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Agenda - Final

Wednesday, April 20, 2022

1:30 PM

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Finance, Budget and Audit Committee

*Kathryn Barger, Chair
Paul Krekorian, Vice Chair
Mike Bonin
Fernando Dutra
Holly Mitchell
Tony Tavares, non-voting member

Stephanie Wiggins, Chief Executive Officer*

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(ALSO APPLIES TO BOARD COMMITTEES)

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Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

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- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
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Live Public Comment Instructions:

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The Committee Meeting begins at 1:30 PM Pacific Time on April 20, 2022; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-251-2949 and enter
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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

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La Reunion de la Junta comienza a las 1:30 PM, hora del Pacifico, el 20 de Abril de 2022. Puedes unirse a la llamada 5 minutos antes del comienzo de la junta.

Marque: 888-251-2949 y ingrese el codigo
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Los comentarios del público se tomaran cuando se toma cada tema. Para dar un comentario público sobre una tema ingrese # 2 (Tecla de numero y dos) cuando se le solicite. Tenga en cuenta que la transmisión de video en vivo se retrasa unos 30 segundos con respecto a la reunión real. No hay retraso en la línea de acceso telefónico para comentarios públicos.

Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.
Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."
Email: BoardClerk@metro.net
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Board Administration
One Gateway Plaza
MS: 99-3-1
Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

15. **SUBJECT: FISCAL YEAR 2023 BUDGET DEVELOPMENT STATUS UPDATE** [2022-0153](#)

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2023 (FY23) Budget Development Status Update.

Attachments: [Attachment A - Equitable Zero-Based Budgeting \(EZBB\) Cost Control](#)
[Attachment B - People First - Quality Investments](#)
[Attachment C - Metro Transit Program \(Budget and Service Plan\)](#)
[Attachment D - Congestion Mgmt, P&P, and Oversight & Admin Programs](#)
[Attachment E - Early, Improved & Expanded Public Engagement Update](#)

(ALSO ON OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE)

16. **SUBJECT: METRO BIKE SHARE CONTRACT EXTENSION AND REPLENISHMENT** [2022-0150](#)

RECOMMENDATIONS

AUTHORIZE the Chief Executive Officer to:

- A. EXECUTE Modification No. 11 to Contract No. PS272680011357 with Bicycle Transit Systems (BTS) to extend the contract period of performance by 12 months through July 30, 2023, purchase new bicycles to replenish and stabilize the on-street bicycle fleet, purchase and install GPS equipment, and maintain a 10% inventory, to ensure a consistent on-street fleet for the duration of this contract, in the amount of \$15,250,213, increasing the total contract value from \$95,343,861 to \$110,594,074; and
- B. ESTABLISH a Capital project with a \$2 million Life of Project (LOP) value in support of the purchase of Metro Bike Share (MBS) equipment, including bicycles, GPS equipment, and other associated equipment and materials.

Attachments: [Attachment A - Metro Bike Share Board Motion No. 41](#)
[Attachment B - Metro Board Report March 2022 \(Item 2021-0812\)](#)
[Attachment C - Procurement Summary](#)
[Attachment D - Contract Modification/Change Order Log](#)
[Attachment E - DEOD Summary](#)

(ALSO ON EXECUTIVE MANAGEMENT COMMITTEE)

17. SUBJECT: PROPERTY INSURANCE PROGRAM

[2022-0021](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase All Risk Property and Boiler and Machinery insurance policies for all property at increased policy limits at a not to exceed price of \$5.5 million for the 12-month period May 10, 2022 through May 10, 2023.

Attachments: [Attachment A - Recommended Pricing and Carriers](#)
 [Attachment B - Alternatives Considered](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2022-0227](#)

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

**COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S
SUBJECT MATTER JURISDICTION**

Adjournment



Board Report

File #: 2022-0153, **File Type:** Informational Report

Agenda Number: 15.

FINANCE, BUDGET, AND AUDIT COMMITTEE

APRIL 20, 2022

OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE

APRIL 21, 2022

SUBJECT: FISCAL YEAR 2023 BUDGET DEVELOPMENT STATUS UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2023 (FY23) Budget Development Status Update.

ISSUE

This is the third in a series of monthly updates to the Board on the FY23 Budget development process, culminating in a planned May 2022 Board Adoption.

BACKGROUND

This update highlights the following:

- A. Equitable Zero-Based Budgeting (EZBB) Cost Control
- B. People First: Quality Investments
- C. Metro Transit Program (Service Plan, Boardings, Fare, and Budget)
- D. Budget for Congestion Management, General Planning & Programming and Oversight & Admin Programs
- E. Early, Improved & Expanded Public Engagement Update

DISCUSSION

A. Equitable Zero-Based Budgeting (EZBB) Cost Control

As Los Angeles County emerges from the COVID-19 pandemic and Metro Operations gears up to welcome back riders, we are preparing to open two new rail services as well as restoring bus service back to pre-pandemic levels. Funding for FY23 Metro Transit Operation program preliminary budget relies heavily on the last of one-time Federal Stimulus Funds, American Rescue Plan Act (ARPA).

Recent inflationary cost trends impact on Metro's expense continues to grow as Metro starts to operate new rail lines, addresses labor shortage, and absorbs supply chain logistic issues in operations. Additionally, new and improved initiatives implemented during the pandemic such as

cleaning, public safety outreach, Metro Micro, expanded Low Income Fare is Easy (LIFE) enrollment, and Fareless System Initiative (FSI) programs will continue and add more operating cost. The disparity between the loss of ARPA funding and the slower growth pace of local sales tax and fare revenues results in a projected affordability gap starting in FY24 and widening in FY25.

Metro is weighing and developing mitigation strategies to address this near-term affordability gap which led Metro to embark upon the Equitable Zero-Based Budget (EZBB) process for FY23. The goal of EZBB is to ensure tight cost control by identifying and addressing the root causes of cost growth and prioritizing projects and programs with a clear focus on equity and customer experience. The EZBB process will be continued in future years to support our cost mitigation efforts and to achieve a sustainable financial future for Metro. For further information on this, please refer to Attachment A.

The EZBB process in FY23 serves as the overall cost control management tool. It started with the creation of Task Forces to evaluate and address key near-term findings. The Task Forces are comprised of multi-departmental leadership level staff to evaluate the following:

- Bus and Rail Cost - Review cost allocation approach; breaking down controllable direct and indirect cost items. Explore Bus and Rail cost reduction opportunities at itemized detailed levels and proposing updated plans.
- Optimal Service Design - More than focusing on quantity of service, explore solution to provide optimal service to improve speed and reliability, adding more miles to each hour of revenue service. Advancing the quality of customer experience.
- Capital Cost Mitigation - Consider phased life cycle capital development costs from planning to pre-revenue and operation. Research best practice for capturing Pre-Revenue cost. Propose soft cost control policy, evaluate Metro staff vs. consultant staffing models, review design criteria, and assess alternative delivery methodology. Produce fiscally responsible and transparent reporting.

We will continue to pursue additional grant and funding opportunities. With each step of task force evaluation, Staff will inform the Board of schedule and affordability impacts while discussing tradeoffs and mitigation strategies.

B. People First: Quality Investments

Our goals are focused on putting People First: our riders, our partners, and our employees. For Transit Operations, People first means providing high quality, frequent and reliable service to our riders. This budget incorporates the many initiatives underway to improve the quality of service under the umbrella of Customer Experience.

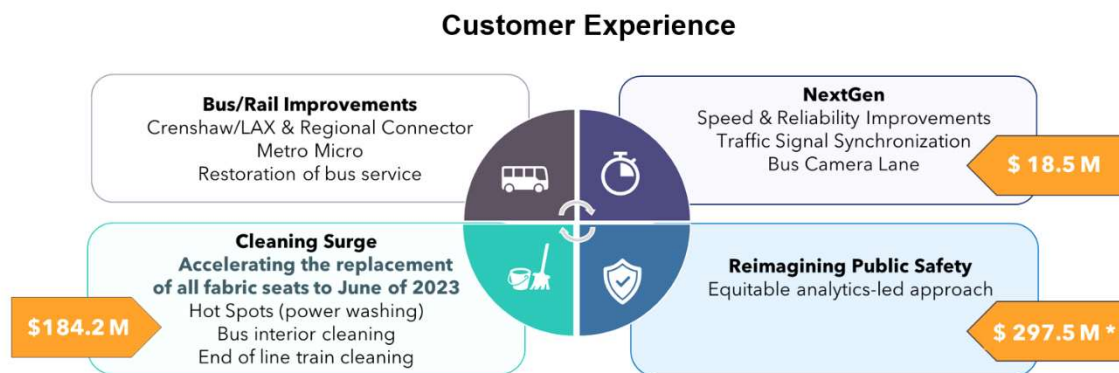
Figure 1:



The FY23 Preliminary Budget puts equity at the core of the decision making, guiding our development with the goal of improving access. The restoration of bus service and the openings of Crenshaw/LAX (K Line) and Regional Connector significantly improves access, connectivity and increases mobility options to our equity-focused communities, including one seat service across the county that minimizes transfers and reduces the time impacts on riders. These new mobility options will help reduce barriers, provide more access to opportunities, resulting in an increase in ridership.

The Customer Experience Plan (CX Plan) is comprised of programs that involve every Metro department and programs including Reimagining Public Safety, NextGen improvements to increase the efficiency and reliability of bus and rail transit, Enhanced Cleanliness programs, our LIFE program for low-income riders, and FSI student support program - our investment in the riders of the future. One major initiative being accelerated in FY23, a direct result from public feedback, is the replacement of all fabric seats throughout our system by June 2023, three years earlier than currently planned. Figure 2 below illustrates the Customer Experience umbrella.

Figure 2:



See Attachment B for details on the initiatives underway.

C. Metro Transit Program (Service Plan, Boardings, Fare, and Budget)

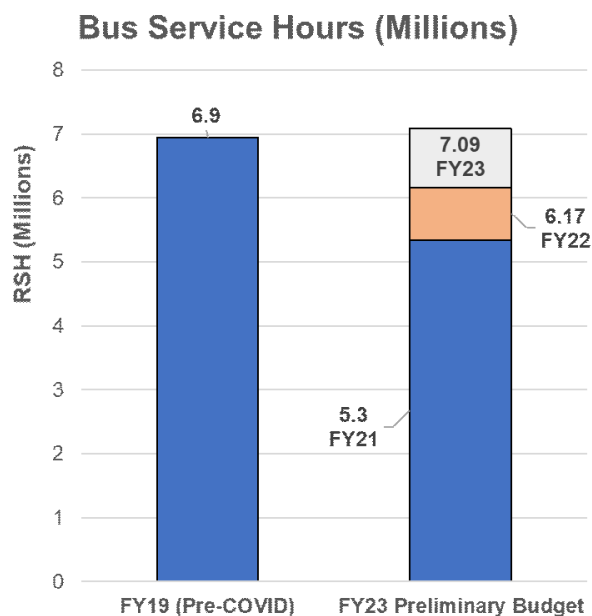
Service Plan

An essential element to the rider experience is the level of service and this budget is both restoring bus service and is adding rail service. The total bus and rail service includes 8.43 million RSHs (excluding Metro Micro RSH) which is 3.8% increase from pre-pandemic levels and a 4.5% increase over FY22 budget.

Bus

As shown in figure 3, Bus service is restored back to pre-COVID-19 level of seven million Revenue Service Hours (RSH) in FY23, a 2.1% increase from FY22 budget.

Figure 3:



Note : This chart excludes Metro Micro revenue service hours.

Rail

Metro's Rail mobility options are expanding with the opening of two new lines: K Line (Crenshaw/LAX) Phase I and Regional Connector. Both are planned to open during the first half of FY23. As shown in figure 4 below, opening of the two new rail extensions, will increase the service to 1.34 million RSHs, a 19.4% increase over FY22 budget.

- The Crenshaw/LAX Line will extend transit service from the existing E Line (Expo Line) to, and merging with, the C Line (Green Line).
- Regional Connector will provide convenience to those already taking existing A, E, and L rail Lines (Blue, Expo, Gold). Riders will save travel time by eliminating transfers in downtown today

with a one-seat ride for traveling across Los Angeles County.
See figure 5 for additional track miles, stations, service hours, and updated headways with opening of Crenshaw/LAX Line (K Line) phase I and Regional Connector.

Figure 4:

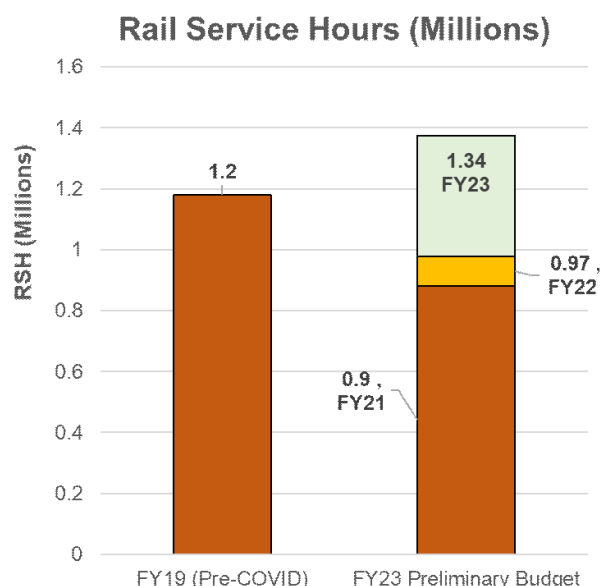


Figure 5:

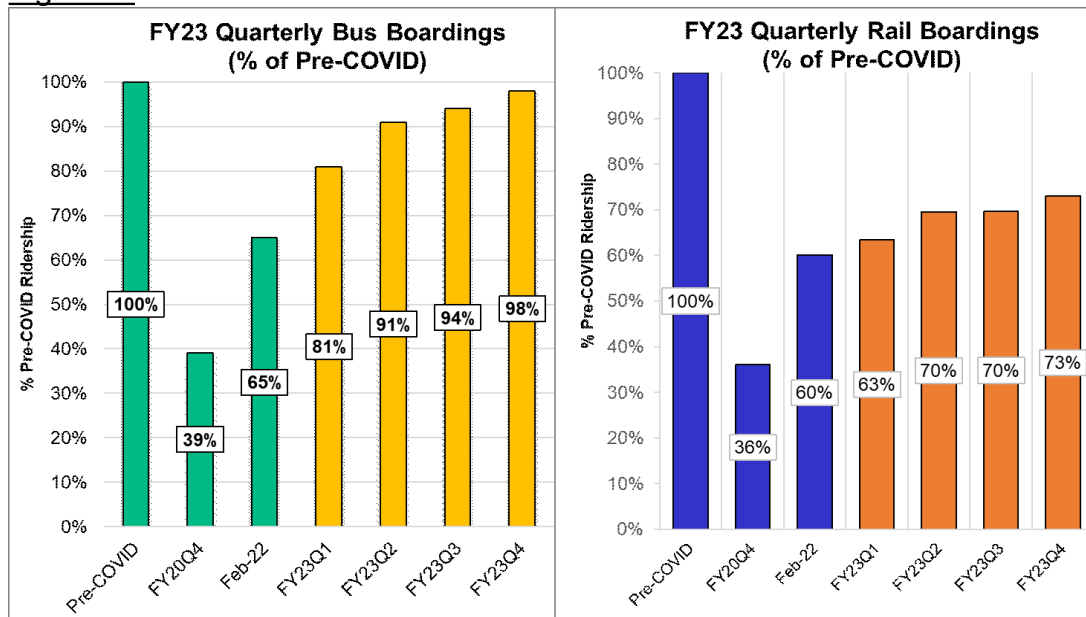
Existing Rail System	Crenshaw/LAX (K Line) Phase 1	Regional Connector
102.7 track miles	8.5 track miles	1.9 track miles
98 stations	8 new stations (7 opening in FY23)	3 new stations
1,113,807 (RSH)	58,022 (Pre-Revenue & RSH)	202,389 (pre-revenue & RSH)
8-minute headways (FY23 Q1-Q2)		
6-minute headways (FY23 Q3-Q4)		
(Subject to ridership demand and operator availability)		

Boardings

With the service improvements in restoring bus service level, adding new and connected rail services, and People First quality enhancements, ridership is estimated to increase by 25% from FY22 Year end estimate for a total of 326.6 million boardings. Phase 1 of the FSI student support program so far has attracted about 20% more student boardings. By the fourth quarter of FY23, bus ridership is expected to be at 98% of pre-pandemic level and rail ridership with slower recovery is expected to be at 73% of pre-pandemic ridership level. In addition, the one seat ride connected by

Regional Connector will attract new riders, but will reduce unlinked passenger boarding counts by eliminating the need to transfer. See figure 6 below for projected FY23 Quarterly Bus and Rail Boardings as a percentage comparison to pre-pandemic ridership level.

Figure 6:



Fare Revenue

To minimize risks for both transit operators and transit riders at the onset of the pandemic in March 2020, Metro implemented rear-door boarding on all buses and fare enforcement was suspended. In May 2020, Board Motion 36 (“Emergency Relief: Full-Price Passes”) was adopted, requiring Metro to offer full fare riders a 50% discount on transit passes once regular boarding practice resumes. In addition, in September 2021, Board Motion 40 (“Amendment to the Fareless System Initiative”) was adopted, directing Metro to double enrollment in the LIFE program and to offer an incentive of free 90-day transit passes for eligible new sign-ups.

Overall, Metro’s non-enforcement approach to fare collection stayed in place for nearly two years. When fare collection resumed on January 10th this year, the two Board Motions were simultaneously implemented. As we continue to monitor and analyze shifts in boardings and fares over the first several months of fare collection, staff will report back on the impacts of Board Motion 36 and Board Motion 40 in June 2022.

Throughout the pandemic, one-time Federal relief funding (CARES, CRRSA, ARPA) continues to supplant estimated fare revenue losses of up to \$689 million through FY23, with the remaining relief funding used for direct transit operations that also helped to ensure no Metro employees were laid off. Based on the most current information available on actual fare collection since January 10th, the FY23 Preliminary Budget will assume \$106 million for passenger fare revenues. While this is significantly more than the \$20 million collected in FY21 at the height of the pandemic, it is still almost \$150 million less than pre-pandemic fare revenues of \$260 million annually, with the funding gap

covered by ARPA in FY23. See figure 7 below on estimated fare revenues and variance.

