG) Program and other federal grants, which are used to fund Access' capital program and other non-ADA services. It is important to note that Metro must fund any required ADA paratransit service needs not met by the STBG up to the balance of Access' budget request primarily from local funding. Since PC 40% funds are the last dollar into the Access budget, the amount of STBG funding initially programmed to Access has a significant impact on the Metro budget.

Funding from the STBG Program has increased by an average of 2% annually since FY03; while local funding (PC 40%) has increased by an average of 13% annually during the same time period. Metro's continued allocation of STBG funds is critical in supporting ADA complementary paratransit services in the region. Any decision to defer or decrease Access' STBG funding will result in a greater demand for Metro's local funding (PC 40%). Given the many demands for PC 40% funds, Metro will need to identify other eligible funding sources to ensure continued provision of ADA mandated paratransit service.

Additionally, the passage of Measure M provides for a small dedicated funding source to help bridge this gap in accordance with the adopted MM 2% guidelines.

Performance

In FY18, the Access Board of Directors adopted additional key performance indicators (KPIs) to ensure that optimal levels of service are provided throughout the region. These results are published monthly in a Board Box report. A yearly comparison summary of the main KPIs is provided below.

Access Performance Standards

	Standards	FY17	Goals Met	FY18- YTD	Goals Met
On Time Performance	≥ 91%	91.5%	Yes	91.8%	Yes
Late 4 Trips (45+ min late)	≤ 0.10%	0.1%	Yes	0.08%	Yes
Average Initial Hold Time	≥ 120 secs	80 secs	Yes	81 secs	Yes
Calls on Hold over 5 minutes	≤ 5.0%	4.5%	Yes	4.6%	Yes

YTD through March 2018

Agency Update

In FY18, at the request of the Metro Finance, Budget and Audit Committee, Access began providing quarterly updates that included an overview of Access' performance outcomes and service initiatives.

Over the last year, Access has completed the following initiatives:

- Comprehensive Operational Review
- Customer Survey
- New Eligibility Facility in Commerce, CA and revised eligibility process
- Updated operational contracts with enhanced KPIs and Scope of Work
- Introduction of a trip locator (*Where's My Ride*) smartphone application

In FY19, Access plans to implement the following:

- Operational facility study
- Online reservations
- Online eligibility applications
- Medi-Cal transportation reimbursement program

Metro Oversight Function

Metro will continue oversight of Access to ensure system effectiveness, cost efficiency and accountability. Metro has been and will continue to be an active participant on Access' Board of Directors, the Budget Subcommittee and Audit Subcommittee. In addition, 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% in the amount of \$66.9 million and MM 2%, in an amount of \$23.7 million for a total amount of \$90.6 million.

Impact to Budget

Metro's FY19 budget includes \$90.6 million from PC 40% and MM 2% collectively, to fund Access. There will be no financial impact on Metro's bus and rail operations.

ALTERNATIVES CONSIDERED

Not fully funding Access to provide mandated paratransit service for FY19 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 lines. This would impact Metro's ability to receive federal grants.

NEXT STEPS

Upon approval, staff will execute all MOUs and agreements to ensure proper disbursement of funds from MM 2% and PC 40%.

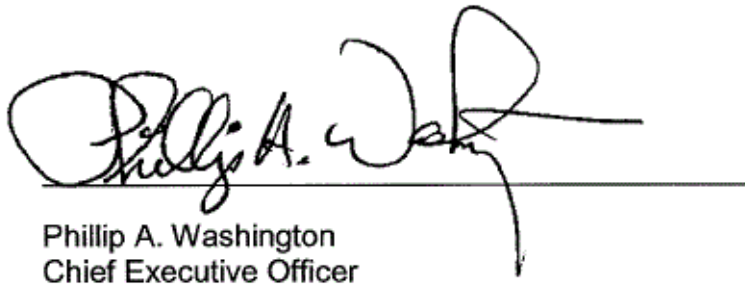
In FY15, the Board programmed Federal STBG Program funds from FY16 through FY19. This is the last year of programmed STBG funding for federally mandated ADA paratransit service. Countywide Planning & Development Department will return to the Board for approval to program the STBG funds for FY20 and future years to ensure that Access will be eligible to apply for this funding.