Figure 7:

Fiscal Year	Expected Fare Revenues*	Actual/Estimated Fare Revenues	Variance	Federal Stimulus Backfill for Loss
FY19	\$302M	\$260M	(\$42M)	
FY20	\$285M	\$181M	(\$104M)	CARES
FY21	\$270M	\$20M	(\$250M)	CARES
FY22	\$257M	\$60M	(\$197M)	CRRSA
FY23	\$244M	\$106M-166M **	(\$78M-\$138M)	ARPA
Total Backfill from Stimulus			(\$629M - \$689M)	

Metro Transit Program Budget

As shown in figure 8 below, the FY23 preliminary budget estimate for Metro Transit Program is \$2.2 billion, an increase of 6.4% or \$131.7 million over FY22 budget and includes funds to support delivery of 8.7 million RSHs to operate Bus, Rail and Metro Micro services.

- Bus expenses are anticipated to increase by \$61.5 million or 5.0% from FY22 budget. This increase will support improved service levels with enhanced quality and service reliability.
- With the addition of the new rail lines, rail budget expenses are anticipated to increase by \$118.9 million or 19.0% from FY22 budget.
- Metro Micro budget is \$37.9 million and includes additional staffing and contract expenses for expansion of service by 24% to 271.4 thousand RSHs.

See further details for Bus, Rail and Metro Micro budget in Attachment C.

Figure 8:

	Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change	% of Total
1	Bus Total	\$1,239.1	\$1,300.7	\$ 61.5	5.0%	59.2%
2	Rail Total	627.2	746.0	118.9	19.0%	33.9%
3	Metro Micro (Microtransit)	39.1	37.9	(1.2)	-3.0%	1.7%
4	Metro Transit Total	1,905.4	2,084.6	179.2	9.4%	94.8%
5	FTA Approved Overhead Allocations	161.7	114.2	(47.6)	-29.4%	5.2%
6	Grand Total	\$2,067.1	\$2,198.8	\$ 131.7	6.4%	100.0%

D. Budget for Congestion Management, General Planning & Programming and Oversight & Admin

As shown in figure 9 below, the FY23 Preliminary Budget for Metro Transit (including Metro Micro pilot project), General Planning & Programming, Congestion Management and Oversight & Admin programs totals \$2.6 billion. As the FY23 EZBB process progresses, more detail budget proposals by program are developed.

The following summarizes the changes between FY23 and FY22:

- Congestion Management totals \$136.6 million, an increase of \$33 million or 31.8%.
- General Planning & Programming program totals \$216.6 million, an increase of \$50.5 million or 30.4%.
- \$80.1 million for Oversight & Admin, a \$10.3 million or 14.7% increase from FY22.

See further details on the budget for these three programs in Attachment D.

Figure 9:

	Expenditures by Program Type (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change	% of Total
1	Metro Transit - Operations	\$ 2,067.1	\$ 2,198.8	\$ 131.7	6.4%	26.6%
2	General Planning & Programs	166.1	216.6	50.5	30.4%	2.6%
3	Congestion Management	103.7	136.6	33.0	31.8%	1.7%
4	Oversight & Admin	69.8	80.1	10.3	14.7%	1.0%
5	Total of Programs covered in April Report	\$ 2,406.7	\$ 2,632.0	\$ 225.4	9.4%	31.9%
6	Total of Programs covered in March Report	\$ 5,117.9	\$ 5,630.2	\$ 512.3	10.0%	68.1%
7	Total of April and March Reports	\$ 7,524.6	\$ 8,262.2	\$ 737.6	9.8%	100.0%

In May, staff will provide the consolidated Agency-wide Expenses and FTEs Budget Proposal along with an update on Debt borrowing plans, which is a financing tool to help deliver essential capital projects.

E. Early, Improved & Expanded Public Engagement Update

As an industry leader in equity, the CEO has helped lay the groundwork for more equitable outcomes as we incorporate the voices of our diverse community into the FY23 Budget. Per CEO direction, staff began the public engagement early, and pursued it often. As pandemic restrictions were lifted and the economy opened, staff resumed and expanded the public participation process.

The expanded outreach has been very successful in engaging the public. Metro held three Telephone Town Hall Meetings with over 11,000 participants, released a Budget Survey resulting in over 8,000 responses (compared to 1,659 last year) and over 4,100 written comments (compared to 700 last year). In addition, staff designed and launched a new budget portal (metrobudget.net) that provides updated budget information. Staff will continue public engagement efforts with expanded stakeholders outreach meetings. See Attachment E for details on our FY23 Proposed Budget Public

Engagement efforts.

DETERMINATION OF SAFETY IMPACT

This recommendation will not have an impact on safety standards at Metro.

FINANCIAL IMPACT

The assumptions described above are the budget planning parameters that will guide the development of the FY23 Budget. The preliminary budgets may be adjusted as more specific and updated information becomes available.

EQUITY PLATFORM

This month's report focuses on Metro's Transit program and highlights operating and maintenance of Metro bus and rail services, general planning and programing, congestion management, as well as several customer experience initiatives and public safety enhancements. The Transit Operations Budget emphasizes the importance of Valuing Our People, riders, stakeholders, and employees while providing equitable, sustainable, economically productive, safe, and accessible service.

Metro engaged riders, stakeholders and the broader public early in the budget process, starting with Telephone Town Halls in September followed by a budget survey in January that was offered in Spanish and English to acquire feedback on budget priorities. The survey marketing plan utilized social media ads to capture a broad range of responses and utilized additional targeted practices to ensure a sampling of survey respondents that represents LA County's diverse residents and Metro's ridership.

Additionally, the Metro Budget Equity Assessment Tool (MBEAT) was also incorporated in the FY23 Budget development to assess budgetary requests for equity benefits, impacts and considerations.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following Metro Strategic Plan Goal:

Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

NEXT STEPS

Staff will review and finalize the FY23 Budget proposal for Board consideration of adoption and in time for the public hearing on May 18th.

ATTACHMENTS

Attachment A : Equitable Zero-Based Budgeting (EZBB) Cost Control

Attachment B : People First: Quality Investments

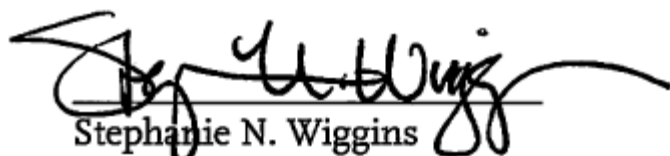
Attachment C : Metro Transit Program (Budget and Service Plan)

Attachment D : Congestion Management, General Planning & Programming, and
Oversight & Admin Programs

Attachment E : Early, Improved & Expanded Public Engagement Update

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Stephanie N. Wiggins
Chief Executive Officer

Equitable Zero-Based Budgeting (EZBB) Cost Control

CEO Directive: Apply EZBB to Operating Cost Control and Capital Investment



Establish highest-level Task Forces comprised of most experienced Cabinet members from Operations, Planning and Program Management



Bus Cost: Review cost allocation approach; explore Bus cost control and reduction opportunities by reviewing itemized details and proposing updated plan



Rail Cost: Review cost allocation approach; explore Rail cost control and reduction opportunities by reviewing itemized details and proposing updated plan



Optimal Service Design: More than focusing on quantity of service, explore solution to provide optimal service level and quality customer experience



Capital Cost Mitigation: Consider phased life cycle capital development cost from planning to pre-revenue and operation. Research best practice for capturing Pre-Revenue cost. Propose soft cost control policy, Metro staff vs. consultant ratio, design criteria review, alternative delivery methodology assessment, and fiscally responsible reporting.



Evaluate and inform the board about schedule and affordability impact of any scope and cost increases while discussing the tradeoffs and mitigation strategies

People First: Quality Investments

Metro's most important core focus is valuing our people: our riders, our partners, our stakeholders, our employees, residents of, and visitors to Los Angeles County. By valuing our people, we continue to make the changes that improve the quality of our current service, investments that provide for future users, and enhance the customer experience. At the core of all our focus areas is equity - looking at everything we do through an equity lens. Equity is not a result; it is the ideal at the core of our Board's policies and drives the priorities that inform and shape this budget. Our early public engagement, including the entire leadership team interacting with listeners at our Telephone Town halls, the responses and comments to our on-line budget survey, and the regular feedback we continue to receive also played a role in this budget.

The FY23 Preliminary Budget includes various initiatives underway to improve customer experience. Under the umbrella of the Customer Experience Plan (CX Plan), programs involving every Metro department include Reimagining Public Safety, NextGen improvements to increase the efficiency and reliability of bus and rail transit, Enhanced Cleanliness programs, our LIFE program for low-income riders, and FSI student support program - our investment in the riders of the future. These initiatives are all built upon the results of our engagement with the public and are included in this budget to improve the quality of our service.

PEOPLE
First
Quality investments



Equity

Transportation and mobility are the essential levers enabling access and improving quality of life for LA County. Metro recognizes that vast disparities exist in access to opportunities, including jobs, education, housing, community resources, friends and family – the basis of healthy communities. Metro is working to identify and implement projects and programs that seek to reduce, and ultimately eliminate disparities in access to opportunities. Through the Equitable Zero-Based Budget (EZBB) process an equity lens is applied to everything we do: starting at zero and building a fiscally responsible budget to serve as a driving force that recenters Metro to its core focuses.

The FY23 Preliminary Budget puts equity at the core of the decision making, guiding our development with the goal of improving mobility access for all in Los Angeles County. Metro's transformational change to Reimagine Public Safety and our renewed focus on the Customer Experience stems from listening to the public. Metro continues to engage the public directly and throughout the year working with our community-based organization (CBO) partners. By listening and learning, by focusing on what we hear and delivering on the promises we made to the voters of Los Angeles County; and improving our communications, Metro is committed to restoring confidence in the Metro system.

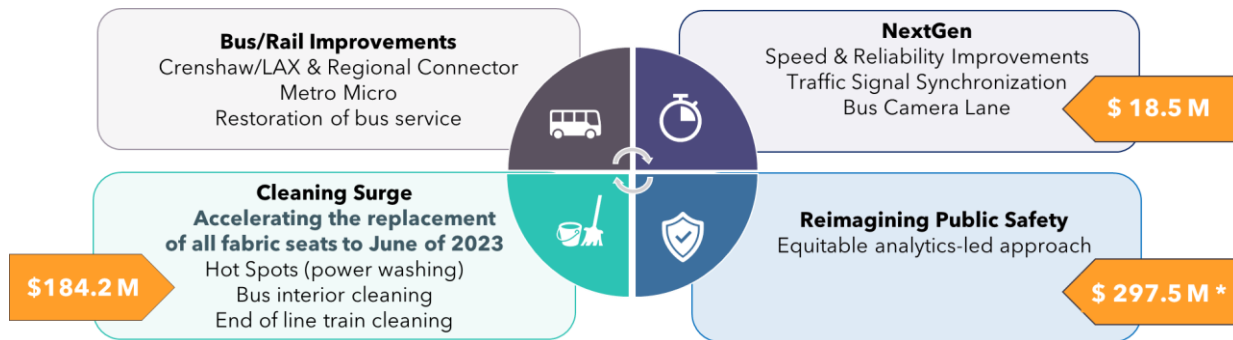
This year improving access, connectivity and system capacity is happening as we open Crenshaw/LAX (K Line) and Regional Connector, providing more mobility options to our equity-focused communities, including one seat service across the county that minimizes transfers and reduces the time impacts on riders. In addition, Metro Micro is a multi-year pilot program designed to augment ridership by giving a ride-hail option for customers when traveling in the lower density areas of the region.

Improving access does not stop at just transit options. Through development of the Room to Work program, Metro is helping unhoused individuals become job-ready, giving true access to jobs and economic mobility. Metro's continuing investment in the Transit school, providing disadvantaged youths Science, Technology, Engineering, and Mathematics (STEM)-based educational opportunities and developing the future leaders of the transportation industry. Metro is also improving access to economic opportunities, through multiple efforts that help small businesses.

All these investments demonstrate Metro's commitment to leading and partnering with others to create a more just society.

Customer Experience (CX)

Customer Experience is not just the CX Plan, but a combination of many efforts throughout Metro. The Customer Experience includes Bus and Rail Transit capacity and operational improvements, Cleaning Surges reflecting comments from the public, Reimagining Public Safety a transformational change across the nation with Metro playing a leading role in our industry, and a Customer Communications strategy that provides accurate and timely information. The CX Plan lays out specific initiatives to focus our priorities and improve the rider's experience.



With Customer Experience as one of Metro’s core focus points in the FY23 Preliminary Budget, the CX Plan takes an honest look at pain points and seeks to identify concrete solutions to address those concerns.

In addition to the recently completed CX survey, the budget comments received reflected concerns centered around reliability and frequency of bus service, rail service, cleanliness, and the perceived safety of the Metro transit system. For FY23, the CX Plan focuses on five areas for improvement:

- Cleanliness
- Public Safety
- Bus Stop Shade and Seating
- Customer Information
- Time Competitiveness and Connectivity

The FY23 Preliminary Budget reflects CX Plan initiatives that add to what we already do well, improve our existing practices, or change the way we do things to enhance the customer experience. A comprehensive report on the CX Plan can be found in Board Report #2021-0774. Many of the CX Plan initiatives are included within the Transit Operations and Maintenance budget.

Cleanliness

The CX Plan introduces a bold program proposal called the Cleaning Surge, that entails adding additional resources to reflect the cleanliness standards Metro customers expect. The FY23 Preliminary Budget includes \$184.2 million for all cleaning efforts, including 10 roving cleaning teams. Metro is also increasing the frequency of cleaning, expanding “in-line” and mid-day bus interior cleaning, “end-of-line” cleaning on rail, station hot spots, and expanded activities at Metro’s most traveled stations and terminals.

A recurring request we heard from our customers was to remove all fabric seats for vinyl seats throughout our system. Our original plan was to complete this by FY24, and we are accelerating this by one year to be completed in FY23.

The table below summarizes the FY23 Preliminary Cleaning Budget.

Area (\$ in millions)	FY22 FTE	FY23 FTE	Change	% Change	FY22 Budget	FY23 Preliminary	\$ Change	% Change
Buses	366	388	22	6%	\$ 0.6	\$ 1.1	\$ 0.4	71%
Trains	141	163	22	16%	0.2	0.3	0.2	114%
Facilities	110	110	-	0%	55.3	58.6	3.3	6%
Stations	206	216	10	5%	1.6	1.8	0.2	11%
Stops	23	23	-	0%	0.3	0.4	0.1	22%
Station Evaluation	-	2	2	100%	-	0.4	0.4	100%
Totals	846	902	56	7%	\$58.1	\$ 62.6	\$ 4.5	8%
Labor Costs					\$110.8	\$ 121.6	10.8	10%
Cleaning Budget					\$168.9	\$ 184.2	\$ 15.3	9%

Reimagine Public Safety

Improving public safety on our system is another common theme across all public comments. Metro responded with the establishment of the Public Safety Advisory Committee (PSAC) to work in partnership and develop a community-based approach to public safety on the transit system. The result is our competitive game plan for transformational change to public safety: the Reimagining Public Safety Framework that aligns operations to the needs of the public through intentional and equity-driven public safety initiatives.

The FY23 Preliminary Budget includes an estimated \$297.6 million, an increase of almost 13% over FY22, in public safety investments that include the Reimagine Public Safety initiatives. The table below details the investments:

Reimagine Public Safety	FY22 Budget	FY23 Preliminary	\$ Change	% Change
Accountability & Transparency	\$ 0.1	\$ 1.2	\$ 1.1	1137%
Communications & Public Education	0.2	0.4	0.2	147%
Resource Deployment	216.3	225.3	9.0	4%
Transit Ambassadors	20.0	40.0	20.0	100%
Homeless Outreach	10.7	15.3	4.6	43%
Security Design	13.4	10.4	(3.0)	-22%
Tools & Technology	3.0	4.1	1.1	38%
Training & Procedures	0.1	1.0	0.9	953%
Reimagine Public Safety Budget	\$ 263.7	\$ 297.6	\$ 33.9	12.9%

All Reimagine Public Safety initiatives are prioritized in the FY23 budget. The following are some key areas to highlight:

- Transit Ambassadors program is doubling
- Homeless Outreach, including mental health assistance growing almost 50%
- Addition of 15 Unarmed Security Officers
- Body Worn Video (BWV) for Metro Transit Security
- Call Points (Security Blue Light Call Boxes)

Homeless Outreach Initiatives

One layer in Metro's overall public safety involves refining Metro's homelessness outreach and engagement efforts. Like transit agencies across the nation, Metro faces a situation, largely out of our direct control, that impacts our system. The growth in the number of unhoused seeking shelter on our system, coupled with individuals experiencing cognitive crisis, serves as one of the top impediments to our ability to retain and grow discretionary ridership on the Metro system and significantly impacts the rider customer experience. Metro recognizes the growing need for homeless outreach and mental health resources to respond to individuals in need on our system and we continue to partner with the County's multidisciplinary homeless outreach teams.

The FY23 Preliminary Budget not only reflects our continued efforts and commitments in partnering with the County, but also includes additional new and expanded efforts. This year, Metro is developing a new program, Room to Work, where Metro partners with community-based organizations to connect unhoused individuals on our system to interim or permanent housing and supportive services. Further, Metro will then work with training and education providers to develop and administer a specialized-industry job training program. The program will offer temporary positions and provide the work experience necessary to help participants obtain permanent full-time positions, either at Metro or other employers.

The FY23 Preliminary Budget includes an estimated \$16.3 million for homelessness activities to commence, continue, and expand efforts. A comprehensive report on Reimagining Public Safety Framework can be found in Board Report #2022-0054 (February 2022).

NextGen Bus Plan

The intent of the NextGen Bus Plan is to reimagine the bus system by focusing on providing fast, frequent, reliable, and accessible service to meet the needs of customers. NextGen is a service component for Metro that helps restore high frequency service in Equity Focused Communities (EFCs) and ridership has already started to increase in EFCs due to its implementation. System speed is expected to increase significantly by partnering with cities and the County in the implementation of bus priority lanes and Transit Signal Priority (TSP) projects reducing wait time and increasing bus speeds for all operators in the county.

Other NextGen initiatives such as bus stop and layover improvements and all-door boarding will improve system speed by saving time for our riders, Bus speed improvements allow for expanded service levels and more frequent trips for customers within the same planned service hours. It also improves system reliability and customer experience.

NextGen Speed and Reliability projects are continuing in FY23 with a focus on Transit Signal Priority (TSP), Bus Priority Lanes, Bus Mobile Validators (BMV) for all door

boarding, and Cameras for Bus Lane Enforcement. For FY23, the Preliminary Budget for NextGen projects is \$18.5 million.

NextGen Speed & Reliability Budget	FY22 Budget	FY23 Preliminary	\$ Change
All Door Boarding	\$ 0.5	\$ 7.0	\$ 6.5
Bus Priority Lanes	3.0	4.7	1.7
Tactical Treatment & Service Enhancement Studies	2.1	2.9	0.8
Transit Signal Priority	2.0	2.0	0.0
Layover Optimization	0.1	1.2	1.1
Bus Stop Improvements	0.3	0.8	0.5
Total Proposed Budget	\$ 8.0	\$ 18.5	\$ 10.5

Our investments in All Door Boarding, include the installation of 2,900 Bus Mobile Validators, which will increase boarding speeds up to 2x faster, especially at busier stops, and reduce crowding at front door and bus operator areas. This along with the expanded transit signal priority, bus priority lanes and layover improvements will achieve travel time savings to reinvest into better service and improve the customer experience.

Fareless System Initiative (FSI) and LIFE Program

There were many different perspectives on transit fares shared by riders in the public comments received in relation to Metro's FY23 Preliminary Budget. Customer perspectives on the issue appear to be split, with comments ranging between advocating for a completely fareless transit system versus requests for increased fare enforcement to minimize security concerns of paying transit riders.

At the Regular Board Meeting on September 23, 2021, the Metro Board of Directors adopted the funding plan for the regional Fareless System Initiative (FSI). As a result, Metro launched the FSI pilot in the form of GoPass, a regional transit pass that allows K-12 and Community College students, attending participating schools, to ride on any participating transit operator, including Metro, without paying a fare. The cost sharing agreements under GoPass require annual payment from school districts of \$3 per student enrolled at K-12 schools and \$7 per student enrolled at Community Colleges.

Prior to the pandemic, K-12 fare revenues were about \$27 million annually. As of March 2022, there are 49 K-12 districts with signed or pending GoPass agreements, representing a net cost-sharing amount of approximately \$1 million for the first year of the pilot. In addition, there are 4 Community College districts with signed or pending agreements, representing a net cost-sharing amount of approximately \$2 million for the same period. The \$3 million total GoPass revenues for pilot year one will be split amongst participating transit agencies based on TAP data for actual GoPass boardings.

The FY23 Preliminary Budget includes the FSI – Student Go Pass program, which will be offset by the cost sharing agreements of up to \$3 million to be shared across the participating transit agencies and will be further offset by ARPA funding in FY23.

In addition, at its September 2021 Regular Board Meeting, the Metro Board adopted Board Motion 40 that seeks to expand and enhance the LIFE program, a regional program offering monthly pass discounts or 20 free trips per month to eligible low-income riders. The motion established a target of doubling program enrollment by December 2022 and directed Metro to develop and provide a free 90-day transit pass to new LIFE applicants as an incentive for joining the program. In over two years from the beginning of the LIFE program in 2019 until June 2021, there were 84,594 LIFE enrollments. Over the past 10 months, there were an additional 41,182 enrollments, a total increase of almost 50%.

As we approach the goal to double enrollment, it is clear that expanded outreach efforts and improvements made to ease enrollments have been successful, with LIFE ridership up 60% from pre-covid numbers despite the fact that overall ridership has not reached pre-pandemic levels. The FY23 Preliminary Budget reflects our commitment to doubling the enrollment by doubling the program budget, as well as additional efforts to ease enrollment, extensive program marketing and expanded efforts with community-based organizations, and the free 90-day pass incentive for new enrollees.

Metro continues to recognize the need for dedicated funding to support a safe, clean, and reliable transit system. As we approach the issue of fares through an equity lens, initiatives such as FSI and improvements to the LIFE program aim to provide crucial assistance to the populations most in need.

While fares are used to support transit operations, the one-time infusion of federal assistance through the American Recovery Plan Act (ARPA) provides FY23 relief funding as ridership gradually recovers towards pre-pandemic levels.

Metro Transit Program (Budget and Service Plan)

Metro Transit Program Budget

The FY23 preliminary budget estimate for Metro Transit program for bus, rail and Metro Micro is \$2.2 billion, an increase of 6.4% or \$131.7 million over FY22 budget. It includes funds to support delivering of 8.7 million RSHs to operate Bus, Rail and Metro Micro services.

	Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change	% of Total
1	Bus Total	\$1,239.1	\$1,300.7	\$ 61.5	5.0%	59.2%
2	Rail Total	627.2	746.0	118.9	19.0%	33.9%
3	Metro Micro (Microtransit)	39.1	37.9	(1.2)	-3.0%	1.7%
4	Operations & Maintenance Total	1,905.4	2,084.6	179.2	9.4%	94.8%
5	FTA Approved Overhead Allocations	161.7	114.2	(47.6)	-29.4%	5.2%
6	Grand Total	\$2,067.1	\$2,198.8	\$ 131.7	6.4%	100.0%
7	Cost per RSH					
8	Bus	\$ 201.1	\$ 201.5	\$ 0.5	0.2%	
9	Rail	\$ 558.4	\$ 556.4	\$ (2.0)	-0.4%	
10	Microtransit	\$ 178.4	\$ 139.7	\$ (38.8)	-21.7%	

Expenditures are based on operating-eligible funding for Metro Transit program to provide equitable, clean, safe, and reliable service for all customers. All profiled resources include allowances for additional staffing and other support to ensure delivery of increased service and addressing Customer Experience initiatives including cleaning, homeless outreach, transit ambassador program and to support fare capping, FSI, and LIFE programs as part of Metro's equity focus.

Metro Transit Bus Budget

	Bus Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change
1	Labor	\$ 900.5	\$ 918.7	\$ 18.2	2.0%
2	Parts & Supplies	74.3	84.8	10.5	14.1%
3	CNG	31.5	42.2	10.7	33.9%
4	Service Contracts	232.9	255.0	22.1	9.5%
5	Bus Total	1,239.1	1,300.7	61.5	5.0%
6	FTA Approved Overhead Allocation	156.7	128.0	(28.6)	-18.3%
7	Grand Total	\$1,395.8	\$1,428.7	\$ 32.9	2.4%
8	Bus Cost per RSH before FTA Allocations	\$ 178.5	\$ 183.5	\$ 5.0	2.8%
9	Bus Cost per RSH after FTA Allocations	\$ 201.1	\$ 201.5	\$ 0.5	0.2%

Metro Bus program consists of several enhancements in FY23 including service increase, NextGen service improvements, as well as cleaning and safety improvements as part of our Customer Experience initiatives. To deliver this service, the estimated budget is \$1,428.9 million which is \$32.9 million (2.4%) increase over FY22.

Labor Expenses

Included in budget is additional staffing deployment for cleaning buses, bus stops, and bus layover zones for an increase of \$18.2 million (2%) over FY22 budget. This estimate is subject to change based on the conclusion of collective bargaining agreement negotiations currently in progress with SMART union.

Non-Labor Expenses

Additional \$32.6 million funds are included for Parts and Supplies and Service Contracts to support increased service level and cleaning, preventive maintenance to assure service reliability, as well as funding for Homeless Outreach efforts. CNG fuel expense increase of 33.9% is primarily due to the CNG fuel market cost per therm increase caused by inventory availability, transportation cost as well as increased service.

In addition, NextGen bus improvement projects included in Capital Improvement Plan (CIP) such as Bus Mobile Validators for all door boarding and Transit Signal Priority projects improve system speed allowing more trips for the planned service hours, increasing service efficiency.

Cost per Revenue Service Hour

In FY23, with restoration of full service to 7.09 million RSH and, implementation of Customer Experience (CX) initiatives, such as enhanced cleaning and transformational security initiatives, cost per revenue service hour is tightly controlled with an increase (0.2%) in the preliminary cost per RSH to \$201.5/RSH from FY22.

	Bus Metro Transit (\$ in Millions)	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Budget	FY23 Prelim
1	Cost per RSH	\$ 167	\$ 175	\$ 192	\$ 201	\$ 201.5
2	YOY % Change		4%	10%	5%	0.2%

Metro Transit Rail Budget

	Rail Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change
1	Labor	\$ 312.7	\$ 364.8	\$ 52.1	16.7%
2	Parts & Supplies	19.5	28.5	9.0	46.1%
3	Propulsion Power	30.4	40.4	9.9	32.6%
4	Service Contracts	264.6	312.4	47.9	18.1%
5	Rail Total	627.2	746.0	118.9	19.0%
6	FTA Approved Overhead Allocation	5.1	(13.9)	(18.9)	-372.5%
7	Grand Total	\$ 632.3	\$ 732.2	\$ 99.9	15.8%
8	Rail Cost per RSH before FTA Allocations	\$ 558.4	\$ 556.4	\$ (2.0)	-0.4%
9	Rail Cost per RSH after FTA Allocations	\$ 562.9	\$ 546.0	\$ (16.9)	-3.0%

Metro Rail program also consists of several enhancements in FY23 including service increase, new rail expansions, and enhanced cleaning and safety improvements as part of our Customer Experience initiatives. To deliver this service, the estimated budget is \$732.2 million which is \$99.9 million (15.8%) increase over FY22.

Labor Expenses

Included in budget is additional staffing deployment for Cleaning Surge to provide extra mid-day rail car and station cleaning as well as focusing on public safety by expanding the transit ambassador program, homeless outreach programs, and other safety improvements. The labor cost increase to support these services is \$52.1 million (16.7%) over FY22. This estimate is subject to change based on the conclusion of collective bargaining agreement negotiations currently in progress with SMART union.

Non-Labor Expenses

To keep our new and existing fleets in excellent working condition, funds are added in Parts and Supplies for \$9 million (46%) for cleaning and corrective and preventative maintenance. Propulsion power expenses are increasing by \$9.9 million and Rail maintenance and cleaning contracts are increasing by \$18.6 million in conjunction with our new rail service and improved cleanliness initiatives. Additionally, \$17.9 million is included in the budget to support expanding the transit ambassador program, homeless outreach programs, and other safety programs.

Cost per Revenue Service Hour

As a result of EZBB cost control, expenses will increase at a lower rate than the service increases, resulting in a reduction (3%) to the cost per revenue service hour, down to \$546.

	Rail Metro Transit (\$ in Millions)	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Budget	FY23 Prelim
1	Cost per RSH	\$ 490	\$ 505	\$ 595	\$ 563	\$ 546
2	YOY % Change		3%	18%	-5%	-3%

Cost per revenue service for Metro Transit rail increased by 18% from FY20 to FY21, partly due to the pandemic related service reduction and preserving jobs. Service was reduced while labor cost, which is the main cost driver of operations and maintenance, remained at budgeted levels.

In FY22 service started ramping up to pre-COVID-19 levels, reducing the cost per revenue service hour. In FY23 service will increase 19.4% to 1.34 million RSH, and cost will increase 15.8% mainly due to rail expansions, and implementation of CX initiatives.

Metro Micro

Metro Micro is a multi-year pilot program designed to augment ridership by giving a ride-hail option for customers when traveling in the lower density areas of the region as intended by NextGen.

FY23 will see optimization of geography and span of service refinements for each of the eight service zones to ensure the program's resources are effectively placed to meet demand.

	Microtransit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change
1	Metro Labor	\$ 15.9	\$ 18.2	\$ 2.3	14.5%
2	RideCo Contract and Vehicle Lease	13.2	14.8	1.5	11.5%
3	Other Metro Operating Expenses	9.9	5.0	(5.0)	-50.1%
4	Grand Total	\$ 39.1	\$ 37.9	\$ (1.2)	-3.0%
5	Microtransit RSH	0.22	0.27	\$ 0.1	24.0%
6	Cost per RSH	\$ 178.4	\$ 139.7	\$ (38.8)	-21.7%

The Metro Micro preliminary budget is \$37.9 million and includes additional staffing and contract expenses for expansion of service by 24% to 271.4 thousand RSHs to accommodate the continued growth in ridership (estimated over 700 thousand in FY23) and reduce wait time for trips.

Other Metro operating expenses include adjusting the training expenses to be aligned with current experience in support of all deployment zones.

Service Plan**Service Hours**

The table below illustrates FY22 budget and FY23 preliminary service hour breakdown by mode and line:

Revenue Service Hours

	FY22 Budget	FY23 Preliminary	Change
Mode			
1 Bus			
2 Local & Rapid	6,214,887	6,360,171	145,284
3 J Line (Silver)	104,729	125,287	20,558
4 G Line (Orange)	104,921	104,921	-
5 Purchased Transportation	517,475	498,656	(18,819)
Microtransit	218,966	271,440	52,475
6 Subtotal Bus	7,160,978	7,360,475	199,497
7 Rail			
8 A Line (Blue)	212,528	447,224	234,697
9 C Line (Green) / K Line (Crenshaw/LAX)	119,097	157,215	38,117
10 L Line (Gold)	241,818	61,641	(180,177)
11 E Line (Expo)	193,403	318,474	125,071
12 B Line (Red) / D Line (Purple)	356,353	356,353	-
13 Subtotal Rail	1,123,199	1,340,907	217,708
14 Total Revenue Service Hours	8,284,176	8,701,382	417,206

Pre - Revenue Service Hours

	FY22 Budget	FY23 Preliminary	Change
Mode			
16 K Line (Crenshaw/LAX)	48,854	10,513	(38,341)
17 Regional Connector	67,660	22,798	(44,862)
18 Total Pre-Revenue Service Hours	116,514	33,311	(83,203)
19 Total Service Hours	8,400,691	8,734,693	334,002

Boardings

The table below illustrates FY22 budget and FY23 preliminary estimate on boardings breakdown by mode and line:

Boardings (000)

		FY22 Budget	FY23 Preliminary	Change
1	Mode			
2	Bus			
3	Local & Rapid	182,178	233,467	51,289
4	J Line (Silver)	4,105	4,773	668
5	G Line (Orange)	5,013	6,215	1,202
6	Purchased Transportation	9,186	11,357	2,171
7	Microtransit	290	713	423
8	Subtotal Bus	200,772	256,524	55,752
9	Rail			
10	A Line (Blue)	10,706	15,535	4,829
11	C Line (Green) / K Line (Crenshaw/LAX)	5,749	8,395	2,646
12	L Line (Gold)	9,480	3,397	(6,083)
13	E Line (Expo)	11,555	14,489	2,934
14	B Line (Red) / D Line (Purple)	26,343	28,971	2,628
15	Subtotal Rail	63,833	70,787	6,954
16	Total	264,605	327,312	62,707

Congestion Management , General Planning & Programming, and Oversight & Admin Programs

Congestion Management

	Congestion Management Program (\$ in millions)	FY22 Budget	FY23 Preliminary	\$ Change	% Change
1	Express Lanes	\$ 53.7	\$ 70.5	\$ 16.8	31.3%
2	Freeway Service Patrol	27.8	39.9	12.1	43.4%
3	Motorist Services	13.6	15.1	1.5	11.2%
4	Rideshare Services	9.3	11.6	2.3	25.1%
5	Grand Total	\$ 104.4	\$ 137.1	\$ 32.7	31.3%

The program consists of four major groups: ExpressLanes, Freeway Service Patrol (FSP), Motorist Services and Rideshare Services.

The Metro ExpressLanes provides drivers and transit riders with a fast, reliable, and high-quality alternative to freeway congestion on I-110 and I-10.

Freeway Service Patrol (FSP) mitigates congestion caused by incidents and assists motorists with disabled vehicles on Los Angeles County freeways.

Motorist Services includes 1) the Los Angeles County Service Authority for Freeway Emergency (LA SAFE). It operates the Kenneth Hahn Call Box Program and the Southern California 511 Traveler Information. 2) Regional Integration of Intelligent Transportation Systems (RIITS) is a regional program administered by Metro that promotes operational collaboration through the collection, compilation and sharing of intelligent transportation systems data and resources.

Rideshare Services includes Regional Shared Mobility, Transportation Demand Management, and Vanpool Incentives.

The overall FY23 Congestion Management Program Budget of \$137.1 million represents a \$32.7 million or 31.1% increase from the FY22 Budget.

- ExpressLanes: The \$16.8 million increase in budget is primarily attributed to the mandatory replacement of electronic transponders for all registered account holders.
- FSP: The \$12.1 million increase is due to the restoration of service to pre-COVID-19 levels and increased costs to fuel, labor, insurance, and the purchase price of Tow service vehicles.
- Motorist Services: The \$1.5 million increase from RIITS program is due to the increased need for data.
- Rideshare Services: The \$2.3 million increase is driven by the Board approved vanpool subsidy increase as well as increased operational costs for the rideshare program.

General Planning & Programming

The Planning and Programming Budget encompasses a wide range of activities that support the agency's goal of delivering improved mobility, sustainability, as well as financial and technical support to Metro's partners throughout LA County. Activities under this program include long-range and systemwide financial planning and grants management, new and enhanced transit infrastructure, various aspects of Metro's bike program, public-private partnership and unsolicited proposals, sustainability, joint development efforts and Union Station upgrades.

This year's budget development process primarily considers operational needs and resources, grant availability, developer funded nature of projects, activities required under federal or state regulatory bodies, and Board approved system connectivity studies or other mobility initiatives.