ATTACHMENT

Attachment A - FY19 Access Program

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Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

FY19 Access Program		
Expenses		(\$ in millions)
FY19 Access Proposed Budget	\$	184.0
Metrolink Free Fare Program (Paid by Metro)		2.2
Total Access Program	\$	186.2
Federal/Fares/Carryover		
Federal - STBG Program		66.0
Federal MAP-21 (Capital)		12.0
Passenger Fares and other income		13.3
FY17 Carryover (PC 40%)		4.4
Subtotal	\$	95.7
New Funding Request - Operating and Capital		
<u>Measure M 2%</u>		
FY18 (unallocated funds)	\$	11.5
FY19 funding		12.5
<u>Proposition C 40%</u>		
FY 19		61.0
Reserve (held by Metro)		3.5
Metrolink Free Fares		2.2
Total FY19 Funding Request	\$	90.6

Access Services FY19 Budget Request

Finance, Budget & Audit Committee

June 20, 2018



Metro

Access Funding Sources – FY19

FY19 Access Program	
Expenses (\$ in millions)	
FY19 Access Proposed Budget	\$ 184.0
Metrolink Free Fare Program (Paid by Metro)	2.2
Total Access Program	\$ 186.2
Federal/Fares/Carryover	
Federal - STBG Program	66.0
Federal MAP-21 (Capital)	12.0
Passenger Fares and other income	13.3
FY17 Carryover (PC 40%)	4.4
Subtotal	\$ 95.7
New Funding Request - Operating and Capital	
<u>Measure M 2%</u>	
FY18 (unallocated funds)	\$ 11.5
FY19 funding	12.5
<u>Proposition C 40%</u>	
FY 19	61.0
Reserve (held by Metro)	3.5
Metrolink Free Fares	2.2
Total FY19 Funding Request	\$ 90.6



Approve FY19 Funding Request of \$90.6M

Access Services - Expenses

Access Services - Budget

(\$ in thousands)	FY18 Budget	FY19 Proposed	\$ Change	% Change	Notes
Expenses					
Direct Operations	\$ 139.4	\$ 149.8	\$ 10.4	7.4%	Minimum wage increases FY19 in LA City/County
Contracted Support	14.6	10.1	(4.4)	-30.4%	Enhanced eligibility process
Management/Administration	<u>11.7</u>	<u>12.2</u>	<u>0.4</u>	<u>3.8%</u>	Cost inflation and wage increase
Total Operating Costs	\$ 165.7	\$ 172.1	\$ 6.4	3.8%	
Total Capital Costs	<u>\$ 10.1</u>	<u>\$ 12.0</u>	<u>\$ 1.9</u>	<u>18.8%</u>	Carryover of Federal grants for Capital Program
Total Expenses	\$ 175.8	\$ 184.1	\$ 8.3	4.7%	

Access Key Performance Indicators (KPIs)

	Standards	FY17	FY18- YTD	Goals Met
On Time Performance	$\geq 91\%$	91.5%	91.8%	Yes
Late 4 Trips (45+ min late)	$\leq 0.10\%$	0.1%	0.08%	Yes
Average Initial Hold Time	≥ 120 secs	80 secs	81 secs	Yes
Calls on Hold over 5 minutes	$\leq 5.0\%$	4.5%	4.6%	Yes

YTD through March 2018

- Access utilizes KPIs to ensure quality ADA paratransit service is delivered to its customers.
- Contractor's performance are also monitored through additional KPIs included in contracts.

Oversight And Next Steps

Oversight

- Quarterly updates to Finance, Budget & Audit Subcommittee
- Annual consolidated financial audit conducted by Metro
- Participation in advisory committees and working groups
- Regular monitoring of service and financial statistics

Next Steps

- Increase engagement with large medical facilities
- Implementation and enhancement of new technology

Recommendation

- Approve local funding request for Access Services in an amount not to exceed \$90.6 million for FY19. This amount includes:
 - Operating and Capital funds in the amount of \$88.3 million, and
 - Fund paid directly to Metrolink for its participation in Access Services Free Fare program in the amount of \$2.2 million
- Authorize the Chief Executive Officer to negotiate and execute all necessary agreements to implement the above funding programs.