Some project highlights include the following:

<i>Active Transportation Bike</i> -	Bike Inventory Replenish (\$2M)
	Bike Share Program Operating/Maintenance (\$15.4M)
	Bike Hub/Lockers (\$1.1M)
	LA River Waterway System Bike Phase 2 Env. (\$8.9M)
	LA River Bike Path (\$11M)
<i>First Last Mile</i> -	FLM Planning Regional Connector & Aviation (\$1.9M)
	Street Safety Program (\$50K)
	Transit to Parks (\$100k)
<i>Sustainability</i> -	Sustainability Planning (\$1.8M)
	Sustainable Project Implementation (\$9.1M)
<i>System Connectivity</i> -	Centinela Grade Separation (\$7M)
	Multi-Modal Corridor Planning (\$3.1M)
	Rio Hondo & Vermont South Bay Feasibility Studies - (\$665K)
<i>Admin & Planning</i> -	I-710 Task Force (\$500k)
	Long Range Planning (\$9M)
<i>Financial Planning</i> -	Regional Grants Management (\$14M)
<i>Art & Design</i> -	Systemwide Signage Design (\$675K)
<i>Joint Development</i> -	Housing Lab Program/transit-oriented housing (\$516K)
<i>Parking</i> -	Universal Station mobility hub (\$2M)
	Parking facility refurbishments (\$2.1M)
<i>Property Maintenance</i> -	Union Station Management Services & Maintenance - (\$20.1M)
<i>Transit Oriented Comm.</i> -	Metro Training and Innovation Center (\$4.5M)
<i>Transit Court</i> -	Admin. Required by Code Title 6 (\$1.6M)
<i>Union Station Improve</i> -	Digital signage, ADA, Forecourt/Esplanade (\$7.5M)
<i>P3/Unsolicited Proposal</i> -	ZEB P3 Business Study, Mobility Wallet Pilot, Travel - Rewards, Non-Drive Alone Equity Incentives (\$7.5M)

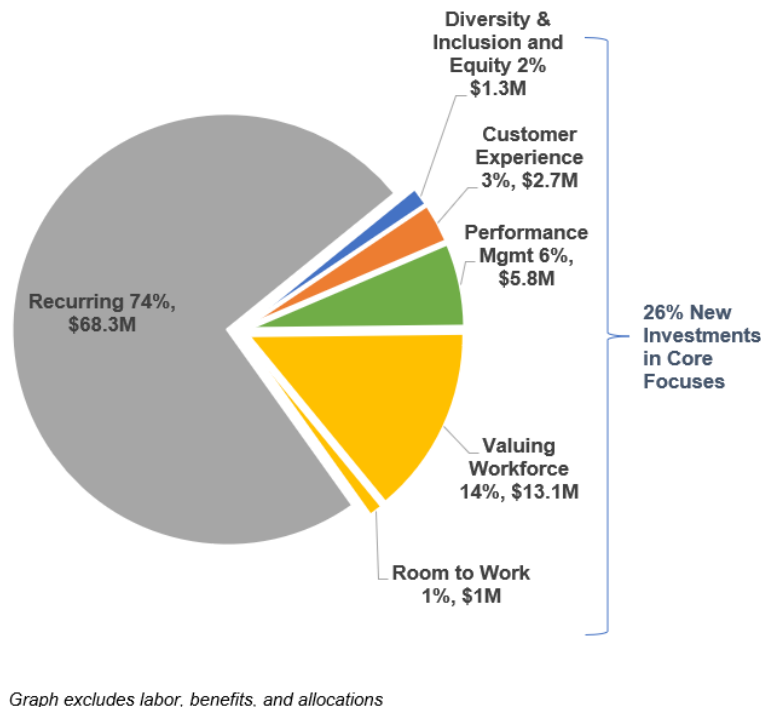
Note : M= millions, K = Thousands

The figure below is a budget summary of the Program.

	General Planning & Programs (\$s in millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change
1	Active Transportation, Bike, and Other	\$ 63.1	\$ 80.3	\$ 17.2	27.2%
2	Active Transportation incl Bike	\$ 26.5	\$ 41.9	\$ 15.4	57.9%
3	First Last Mile	1.9	2.6	0.7	35.1%
4	Sustainability	18.7	15.5	(3.3)	-17.5%
5	System Connectivity Program and Studies	15.9	20.4	4.4	27.8%
6	Financial, Grants Mgmt, and Administration	\$ 30.2	\$ 48.4	\$ 18.3	60.6%
7	Administrative and Planning Support	\$ 21.6	\$ 27.2	\$ 5.6	25.8%
8	Financial Planning and Grants Management	8.6	21.3	12.7	148.2%
9	Property Management	\$ 65.4	\$ 78.7	\$ 13.3	20.4%
10	Art and Design	\$ 1.5	\$ 1.6	\$ 0.1	7.7%
11	Joint Development	6.3	17.8	11.5	184.0%
12	Parking	11.6	11.4	(0.2)	-1.4%
13	Property Maintenance and Contract Mgmt	21.5	23.1	1.6	7.6%
14	TOC	10.2	9.9	(0.3)	-3.3%
15	Union Station	14.3	14.9	0.6	4.0%
16	Public Private Partnership (P3)/Unsolicited Proposals	\$ 5.9	\$ 7.6	\$ 1.6	27.9%
17	Transit Court	\$ 1.5	\$ 1.6	\$ 0.1	4.4%
18	Grand Total	\$ 166.1	\$ 216.6	\$ 50.5	30.4%

Oversight & Admin:

	FY22 Budget	FY23 Prelim	\$ Change	% Change
1 Oversight and Administration	\$69.8	\$80.1	\$10.3	14.7%

**New Investments in Core Focuses****Customer Experience (Oversight Portion):**

- Traffic Reduction Study \$2.7M
- CX Plan lays out 50+ initiatives that are included in the FY23 budget and mostly in the Metro Transit Program

Improved Performance Management:

- Infrastructure & Security Systems \$4.5M
- Cyber Security \$1M
- Insurance Programs \$262K

Diversity & Inclusion and Equity:

- Quality of Life Equity report \$634K
- Disparity Study \$550K
- Equity Information Hub \$100K
- CBO Partnering Strategy \$30K

Valuing Workforce:

- Business Licenses (Teleworking Environment) \$9.6M
- Transportation School (SEED LA) \$3.1M
- Room to Work \$1M
- Tunneling Apprenticeship \$400K

The FY23 Oversight and Administration budget is \$80.1 million. Making up only 0.9% of the FY23 Budget, this program reflects continuous cost control in conjunction with the EZBB process for recurring activities such as legal services, ethics compliance, internal investigations, regulatory environmental assessments, alongside legally mandated financial and compliance audits. Thus, allowing the agency to have 26% of this program's budget go towards new investments in core focuses such as customer experience, improved performance management, valuing the workforce, diversity and inclusion as well as equity.

While the 50 plus initiatives in the CX plan are mainly located in the Metro Transit program, the Oversight and Admin program continues to enhance the customer experience by improving the speed of travel through the traffic reduction study. As part of improving performance management, there are continual efforts to mitigate risk through various strategies and improved data including cyber security and managing insurance programs.

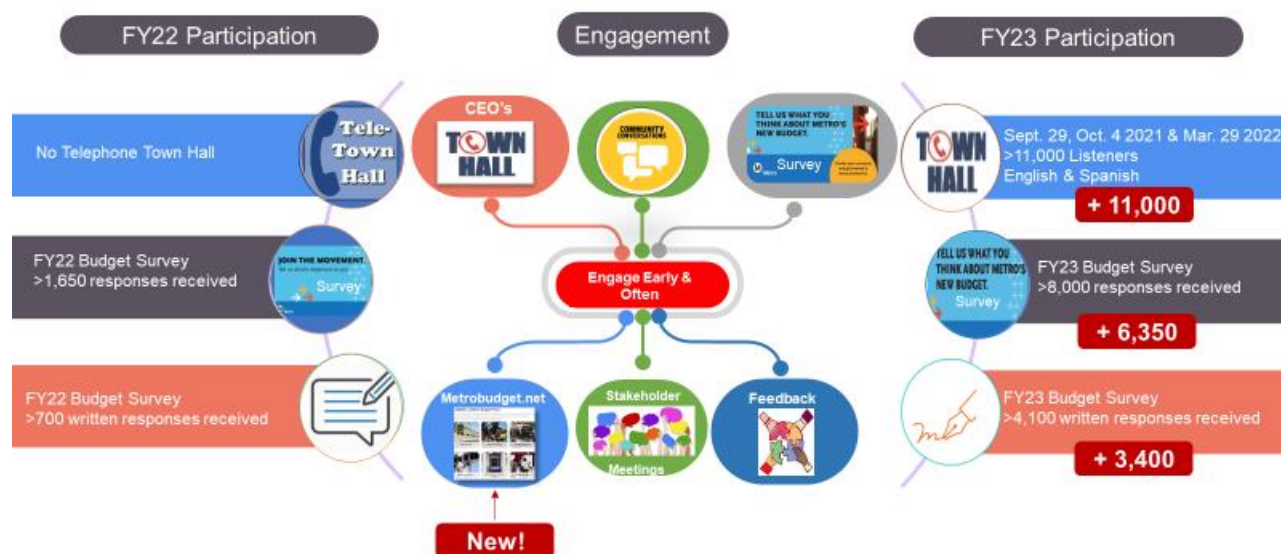
Increased investments are planned to value the workforce at Metro. In FY23, Metro is launching Room to Work, a temporary job training program targeted toward the unhoused population on our system. Similar to the ELTP program, Room to Work will provide two-year, full-time positions that will give participants job experience while also improving system cleanliness. In addition, new recruitment and staff retention initiatives include tunneling apprenticeships to increase the construction workforce that will support Metro's infrastructure projects. Resources are also allocated towards ramping up bus operator recruitment, increasing business software licenses for a new hybrid teleworking environment, and advancing programs such as Transportation School (SEED LA) and WIN-LA that will create job opportunities for our local communities.

There are several efforts to address diversity and inclusion at Metro. The Procurement department will conduct a disparity study to implement race and gender-conscious remedies in public contracting. The Office of Civil Rights, Racial Equity and Inclusion department will continue to address these topics through Community-Based Organization (CBO) partnership strategies including a database to track relationships and a resource library; developing a centralized Equity Information Hub; conducting the Quality-of-Life Equity Report on the Agency's impacts to marginalized communities and vulnerable populations since Measure M; and holding Diversity and Inclusion events including those related to Heritage Months.

Early, Improved & Expanded Public Engagement Update

As an industry leader in equity, our CEO has helped lay the groundwork for more equitable outcomes as we incorporate the voices of our diverse community into the FY23 Budget. Per CEO direction, we began our public engagement early, and pursued it often. As restrictions were lifted and the economy opened, we resumed and expanded our public participation process. For the first time since the start of the pandemic, we were able to host three CEO Telephone Town Hall Meetings with more than 11,000 listeners in attendance.

Our expanded outreach has been very successful in engaging the public. Below are the results of our expanded outreach efforts.



Our expanded outreach has been very successful in engaging the public, resulting in over 8,000 responses to our budget survey (compared to 1,659 last year) and over 4,100 written comments (compared to 700 last year).

Our new budget portal at metrobudget.net was utilized as a method of distributing the survey results in conjunction with an email blast to direct the survey takers to the results page on the portal. For the FY23 process, we learned more about our riders and their priorities than we have any other year, specifically, bus and train service improvements, safety and security, and cleanliness. Special programs designed to address the priorities and concerns across Metro's operating areas were introduced, these are mentioned in the section above. Metro will continue to make every effort possible to extend opportunities to its constituents in all equity focused and underserved communities.

Schedules and information for public meetings and updated budget information will be provided in advance on the Finance and Budget portal at www.metrobudget.net.

We have also increased the number of our stakeholder outreach meetings in April and May followed by the budget Public Hearing and ending with the May 2022 Metro Board meeting, where FY23 Proposed Budget will be considered for adoption. Below are the list of meetings scheduled.

FY23 Proposed Budget Public Engagement			
Completed	Meeting	Date	Time
✓	Public Safety Advisory Council (PSAC)	Feb 2 nd	5:00-7:00 PM
✓	Regional Service Councils – Budget Briefing	Mar 3 rd	6:30 PM
✓	Policy Advisory Council (PAC) Note: PAC meets quarterly, requested follow-up scheduled at next quarterly meeting.	Mar 8 th	1:30 PM
✓	Telephone Town Hall Meeting	Mar 29 th	6:00-7:00 PM
	San Gabriel Valley COG (SGVCOG)	Apr 14 th	4:00 PM
	Bus Operators Subcommittee (BOS)	Apr 19 th	9:30 AM
	Street & Freeways Committee (S & F)	Apr 21 st	9:30 AM
	Regional Service Councils – Budget Briefing	Apr 26 th	6:30 – 8:00 PM
	Community Advisory Committee-General Assembly (CAC)	Apr 27 th	6:00 PM
	Technical Advisory Committee (TAC)	May 4 th	9:30 AM
	Public Safety Advisory Committee (PSAC) JUST ADDED	May 4 th	5:00-7:00 PM
	Valley Industry & Commerce Association (VICA) JUST ADDED	May 10 th	8:00 AM
	Local Transit Systems Subcommittee (LTSS)	May 11 th	1:30 – 3:00 PM
	Accessibility Advisory Committee (AAC)	May 12 th	10:00 AM
	San Gabriel Valley COG (SGVCOG) JUST ADDED	May 12 th	4:00 PM
	FY23 Proposed Budget - Public Hearing	May 18 th	1:30 PM
	Metro Board of Directors Meeting	May 26 th	9:00 AM

FY23 Equitable Zero-Based Budget (EZBB) Development Update

Finance, Budget & Audit Committee

April 20, 2022

**Operations, Safety, and Customer
Experience Committee**

April 21, 2022

SUMMARY OF REPORT

Financial Outlook and EZBB

- Exhaust the last Federal Stimulus Funding to date since COVID-19
- Apply EZBB to Operating cost control, capital Investment and alternative/new funding

Metro Transit Summary

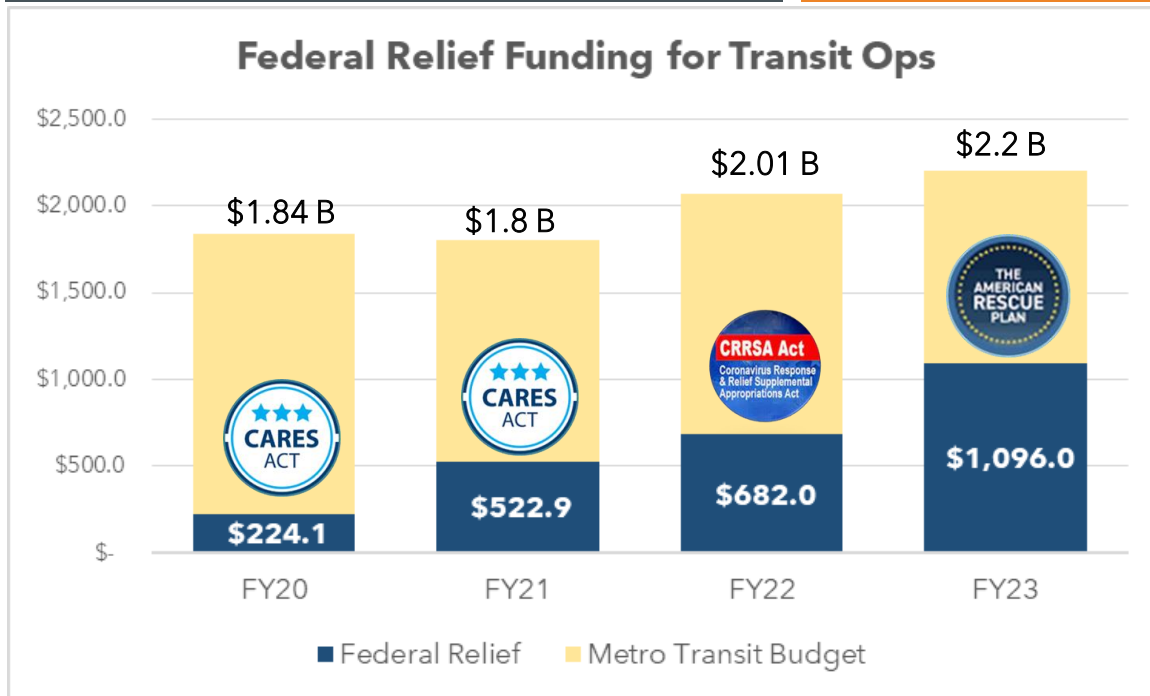
- Restore back to Pre-Pandemic Bus RSH
- New Crenshaw Phase I and Regional Connector Rail Service
- Boarding gradually comes back by year end
- FY23 Budget request

Expanded Outreach Result in People First Transit Investments

- Metro Transit Program Focus on people investment for Metro Transit Program
- Customer Experience elements
- FY23 budget focus on People First Customer Experience

Congestion Management, General Planning and Programing, Oversight/Adm And Next Step





Bus & Rail Transit Operating Eligible

- One-time replacement of loss in fares, sales tax and other operating revenues
- Restoring bus and rail services
- Preserving jobs

- Transit industry, operators nation wide, faces financial challenges within the next 2 years when federal funding is exhausted
- Metro will deplete all federal funding in FY23. No more relief funding in FY24.
- Metro sales taxes and fare revenues will slowly recover, causing financial challenges in FY24 and FY25
- Metro EZBB is initial step in strengthening cost controls and identifying other mitigation strategies.



FEDERAL RELIEF (ONE-TIME FUNDING)

Fare Revenues

Fiscal Year	Expected Fare Revenues*	Actual/Estimated Fare Revenues	Variance	Federal Stimulus Backfill for Loss
FY19	\$302M	\$260M	(\$42M)	
FY20	\$285M	\$181M	(\$104M)	CARES
FY21	\$270M	\$20M	(\$250M)	CARES
FY22	\$257M	\$60M	(\$197M)	CRRSA
FY23	\$244M	\$106M-166M **	(\$78M-\$138M)	ARPA
Total Backfill from Stimulus			(\$629M - \$689M)	

* FY19 & FY20 are Adopted Budget. FY21 - FY23 are estimated at a 5% reduction from PY budget, based on historical trends.

** FY23 estimate is a range based on fare collection data through pandemic and includes:

- Transit operations FY23 ridership estimates, including opening of new rail lines
- Impacts of 50% pass promotion (based on actual sales in Feb 2022)
- Impacts of LIFE program changes (based on free 90-day pass usage in Feb 2022)
- Impacts of FSI pilot program based on data through March 15, 2022

- One-Time Federal Relief Funding (CARES, CRRSA, ARPA) **supplants loss in fares of up to \$689M** throughout pandemic (FY20-FY23)
- Remaining Federal Relief Funding used for transit operations
- FY23 Budget will assume \$106M for fare revenues

CEO Directive: Apply EZBB to Operating Cost Control and Capital Investment



Establish Task Forces comprised of multi-departmental leadership level staff to evaluate and address key near-term challenges



Bus Cost and Rail Cost: Review cost allocation approach; breaking down controllable direct and indirect cost items. Explore Bus and Rail cost reduction opportunities at itemized detailed levels and proposing updated plans.



Optimal Service Design: explore solution to provide optimal service, in addition to service level, to improve speed and reliability, adding more miles to each hour of revenue service. Advancing the quality of customer experience.



Capital Cost Mitigation: Consider phased life cycle capital development cost from planning to pre-revenue and operation. Research best practice for capturing Pre-Revenue cost. Propose soft cost control policy, Metro staff vs. consultant ratio, design criteria review, alternative delivery methodology assessment, and fiscally responsible reporting.



Evaluate and inform the board any schedule and affordability impact of scope and cost increases while discussing the tradeoffs and mitigation strategies

Revenue Service Hours

Bus Service Hours

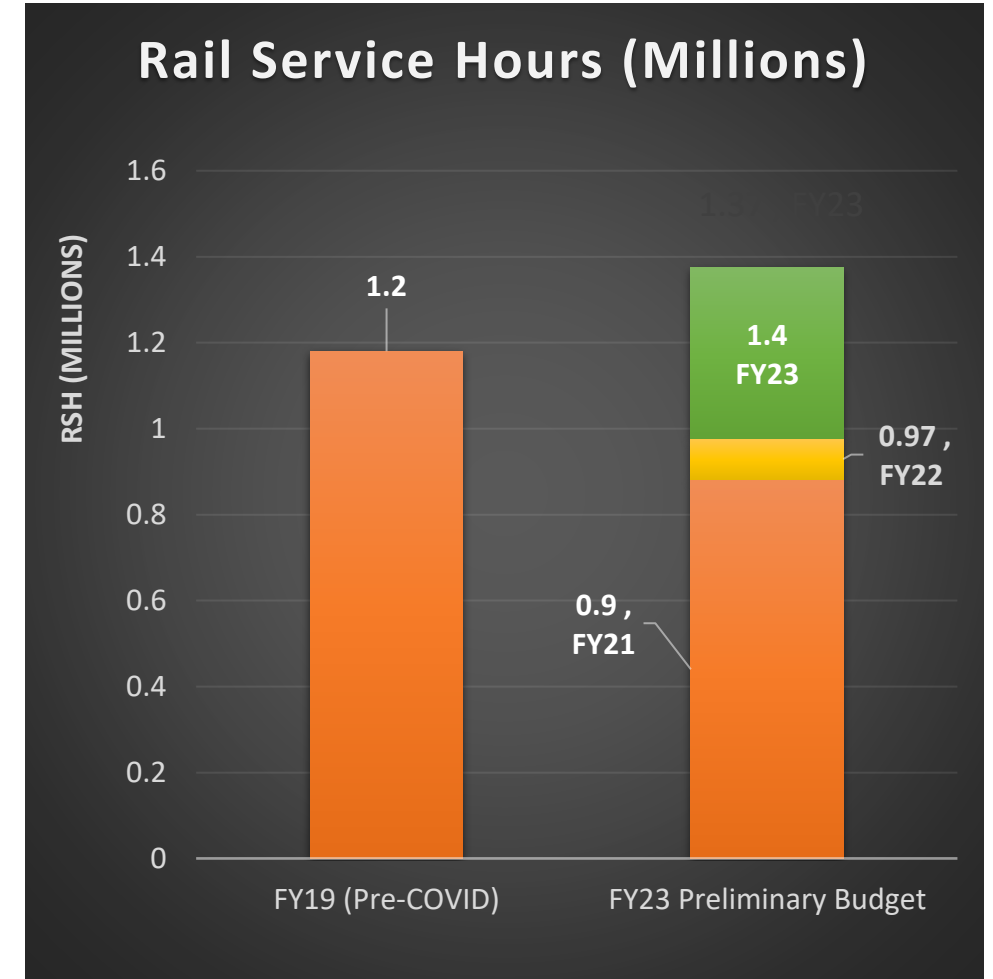
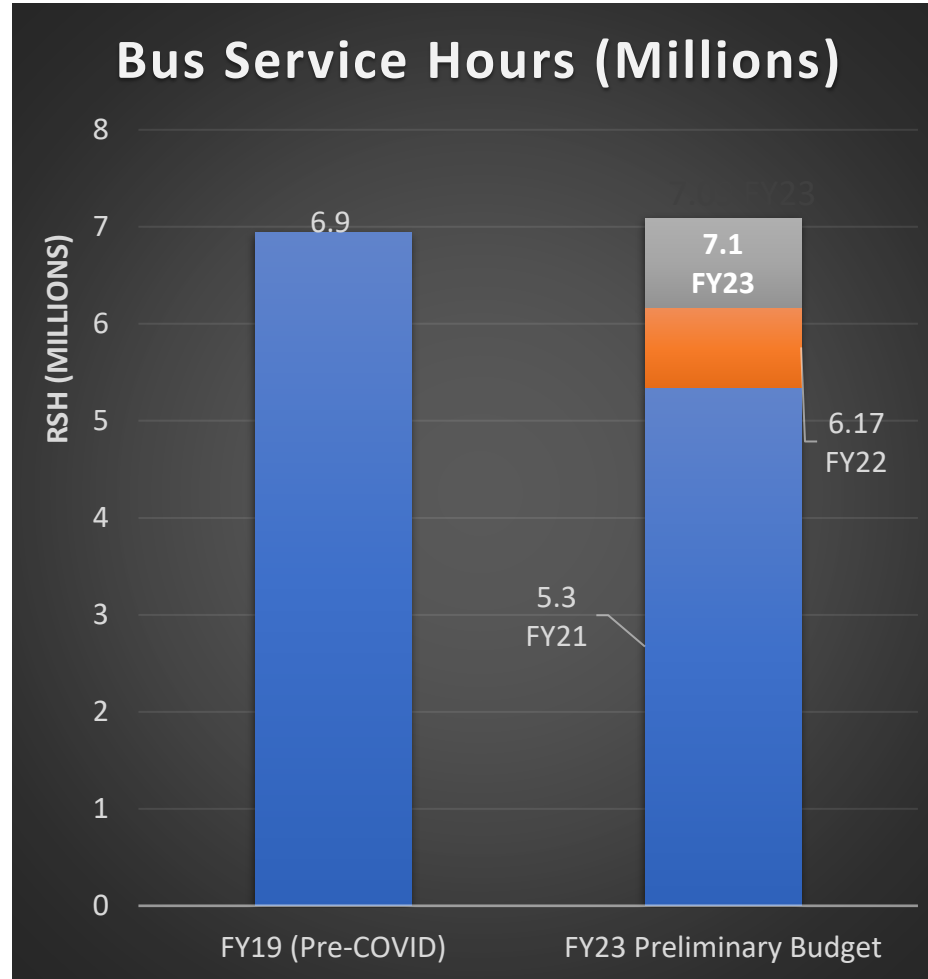
- Restoring Bus service to pre-COVID-19 levels of 7 million RSH, a 2.1% increase from FY22 Budget

Rail Service Hours

- New Rail Line extensions:
 - Crenshaw/LAX (K Line)
 - Regional Connector
 - Total of 19.4% service increase

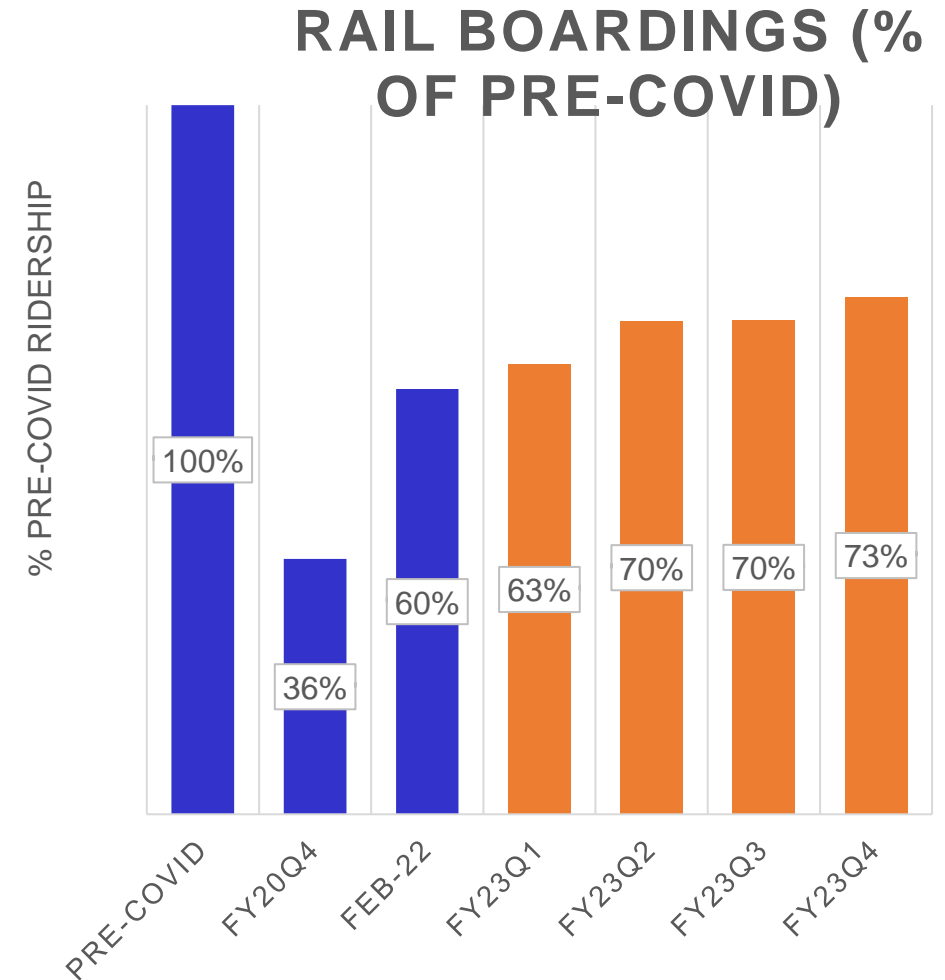
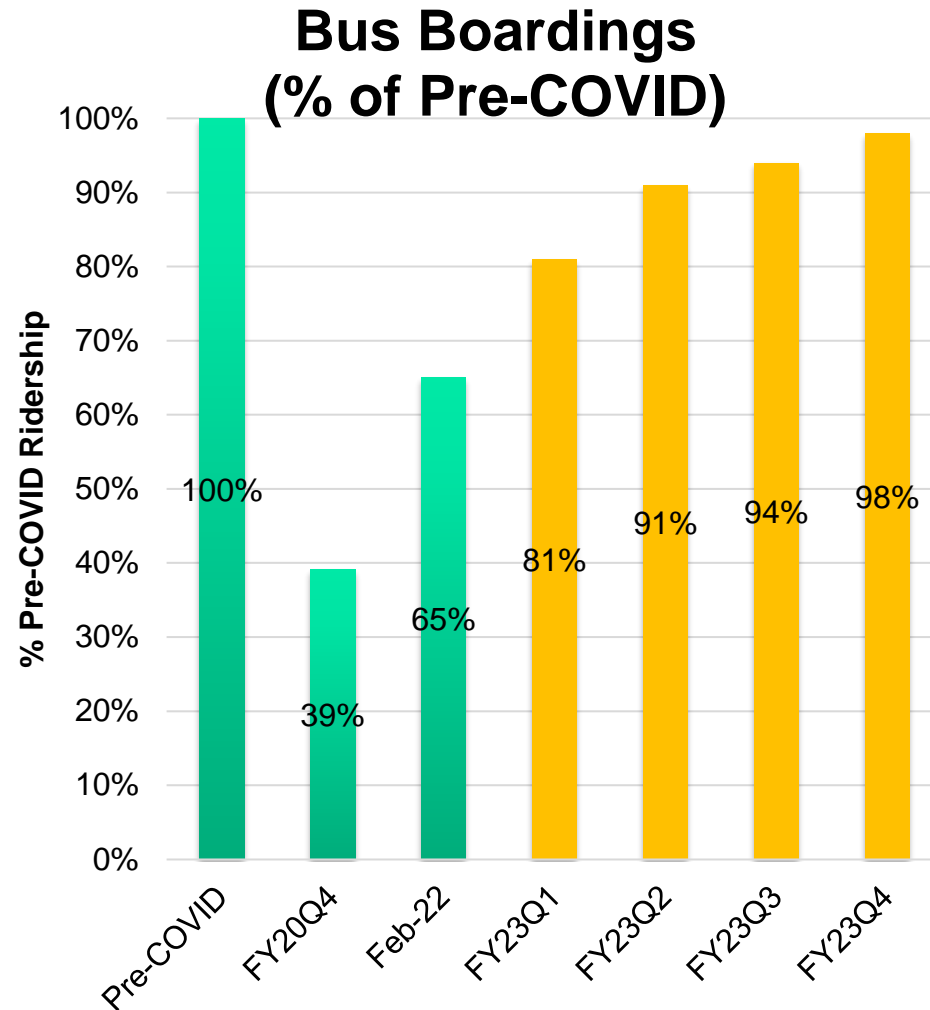
Headways

Planned to improve from 8 mins to 6 mins for Light Rail after Q2



Boardings

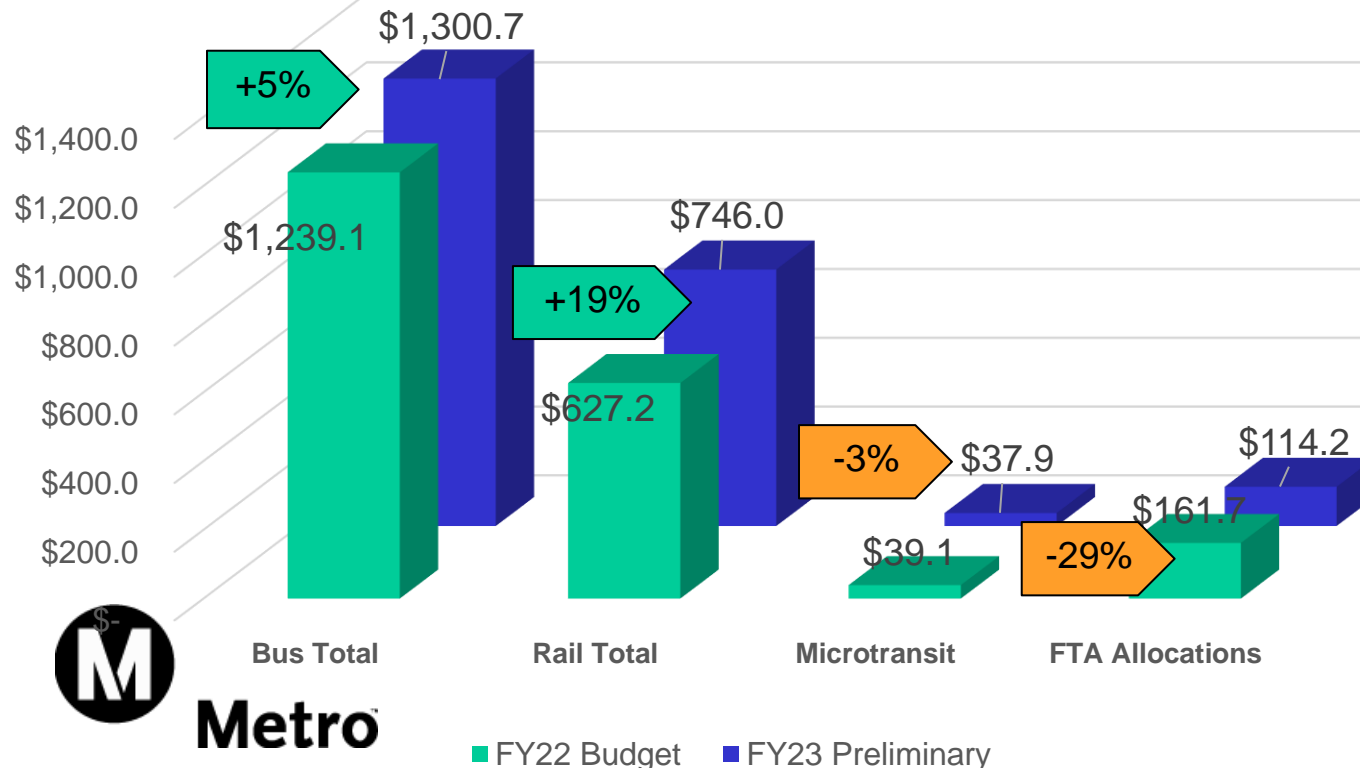
- **Boardings** for FY23 are Projected at 326.6M. This is a 25% increase over the FY22 Year end estimate.
- Boardings by FY23Q4,
 - for **Bus** will be 98% of Pre-COVID
 - for **Rail** will be 73% of Pre-COVID
- Ridership Improvement due to:
 - NextGen
 - New Rail Extensions/Easier connectivity
 - CX improvements
- Phase 1 FSI to date attracted 20% more student rides



Metro Transit Operation FY23 Preliminary Request

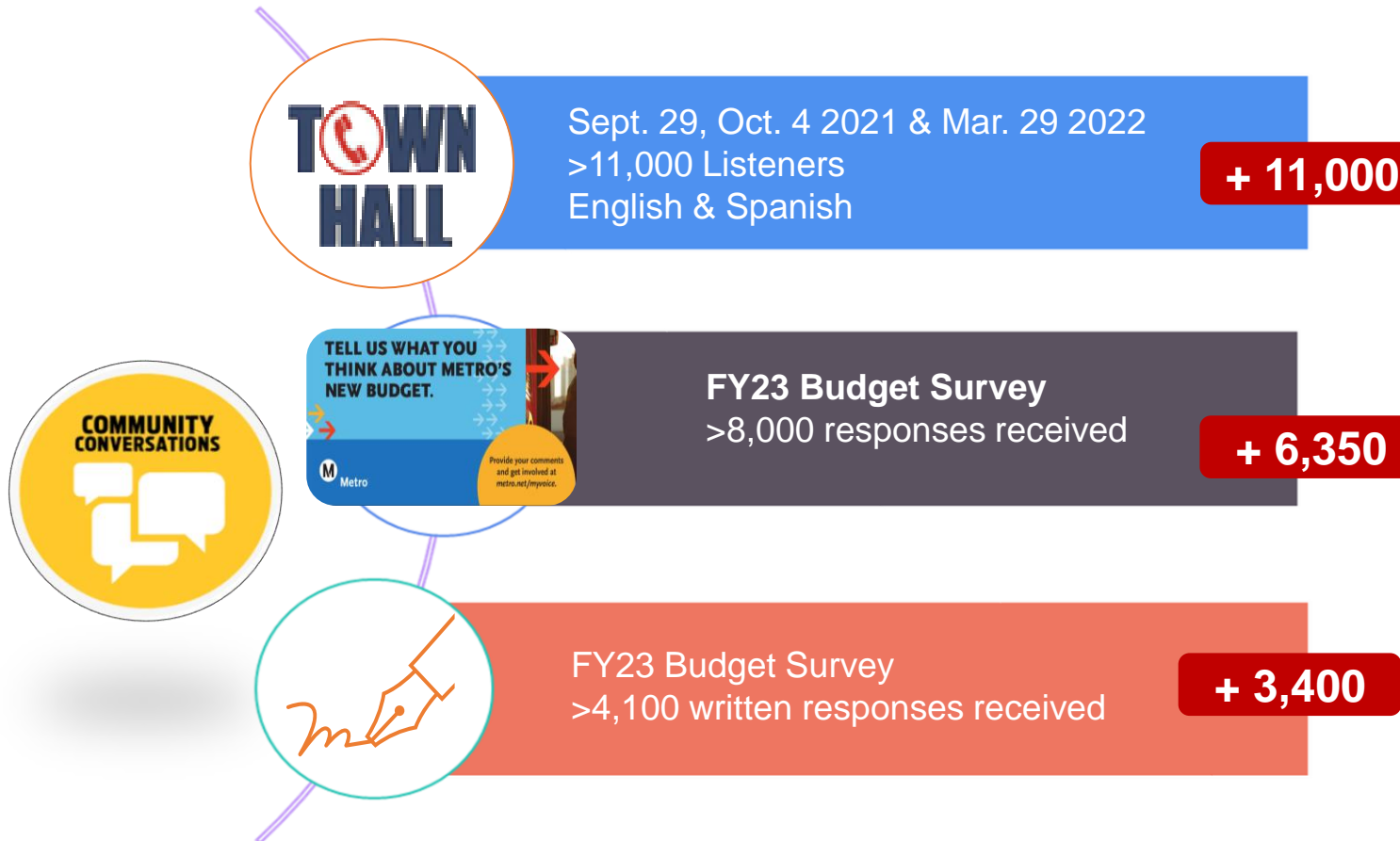
	Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change	% of Total
1	Bus Total	\$1,239.1	\$1,300.7	\$ 61.5	5.0%	59.2%
2	Rail Total	627.2	746.0	118.9	19.0%	33.9%
3	Metro Micro (Microtransit)	39.1	37.9	(1.2)	-3.0%	1.7%
4	Metro Transit Total	1,905.4	2,084.6	179.2	9.4%	94.8%
5	FTA Approved Overhead Allocations	161.7	114.2	(47.6)	-29.4%	5.2%
6	Grand Total	\$2,067.1	\$2,198.8	\$ 131.7	6.4%	100.0%

- Metro Transit Budget proposes restoring Bus and Rail Service to Pre-Pandemic level
- Will operate new Crenshaw/LAX Phase 1 and Regional Connector rail line services
- Budget also includes additional cleaning routine, Reimaging Public Safety with extra Homeless Outreach and Transit Ambassador



- Metro Micro continues 8 zones of operations with increases in Labor, RideCo Contract and Vehicle Lease
- Focuses on building ridership, workforce retention, and performance management
 - Adjustment of Training Budget to be aligned with actual experiences to date
- Does not include pending SMART contract negotiation result

Early and Expanded Public Engagement



LACMTA / LA Metro Budget Portal

Welcome to the Los Angeles County Metropolitan Transportation Authority (LACMTA) Budget portal – LA Metro Budget Portal. This portal provides financial and budget information for and on behalf of LACMTA (Metro) for riders, Metro's stakeholders, and the general public to learn all things budget related. The information on this website will be continuously updated as new information becomes available.

Budget Dashboard

Budget Survey Results

Annual Financial Reports

Budget Process Timeline

Budget Briefings and Meetings Schedule

Leave a Comment

WE HEARD: FROM SURVEY RESULTS TO BUDGET ACTIONS



Clean

Safety



Expanding
Rail

More Bus
Service



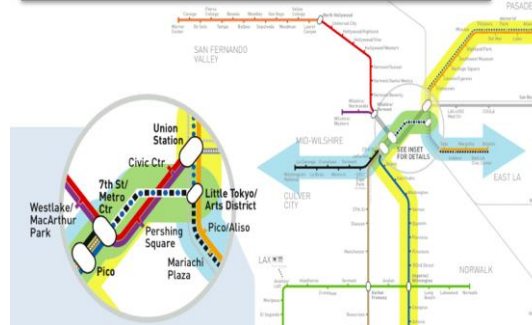
Reliable



Frequent
Service



Restoring
bus service



Customer Experience

Bus/Rail Improvements
Crenshaw/LAX & Regional Connector
Metro Micro
Restoration of bus service

NextGen
Speed & Reliability Improvements
Transit Signal Synchronization
Bus Camera Lane

\$ 18.5 M

Cleaning Surge
**Accelerating the replacement
of all fabric seats to June of 2023**

Hot Spots (power washing)
Bus interior cleaning
End of line train cleaning

\$184.2 M

Reimagining Public Safety
Equitable analytics-led approach

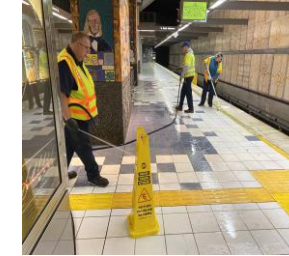
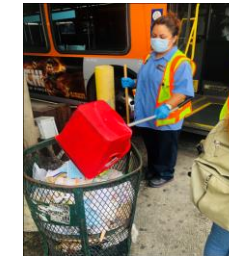
\$ 297.5 M *

* Some initiatives are included in multiple department budgets and may not be reflected in the estimated amounts, as they are being done within existing resources..



Area (\$ in millions)	FY22 FTE	FY23 FTE	Change	% Change	FY22 Budget	FY23 Preliminary	\$ Change	% Change
Buses	366	388	22	6%	\$ 0.6	\$ 1.1	\$ 0.4	71%
Trains	141	163	22	16%	0.2	0.3	0.2	114%
Facilities	110	110	-	0%	55.3	58.6	3.3	6%
Stations	206	216	10	5%	1.6	1.8	0.2	11%
Stops	23	23	-	0%	0.3	0.4	0.1	22%
Station Evaluation	-	2	2	100%	-	0.4	0.4	100%
Totals	846	902	56	7%	\$ 58.1	\$ 62.6	\$ 4.5	8%
Labor Costs					\$ 110.8	\$ 121.6	10.8	10%
Cleaning Budget					\$ 168.9	\$ 184.2	\$ 15.3	9%

Accelerate completion of vinyl seat replacement by June 2023



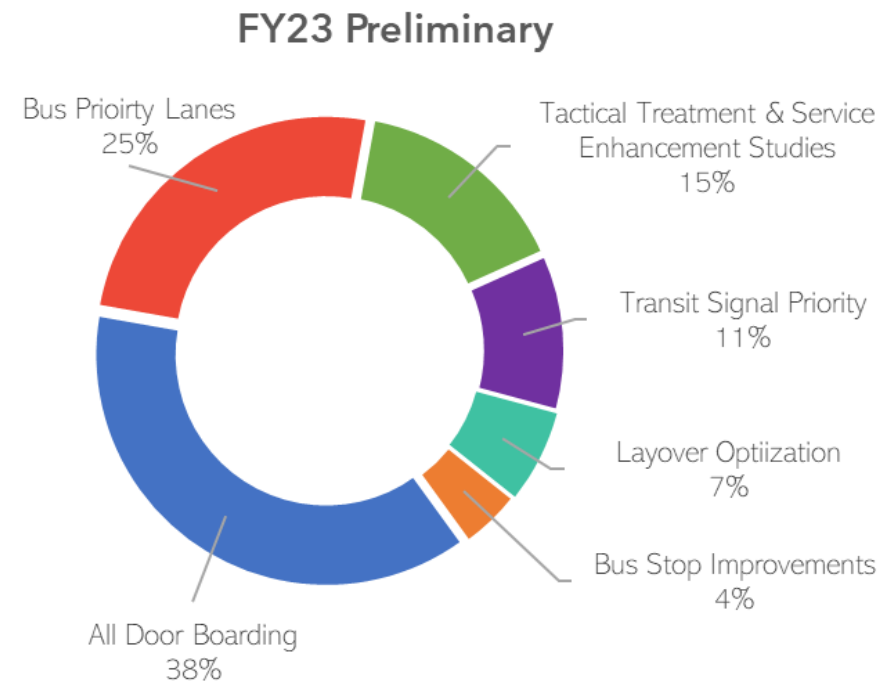
- **Bus:** Daily Division cleaning, continue Terminal 17 (Maple Lot) and 28 (18th St) expand terminal cleaning to 7-days/wk and rotation to more terminals
- **Rail:** Daily Division cleaning, continue end-of-line (EOL) cleaning, + 25 new service attendants for EOL and in-line cleaning, increase cleaning surge 7-days/wk
- **Stations:** Rail custodial staff at 13 Hot Spots (all 3 shifts providing round the clock service: Union Station, Pershing Square, 7th/Metro, Civic, Westlake, Wilshire/Vermont, Hollywood/Vine, Hollywood/Highland, Universal North Hollywood, Willowbrook/Rosa Parks, Aviation/LAX, Pico)
- **Facilities:** \$48.4M in facility contract services (e.g. graffiti control & abatement, pest/bird control, weed control, power sweeping, trash and vegetation removal)
- **Station Evaluation:** Continue program with new scoring system



CLEANING OVERVIEW

NextGen Speed & Reliability Budget	FY22 Budget	FY23 Preliminary	\$ Change	% Change
All Door Boarding	\$ 0.5	\$ 7.0	\$ 6.5	1300%
Bus Priority Lanes	3.0	4.7	1.7	55%
Tactical Treatment & Service Enhancement Studies	2.1	2.9	0.8	36%
Transit Signal Priority	2.0	2.0	0.0	1%
Layover Optimization	0.1	1.2	1.1	1100%
Bus Stop Improvements	0.3	0.8	0.5	167%
Total Proposed Budget	\$ 8.0	\$ 18.5	\$ 10.5	132%

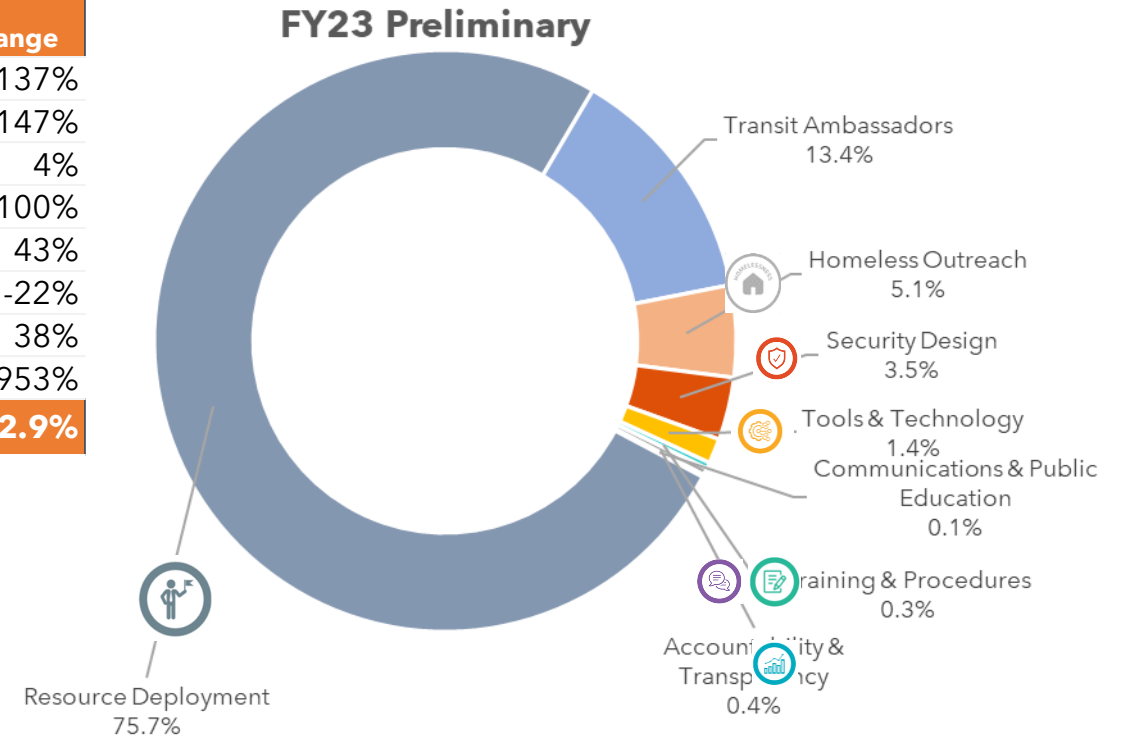
- Accelerates transit improvements with laser focus, resolves core issues and builds trust with partner agencies
- Force multiplier that improves customer experience (CX) and operator conditions, with operational savings reinvested into better service
- Boarding speeds up to 2X faster than front door only, especially at busier bus stops



NEXTGEN SPEED & RELIABILITY

Reimagine Public Safety	FY22 Budget	FY23 Preliminary	\$ Change	% Change
Accountability & Transparency	\$ 0.1	\$ 1.2	\$ 1.1	1137%
Communications & Public Education	0.2	0.4	0.2	147%
Resource Deployment	216.3	225.3	9.0	4%
Transit Ambassadors	20.0	40.0	20.0	100%
Homeless Outreach	10.7	15.3	4.6	43%
Security Design	13.4	10.4	(3.0)	-22%
Tools & Technology	3.0	4.1	1.1	38%
Training & Procedures	0.1	1.0	0.9	953%
Reimagine Public Safety Budget	\$ 263.7	\$ 297.6	\$ 33.9	12.9%

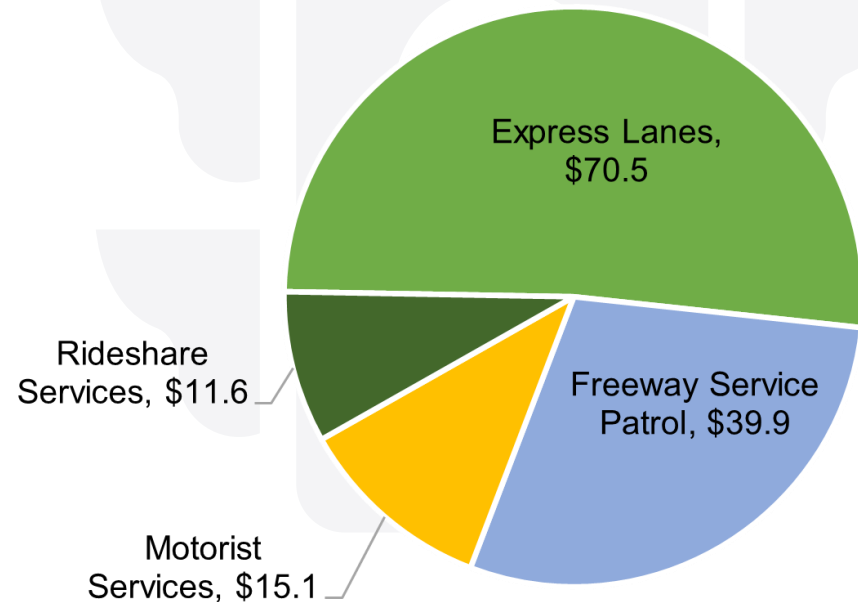
- All initiatives from Reimagining Public Safety are prioritized in FY23 Budget
- Transit Ambassadors program is doubling
- Homeless Outreach, including mental health assistance, is growing almost 50%
- Adding 15 Unarmed Security Officers



REIMAGINE PUBLIC SAFETY

Congestion Management

FY23 proposed Congestion Management Program budget of \$137.1 million represents increase of \$32.7 million or 31.3%



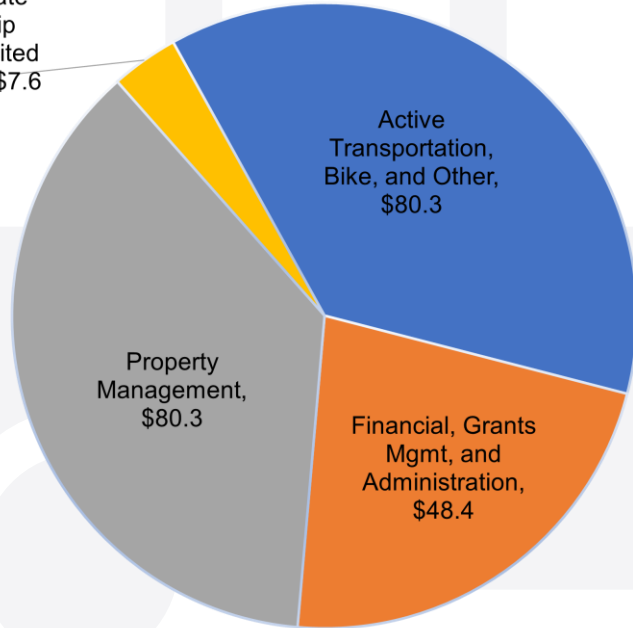
Congestion Management Program (\$ in Millions)		FY22 Budget	FY23 Preliminary	\$ Change	% Change
1	Express Lanes	\$ 53.7	\$ 70.5	\$ 16.8	31.3%
2	Freeway Service Patrol	27.8	39.9	12.1	43.4%
3	Motorist Services	13.6	15.1	1.5	11.2%
4	Rideshare Services	9.3	11.6	2.3	25.1%
5	Grand Total	\$ 104.4	\$ 137.1	\$ 32.7	31.3%

Major changes in budget:

- **Express Lanes:** Mandatory replacement of electronic transponders for account holders
- **Freeway Service Patrol:** Restoration of service to pre-COVID levels & increased costs to fuel, labor, insurance, & purchase price of tow service vehicles
- **Motorist Services:** Increase cost for Regional Integration of Intelligent Transportation Systems (RIITS) due to new data & licenses (Cambridge Location Based data that supports NextGen)
- **Rideshare Services:** Increase in Board-approved vanpool subsidy, general rideshare program operations, & new initiatives for non-work trips (recreational trips, tourism, emergency, etc.)

General Planning and Programming

Public Private
Partnership
(P3)/Unsolicited
Proposals, \$7.6



Based on:

- Operational, grant, developer funding
- Federal & state requirements
- Board approved studies
- Other mobility initiatives

FY23 PROJECT HIGHLIGHTS

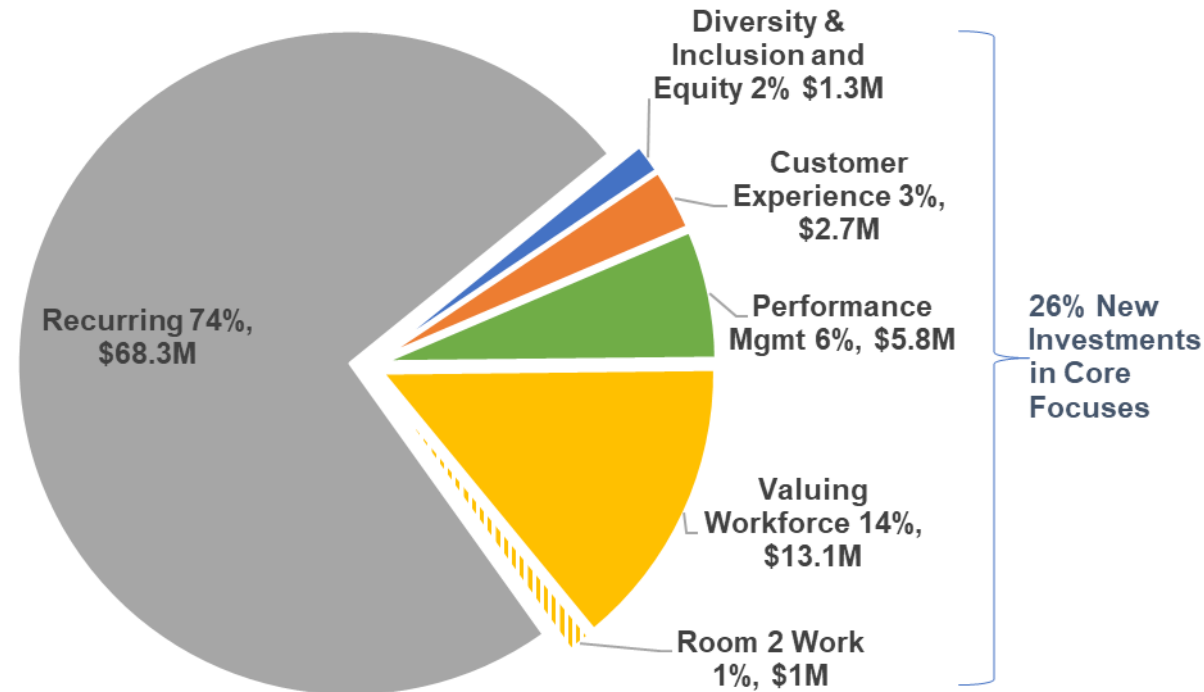
- Proposed 30% increase from FY22
- Upgrade bike locker to electronic format system-wide (\$1.1M)
- LA River Waterway & System Bike Path environmental/design (\$8.9M)
- Complete LA River Bike Path (San Fernando Valley/LA) (\$11M)
- FLM Plans for Regional Connector (\$1.9M), Street Safety Programs (\$50K), Transit to Parks (\$100K)
- System Connectivity Projects:
 - Centinela Grade Separation engineering /design (\$7M)
 - Multi-modal corridor program studies (\$3.1M)
- Metro Training & Innovation Center (\$4.5M)
- Activate Mobility Hub at Universal/Studio City Station (\$2M)
- Union Station capital improvement projects:
 - Digital signage upgrades from static information (\$6M)
 - Waterproofing & drainage repair (\$1.9M)
 - Plumbing system upgrades (\$2M)
- Unsolicited proposals: Zero Emission Bus & Non Drive-Alone Equity Incentive (\$7.6M)

* A more detailed list of expenses is included in appendix

General Planning and Programming		FY22 Budget	FY23 Preliminary	\$ Change	% Change
1	ATP, Bike, and Other	63.1	80.3	17.2	27.2%
2	Financial, Grants Mgmt, and Administration	\$ 30.2	\$ 48.4	\$ 18.3	60.6%
3	Property Management	66.9	80.3	13.3	20.4%
4	Unsolicited Proposals	5.9	7.6	1.6	27.9%
5	Grand Total (In millions)	\$ 166.1	\$ 216.6	\$ 50.5	30.4%

Oversight and Administration

New Investments In Core Focuses



Graph excludes labor, benefits, and allocations

Customer Experience (Oversight Portion):

- Traffic Reduction Study \$2.7M
- CX Plan lays out 50+ initiatives that are included in the FY23 budget and mostly in the Metro Transit Program

Improved Performance Management:

- Infrastructure & Security Systems \$4.5M
- Cyber Security \$1M
- Insurance Programs \$262K

Diversity & Inclusion and Equity:

- Quality of Life Equity report \$634K
- Disparity Study \$550K
- Equity Information Hub \$100K
- CBO Partnering Strategy \$30K

Valuing Workforce:

- Business Licenses (Teleworking Environment) \$9.6M
- Transportation School (SEED LA) \$3.1M
- Room to Work \$1M
- Tunneling Apprenticeship \$400K

- Oversight and Administration budget is \$80.1 million, <1% of FY23 Budget
- EZBB & cost controls reflected in recurring activities (hardware & software licensing, legal services, leases & rentals, legal requirements, Accessibility, Title VI & VII, legally mandated audits)
- 26% are new investment in valuing the workforce, diversity, equity & inclusion, customer experience, improved performance management

- Continue Stakeholder Outreach events
- May 2022:
 - FY23 Proposed Budget document available on May 3, 2022
 - Public Hearing on May 18, 2022
 - Planned Board Adoption on May 26, 2022 (legally required before start of fiscal year)



NEXT STEP





Board Report

File #: 2022-0150, File Type: Contract

Agenda Number: 16.

FINANCE, BUDGET AND AUDIT COMMITTEE APRIL 20, 2022

EXECUTIVE MANAGEMENT COMMITTEE APRIL 21, 2022

SUBJECT: METRO BIKE SHARE CONTRACT EXTENSION AND REPLENISHMENT

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATIONS

AUTHORIZE the Chief Executive Officer to:

A. EXECUTE Modification No. 11 to Contract No. PS272680011357 with Bicycle Transit Systems (BTS) to extend the contract period of performance by 12 months through July 30, 2023, purchase new bicycles to replenish and stabilize the on-street bicycle fleet, purchase and install GPS equipment, and maintain a 10% inventory, to ensure a consistent on-street fleet for the duration of this contract, in the amount of \$15,250,213, increasing the total contract value from \$95,343,861 to \$110,594,074; and

B. ESTABLISH a Capital project with a \$2 million Life of Project (LOP) value in support of the purchase of Metro Bike Share (MBS) equipment, including bicycles, GPS equipment, and other associated equipment and materials.

ISSUE

The Board of Directors approved Motion Item No. 41 "Improving the Effectiveness and Sustainability of Metro Bike Share" in December 2021 (Attachment A). Directive A of the motion requires staff to develop an action plan to stabilize the current fleet size. Directive C of the motion requires that staff develop a plan to provide uninterrupted bike share service as the next iteration of the MBS program is determined and executed.

The recommendations address both directives by purchasing bicycles to stabilize the bike share fleet, establishing an ongoing replenishment plan, and extending the current MBS contract by a period of 12 months to provide uninterrupted service while a new regional bike share model is developed in collaboration with stakeholders.

BACKGROUND

The MBS program was launched in July 2016 in partnership with the City of Los Angeles. It continues to provide a service to Los Angeles County residents with more than 200 stations located in the Downtown Los Angeles, Central Los Angeles, Hollywood, Westside, and North Hollywood service areas. The program recently completed the conversion of the North Hollywood service area from a Smart dockless system to a Classic docked system and relaunched service in March 2022. With this change, the program now offers one seamless system that is compatible between service areas. To date, over 1.3 million trips have been taken, 4.4 million miles have been traveled, and 4.2 million pounds of CO2 have been averted.

As impacts from COVID have decreased, the program is seeing improvements overall. Monthly data comparing February 2021 to February 2022 shows that ridership increased by 36% (12,596 vs. 18,451). The number of passholders also increased overall. For example, there were 47% more 30-Day members and 25% more 1-Ride users in February 2022 than in February 2021. Although the system expanded to Hollywood in 2021, the number of stations was similar due to the temporary shutdown of North Hollywood for the conversion. These measures provide a high-level overview of the program.

DISCUSSION

The Metro Bike Share motion passed by the Metro Board of Directors in December 2021, directs staff to take a series of actions focused on stabilizing the current program and preparing for the next iteration of bike share in Los Angeles County. In March 2022, staff submitted a response to the motion (Attachment B) that outlined several actions addressing all six Directives (A) - (F). Included in the response for the development of the next MBS model and to better understand current operations, staff will be reviewing and updating performance metrics as needed to better monitor and manage the program. Metrics will cover categories such as ridership, cost, demographics, loss/theft and other key performance criteria. Examples under consideration include bike and station utilization, cost per ride, lost bike recovery rate, reduced fare media utilization, etc. This report recommends actions specifically in response to Directive (A) and Directive (C). These recommendations address the stabilization of the current MBS program as staff works with regional stakeholders to develop the next MBS model consistent with the December 2021 motion.

Directive (A)

(A) An action plan to stabilize the current fleet size including actions for how to identify, prioritize, and address new mechanisms of theft as they arise.

As presented in the MBS March 2022 Receive and File response, staff is recommending the purchase of new bicycles, GPS equipment and the establishment of a 10% inventory to ensure the stability and consistency of the on-street MBS bicycle fleet size for the duration of this contract. In addition, to support the purchase of this equipment, a new Capital project with an LOP of \$2 million is requested.

- Purchase of New Bicycles

The purchase of the new bicycles will directly address the need to stabilize the bicycle fleet. Since launching the program, MBS has experienced a number of changes to the system - expansion to new service areas, reduction of service areas, introduction of dockless Smart bikes and the conversion of Smart bike installations in the Westside and North Hollywood back to traditional docked bicycle systems. As a result, over the years the MBS effective on-street fleet size has also fluctuated. The current effective fleet size, based on the industry dock-to-bike average of 2:1, is 1,800 bikes.

Currently, there are 1,480 bicycles that comprise the operational fleet which consist of on-street bikes and bikes in the warehouses awaiting deployment, available for rebalancing or under maintenance. In order to achieve and maintain an on-street fleet of 1,800 bicycles and maintain a 10% bicycle inventory for the duration of this contract, staff recommends a bike purchase of up to 735 bicycles. 500 bicycles will be purchased to restore the on-street fleet to 1,800 and establish the initial 10% inventory, the remaining 235 bicycles will be procured when needed to maintain the fleet and inventory size due to lost, stolen or damaged bikes.

The initial 500 bicycles to replenish the fleet will be comprised of 259 Converted 2.5 bicycles from Memphis, 201 Electric bikes and 40 Classic or 2.5 bikes that will be provided free of charge by the Contractor. The 235 as-needed bikes will consist solely of Electric bikes. These bikes will only be purchased when needed to ensure the stability and consistency of the on-street bike fleet. All bicycles will be equipped with GPS units to ensure greater visibility over the fleet and support missing/lost bicycle recovery efforts.

The distribution of the bicycles to be procured is in recognition of cost containment, future inventory availability and ridership impacts. Bike share programs are integrating more Electric bikes into their systems. The availability of the 259 bikes from Memphis is due to their program transitioning to an electric fleet. The current supplier of bikes to MBS has stated that they are transitioning to only support Electric bikes; thereby, limiting the future availability of Classic bikes. MBS data shows that Electric bikes, when available, experience over 9-times more use than Classic bikes. A recent report from the City of San Francisco concurred with this data by identifying that there was a spike in ridership with their deployment of Electric bikes. The purchase of Electric bikes will enable MBS to monitor and better understand the value of deploying these bikes. This information will be integrated into the final recommendations regarding the future deployment of the MBS program.

The recommendation also includes the establishment of a 10% inventory. This inventory will support the ability of the Contractor to swap out bikes that are undergoing routine maintenance and to replace missing, lost, stolen or damaged bikes. The bike share industry average for bikes lost, stolen or damaged ranges from 1% to 2% per month. While staff does anticipate losses due to theft, accidents, vandalism, and user neglect, as presented in the March 2022 Motion Response Work Plan, staff is actively working with the Contractor and other parties to reduce theft and increase recovery. MBS's goal is to contain the loss at less than 1% per month. The goal of the 10% inventory is to ensure a stable and consistent on-street fleet for the duration of this contract.

Per the MOU with the City of Los Angeles, the City will provide 50% of the funds in support of the

purchase of the bicycles. Staff has reviewed this item with the City of Los Angeles staff and has received their concurrence to proceed with the purchase.

- **GPS Devices**

The technology around GPS has evolved in the last several years, especially technology related to bicycle tracking systems. MBS implemented several GPS initiatives which had various levels of success. During the early years of the program, GPS initiatives proved to be either costly, limited in functionality, and/or did not increase bicycle retention or recovery rates.

The GPS solution that is recommended has been tested and has proven to be effective in increasing recovery rates. Since July 2021, the majority of Electric bikes with GPS that have gone missing have been recovered. Also, the Contractor has established an Asset Recovery team dedicated to monitoring GPS tracking information and deploying staff to recover bikes that are located per the GPS location. Staff recommends purchasing up to 800 GPS units for the existing bicycle fleet to ensure it is also equipped providing 100% GPS coverage for the entire bicycle fleet.

Per the MOU with the City of Los Angeles, the City will provide 50% of the funds in support of the purchase of the GPS units. Staff has reviewed this item with the City of Los Angeles staff and has received their concurrence to proceed with the purchase.

- **Establish Capital Project and LOP**

In order to move forward with the purchase of this equipment, staff recommends the establishment of a new Capital project with an LOP. This recommendation directly supports the ability to purchase the new bicycles and GPS equipment, management of the 10% inventory, and ongoing replenishment of the fleet. The LOP is inclusive of the cost to procure the initial 500 bikes, the GPS equipment and the 235 additional bikes to be procured as-needed for the duration of the contract.

Directive (C)

(C) A plan to provide uninterrupted service as the next iteration of the program is determined and executed.

Directive C of Motion No. 41 requires the provision of ongoing service which requires staff to modify the current contract for Metro Bike Share operations and maintenance to continue providing the necessary services and ensure uninterrupted operation of MBS. The contract will be extended for a period of 12 months with a new expiration date of July 30, 2023. The extension will allow staff to implement the directives in Motion No. 41 and complete a new procurement process for the next bike share contract.

Per the MOU with the City of Los Angeles, the City will provide 65% of the funds in support of on-going operation and maintenance of MBS. Staff has reviewed this item with the City of Los Angeles and has received their concurrence to proceed with the extension.

DETERMINATION OF SAFETY IMPACT

The Board action will not have a negative impact on the safety of Metro's patrons or employees. The Metro Bike Share program has demonstrated effectiveness in providing a mobility service to Los Angeles County residents.

FINANCIAL IMPACT

Approval of the recommendation will authorize the creation of a Capital LOP for the replenishment of MBS in the amount of \$2 million for Capital purchases. The \$2 million project cost is included in FY23 Proposed Budget. If approved, the LOP will be added to Cost Center 4540, under a new Project.

Impact to Budget

The funding sources for the BTS contract include bikeshare operating revenue, City of Los Angeles quarterly reimbursement, and Measure M 2% Active Transportation. The funding sources for replenishment of the fleet are Measure M 2% Active Transportation and Prop C 25% Streets and Highway, which are not eligible to fund bus and rail operating and capital expenditures.

EQUITY PLATFORM

In support of Directives A and C, staff will proceed with the replenishment of the fleet, which if approved, would provide up to 735 additional bicycles to the on-street fleet. In addition, the contract will be extended for 12 months to provide ongoing, uninterrupted bike share services to Los Angeles County residents. Positive impacts for marginalized groups and improvements to equity outcomes are anticipated with the Board's approval of the recommended actions, which direct staff to increase the number of bikes available to users systemwide and to extend the contract term to continue offering bike share to all including residents from EFCs. Staff will be ensuring that new bikes are deployed equitably. Staff will review the EFC map and identify stations within these areas. Bikes will be deployed to these stations at a 2:1 dock to bike ratio and efforts will be made to prioritize deployment to these stations.

In addition, metrics for the program will include analyses of differences between EFC and non-EFC areas. These metrics will include ridership, passholders, bike deployment by station, distances between stations, CO2 reduction benefits, miles traveled, and trips taken. Information will also include additional user demographics, language translation availability, use of MBS by transit riders, and review of potential barriers to socioeconomic and marginalized groups (such as pricing and communications). Staff will work with OER to establish equity goals for the program which will be tracked and reported as part of staff's response to Motion No. 41.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports the following strategic plan goals:

1. Provide high-quality mobility options that enable people to spend less time traveling;
2. Deliver outstanding trip experiences for all users of the transportation system; and
3. Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board may choose to not authorize the requested actions. This alternative is not recommended as this would not be supportive of the Board motion and could impact the stability of the program, including the ability to provide uninterrupted MBS service. Increasing the fleet size would provide bicycles more widely and restore the on-street fleet to industry standards. GPS devices are needed to increase the recovery of missing bicycles and serve as a deterrent. In addition, if the BTS contract is not extended, Metro Bike Share operations would end July 31, 2022.

NEXT STEPS

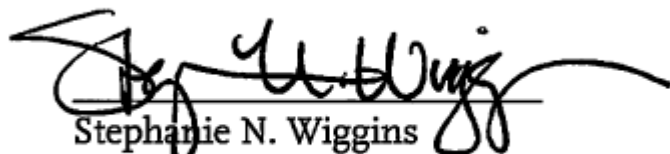
Upon Board approval, staff will execute Modification No. 11 to Contract No. PS272680011357 with BTS to extend the contract for 12 months and purchase the equipment and coordinate with OMB to establish a Capital LOP for the purchases of the bicycles and GPS equipment as well as initiate the process for amending the FY22 budget. Staff will continue working on other aspects of Motion No. 41.

ATTACHMENTS

Attachment A - Board Motion Item No. 41 (November/December 2021)
Attachment B - Metro Board Report March 2022 (Item 2021-0812)
Attachment C - Procurement Summary
Attachment D - Contract Modification/Change Order Log
Attachment E - DEOD Summary

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Stephanie N. Wiggins
Chief Executive Officer



Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
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Los Angeles, CA

Board Report

File #: 2021-0743, **File Type:** Motion / Motion Response

Agenda Number: 41.

EXECUTIVE MANAGEMENT COMMITTEE NOVEMBER 18, 2021

Motion by:

DIRECTORS KREKORIAN, GARCETTI, KUEHL, AND SANDOVAL

Improving the Effectiveness and Sustainability of Metro Bike Share

Metro Bike Share, a county-wide bike share program, launched in 2016. Since then, Metro has had over 3,300 bicycles in the system, consisting of a mix of Classic, Smart, and E-bikes.

Currently, Metro only has 38% of the total original fleet remaining in operation. Metro Bikes have been targets of theft, and rates of fleet loss ebb and flow as new methods of theft are discovered and addressed. The Metro Bike Share team has increased efforts to recover lost and stolen bicycles but this is not sustaining the fleet and the program does not have an established fleet replenishment strategy. As a result, fewer Metro Bikes are available for use, which degrades the quality of service available to the public.

Affordable, accessible public transportation and active transportation options such as Metro Bike Share are a cornerstone of meeting our region's climate goals. As local jurisdictions in the County continue expanding bicycle infrastructure and mobility options to meet climate goals and improve the quality of life for residents, a successful and sustainable Metro Bike Share program is more important than ever.

SUBJECT: IMPROVING THE EFFECTIVENESS AND SUSTAINABILITY OF METRO BIKE SHARE

RECOMMENDATION

APPROVE Motion by Directors Krekorian, Garcetti, Kuehl, and Sandoval that the Board direct the Chief Executive Officer to report back in 90 days on:

- A. An action plan to stabilize the current fleet size including actions for how to identify, prioritize, and address new mechanisms of theft as they arise.
- B. An action plan to address equitable access in the current program and in any future form of the program. This plan shall include recommendations on issues such as serving people who may be unbanked, addressing the digital divide, and keeping fare cost low.

- C. A plan to provide uninterrupted service as the next iteration of the program is determined and executed.
- D. A plan to convene an industry forum (as was performed for Metro Micro) to bring together academics, cities with existing bike share programs, community stakeholders, and industry experts to provide recommendations on advancing Metro Bike Share beyond the current contract in one of several forms including but not limited to:
1. Continuing Metro Bike Share as a contracted service,
 2. Operating the program In-house with Metro employees,
 3. A private-sector model with financial subsidy provided by Metro.
- E. Performing a market survey to identify best practices and business models among existing bike-share systems in the US, and comparable global systems (e.g., Paris, London, Barcelona, Madrid, and Mexico City), and to develop comparative data on subsidy cost per ride, total ridership, size of fleet, vehicle technology, theft and damage loss and prevention, and alternative financing sources like sponsorship and advertising.
- F. Recommendations for continuing and evolving the Metro Bike Share program to meet the goals of the agency, with countywide stakeholder engagement and consideration of cost-sharing, with the goal of expanding service area and local participation to all subregions in the County. These recommendations should include eligible local, state, and federal funding sources for capital and operations budgets, as well as legislative opportunities to expand such funding eligibility.



Board Report

File #: 2021-0812, **File Type:** Contract

Agenda Number: 15.

**FINANCE AND BUDGET COMMITTEE
MARCH 16, 2022**

**EXECUTIVE MANAGEMENT COMMITTEE
MARCH 17, 2022**

SUBJECT: METRO BIKE SHARE PROGRAM UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Motion Response Work Plan (Attachment A) to Board Motion Item No. 41 approved December 2021.

ISSUE

The Board of Directors approved Motion Item No. 41 “Improving the Effectiveness and Sustainability of Metro Bike Share” in December 2021 (Attachment B). The Motion directs staff to report back in 90 days. This report provides staff’s response.

BACKGROUND

The Metro Bike Share (MBS) program was launched in July 2016 in partnership with the City of Los Angeles and is in its fifth year of operation. It continues to provide a service to Los Angeles County residents with more than 200 stations located in the Downtown Los Angeles, Central Los Angeles, Westside, and North Hollywood service areas. MBS recently expanded and launched new service in Hollywood offering a total of 12 stations and a new mobility option for residents in this community. Both the Westside and the North Hollywood service areas, although initially launched as Smart systems, have now been converted to a Classic system. As MBS has grown, greater connectivity has been achieved between the service areas as well as an improved user experience. To date, a total of 1.3 million trips have been taken, 4.4 million miles have been traveled, and 4.2 million pounds of CO2 have been averted. In addition, the operator, Bicycle Transit Systems (BTS), has achieved its Disadvantaged Business Enterprise (DBE) commitment of 22.37% overall.

Over the last two COVID impacted years, MBS has continued to remain in full operation. However, as with other programs, ridership has been negatively impacted. Latest ridership figures from January 2022 show year-over-year improvement but are still lower than pre-COVID ridership. Sanitation protocols continue to be implemented as well as other guidelines as directed by the CDC and the Los Angeles County Public Health Department. Despite these challenges, in September

2021 MBS agreed to a one-year sponsorship deal with DoorDash valued slightly over \$1 million. The agreement includes placing DoorDash decals on bicycles and stations. The revenue obtained from this agreement will offset ongoing Operations and Maintenance (O&M) costs. Staff is coordinating with Metro Communications to support the continuation of sponsorship opportunities.

In addition, demographic data of MBS users is provided below. The data is from the MBS Annual Survey conducted in calendar years 2020 and 2021.

MBS Annual Survey - Demographic Data			
		2020	2021
Gender			
	Male	59.08%	57.82%
	Female	38.35%	40.26%
	Non-Binary	2.58%	2.03%
Race/Ethnicity			
	Caucasian/White	44.51%	47.79%
	African American	7.45%	14.59%
	Latinx/Hispanic	23.73%	19.01%
	Asian/Pacific Islander	18.82%	11.07%
	Native American	1.18%	3.62%
	Other	4.31%	3.92%
Income			
	\$24,999 or less	16.00%	14.35%
	\$25,000 - \$49,999	17.72%	20.02%
	\$50,000 - \$74,999	19.76%	24.20%
	\$75,000 and above	46.51%	41.53%
Age			
	16-24	9.67%	19.66%
	25-34	36.31%	47.37%
	35-49	33.08%	24.92%
	50 years and older	20.95%	8.06%

*Multiple responses allowed

The current deployment of MBS represents Metro's initial implementation of a regional bike share program. The deployment is accomplished primarily through the contract with BTS, which is in the final year of the 7-year term set to expire July 31, 2022.

DISCUSSION

MBS is currently deployed under its initial pilot implementation. While bike share was not a new service when MBS was launched, it was nevertheless the first deployment by Metro. As with many services and programs, the initial deployment provides many learning opportunities which have informed the program's direction. The points and directives contained in Board Motion No. 41 identify issues and challenges to be addressed by the program to ensure MBS's success in meeting the agency's sustainability and equity goals and the program's goals to increase utilization, growth, and regional mobility.

The Board's Metro Bike Share Motion includes directives (A) to (F) along with clarifying information. Overall, staff is proposing to address this Motion with a number of immediate, short-term and mid-term actions. The actions include work to be performed directly by staff as well as through contract/consultant services. Examples of staff actions include steps to replenish the bike fleet and ensure uninterrupted service. Staff is also actively engaged with the City of Los Angeles and has reached out to other parties who have expressed past interest and/or with whom MBS has routine dialog. Staff's goal is to identify and create a working group comprised of regional interested parties to assist with the review of MBS and the development of the final recommendations.

Staff is also proposing to use consultant services in response to the Board Motion. One immediate action is to modify an existing task order to support the Market Survey, planning/development of the Industry Forum and in identifying funding and/or legislative opportunities. In addition, staff is recommending that a consultant be secured to support the evaluation of MBS and assist in the development of the final recommendations as identified in Motion Directive F.

Staff has prepared the following update, addressing each of the directives identified in the Motion. A more detailed action plan is provided as Attachment A.

Board Motion Item No. 41

(A) An action plan to stabilize the current fleet size including actions for how to identify, prioritize, and address new mechanisms of theft as they arise.

Metro staff continues to address the issue of bicycle loss and theft through loss prevention and recovery activities. Bicycle loss is expected as part of the cost of business operations given the public nature of the program with the level of loss/theft experienced in the US and around the world at 1% to 2% a month. Although there is an acknowledgement that some loss will continue to impact the system and that the program's losses have grown during the pandemic as compared to pre-pandemic levels, the goal is to continue to implement efforts and strategies that reduce loss and theft while increasing recovery.

Staff has identified a myriad of actions/tactics to mitigate the loss and improve fleet retention and recovery efforts. Attachment A outlines 10 actions that staff is pursuing. These actions include:

- Purchasing bicycles to re-establish the fleet size;
- Purchasing and installing GPS equipment on all bicycles;
- Improving the operator's lost/missing bike recovery rate;

- Deploying a marketing/awareness campaign;
- Implementing technical system improvements;
- Implementing new inventory protocols to ensure a consistent and stable service to the public.

Staff is keenly aware of the need to re-establish the MBS fleet and is currently in discussions with the operator, BTS, to secure additional bicycles and GPS equipment with a target of the April Board meeting with recommendations to address the purchase of the bicycles and GPS equipment. Additionally, despite the proposed efforts to reduce loss and missing bicycles, staff anticipates that there will continue to be bicycle loss. To maintain a consistent and stable fleet, staff is developing a protocol to maintain a readily available inventory. Staff is currently reviewing available data to best determine the minimum inventory level required to support a stable operation. The inventory will enable the contractor to swap out bicycles in need of maintenance and to replace missing or lost bicycles. The goal will be to maintain a consistent deployed fleet size for public use.

(B) An action plan to address equitable access in the current program and in any future form of the program. This plan shall include recommendations on issues such as serving people who may be unbanked, addressing the digital divide and keeping fare cost low.

Staff is proposing to include a request in the Market Survey (Motion Directive E) to obtain information from other bike share programs regarding how they address equity, unbanked and digital divide matters. Additionally, this will be included as a topic in the Industry Forum (Motion Directive D). Staff will also continue to engage with the Metro Office of Equity and Race as well as the City of Los Angeles (in particular the Los Angeles Department of Transportation) to review and address current and future equity considerations. Staff has held discussions with TAP and will continue to engage to identify solutions to handle unbanked and digital divide issues. Staff will also investigate alternative/innovative fare and sponsorship options for possible implementation. Finally, staff will include this as an action item in the MBS evaluation study.

(C) A plan to provide uninterrupted service as the next iteration of the program is determined and executed.

Concurrent with the discussions to purchase bicycles and GPS equipment, negotiations with BTS for a contract extension are underway. The extension will allow staff to ensure the continued and uninterrupted operation of MBS, while continuing to address all directives of the Board Motion.

(D) A plan to convene an Industry Forum (as was performed for Metro Micro) to bring together academics, cities with existing bike share programs, community stakeholders, and industry experts to provide recommendations on advancing Metro Bike Share beyond the current contract in one of several forms including but not limited to:

- 1. Continuing Metro Bike Share as a contracted service,*
- 2. Operating the program In-house with Metro employees,*
- 3. A private-sector model with financial subsidy provided by Metro.*

Staff has engaged Metro Micro to understand and learn from their experience. Staff is now working to develop the format, invitees, subject/agenda, and logistics to hold the forum. Staff is proposing that the forum be included as part of the MBS evaluation study and that information gathered from

participants help inform recommendations.

(E) Performing a Market Survey to identify best practices and business models among existing bike-share systems in the US, and comparable global systems (e.g., Paris, London, Barcelona, Madrid, and Mexico City), and to develop comparative data on subsidy cost per ride, total ridership, size of fleet, vehicle technology, theft and damage, loss and prevention, and alternative financing sources like sponsorship and advertising.

Staff is currently compiling all readily available information and will be securing a consultant to conduct an initial Market Survey. In addition to the information listed in the Motion, the survey will also seek to obtain information regarding programs or services offered that address the unbanked and the digital divide.

(F) Recommendations for continuing and evolving the Metro Bike Share program to meet the goals of the agency, with countywide stakeholder engagement and consideration of cost-sharing, with the goal of expanding service area and local participation to all subregions in the County. These recommendations should include eligible local, state, and federal funding sources for capital and operations budgets, as well as legislative opportunities to expand such funding eligibility.

Staff is working on procuring services from a consultant team to support the review of MBS. Staff will also coordinate with the City of Los Angeles' pending bike share program review/evaluation, as the City's findings may impact MBS operations. Additionally, staff will form working groups and actively engage regional stakeholders and partners to ensure a comprehensive, transparent, and realistic evaluation of MBS. Working group participants may include other cities who have had bike share and cities that have not as well as Council of Government organizations (COG), and Community-Based Organizations (CBO). Staff is also working on plans to improve market awareness and customer engagement to support the operation and ensure the overall quality of the future MBS program. The evaluation of the current program and feedback from working group(s) will result in recommendations to provide a roadmap ensuring a successful, regional, equitable and viable bike share program. Staff is targeting to complete the evaluation by fall 2022.

Equity Platform

In support of the response to the Motion, several activities will be implemented in the next 3 to 12 months. Activities include implementing a plan to reduce theft and increase recovery of missing bikes making more of them available. Staff will continue to work with Metro Security and the program's LAPD liaison, each of which have provided support to the theft/recovery task force. Staff will also engage with programs that can offer support to certain users in need of access to more long-term transportation. In addition, staff will be developing a plan focused on increasing accessibility to individuals who are unbanked or face a digital divide; keeping fares low and increasing reduced fare and LIFE participation; conducting a Market Survey of other bike share programs and an Industry Forum to learn about best practices including increasing participation from marginalized groups and reducing barriers for people in EFCs.

Given the demographic information collected from the annual surveys, staff is aware that bike share ridership is not representative of Metro ridership or Los Angeles County demographics. However,

results from the survey show that there is an increase in utilization by females as well as African American/Black and Native American MBS users. Staff will work to improve user data collection to better understand potential barriers to the MBS system and address or mitigate them in the future. As delineated in Motion Directive B, staff will work to improve awareness of the utilization of the program and will ensure that the future MBS program addresses equitable access and increased diversity actions/recommendations.

In addition, staff will be working with community groups and other organizations such as NABSA and NACTO, to gather their feedback and incorporate it in the recommendations moving forward. Information from users will also be gathered to inform the future program. Activities will be carried out to ensure CBOs and community members in EFCs, including those who are unbanked or have a digital divide, are aware and can fully participate. Staff engagement will include community outreach efforts in EFCs, providing information in various languages, and targeted communication using different forms (print, online, social). The information gathered through this process will help inform the recommendations for a new operations model for the future MBS program.

DETERMINATION OF SAFETY IMPACT

The Board action will not have a negative impact on the safety of Metro's patrons or employees. The Metro Bike Share program has demonstrated effectiveness in providing a mobility service to Los Angeles County residents.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following strategic plan goals:

1. Provide high-quality mobility options that enable people to spend less time traveling;
2. Deliver outstanding trip experiences for all users of the transportation system; and
3. Enhance communities and lives through mobility and access to opportunity.

NEXT STEPS

Upon Board approval, staff will complete the negotiations for the contract modification with BTS with the goal of returning in April for approval. Staff will also continue to move forward with the actions as outlined in the Motion Response Work Plan and with the procurement of the consultant teams in support of responding to other aspects of Motion No. 41.

ATTACHMENTS

Attachment A - Motion Response Work Plan

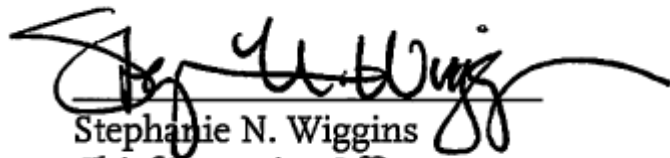
Attachment B - Board Motion Item No. 41 (November/December 2021)

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Stephanie N. Wiggins
Chief Executive Officer

Attachment A – Motion Response Work Plan

Metro Bike Share Motion Response Work Plan

This work plan is in response to Metro Bike Share Motion No. 41 passed by the Metro Board of Directors in December 2021. The plan involves a multi-prong approach to developing a comprehensive, transparent, and collaborative recommendation to support the future of the Metro Bike Share Program. The plan will address the following goals, as identified in the Motion:

- Address the fleet size and loss/theft;
- Ensure equity;
- Keep fares low and address unbanked and digital divide concerns;
- Ensure continued service;
- Improve and expand regional participation;
- Ensure long-term viability (technology, cost, cost-sharing, new funding sources);
- Confirm role of Metro Bike Share as an affordable, accessible public transportation and mobility option that improves the quality of life, supports meeting regional climate goals and meets Metro's agency goals;

In addition to the goals, the plan will also include actions to:

- Examine the role and impact of micro-mobility services;
- Establish performance metrics and associated data analytics;

To accomplish this, staff will move forward with a new evaluation of the program and take a series of immediate actions – such as to 1) engage an existing task order Consultant to assist with the development of the Industry Forum, support the Market Survey, and conduct an evaluation of funding opportunities; 2) extend the current BTS contract, procure replacement bikes and install GPS units on all bikes; and 3) conduct an evaluation of the MBS program taking into consideration the information gathered through the directives in the Motion, and propose recommendations for the future program. The goal is to complete the evaluation and have recommendations by fall 2022 and initiate action on the future operational model of MBS.

Specific actions/tactics tied to the Motion include:

Motion Directive A – Action Plan to stabilize the fleet and actions to identify, prioritize and address theft			
#	Action/Tactic	Notes	Schedule/Timeline
1a	Draft and update theft/loss mitigation strategies	Initial mitigation strategy drafted. Staff will continue to develop, refine, implement, and evaluate strategies	<ul style="list-style-type: none">• Completed and will update as appropriate
2a	Obtain information via Market Survey	Initiate procurement action to obtain information on loss/theft and any mitigation strategies via market survey of other operators.	<u>Immediate:</u> <ul style="list-style-type: none">• Procurement process initiated• Secure consultant support within 30 days• Target completion of work in 2 months

Attachment A – Motion Response Work Plan

3a	Procurement of bikes to replenish fleet – new bikes to be equipped with GPS	Staff is actively engaged in Procurement action with the Operator. Procurement action is currently pending final negotiations and agreement on terms for O&M and replenishment.	<p><u>Immediate:</u></p> <ul style="list-style-type: none"> Targeting April Board approval <p><u>Short Term:</u></p> <ul style="list-style-type: none"> Completion dependent upon number of bikes procured and final delivery schedule
4a	Retrofit existing bike fleet with GPS	Staff is actively engaged in Procurement action with the Operator. Procurement action is currently pending final negotiations and agreement on terms for O&M and replenishment.	<p><u>Immediate:</u></p> <ul style="list-style-type: none"> Targeting April Board approval
5a	Bike fleet replenishment/inventory policy	Staff is developing a protocol to maintain a readily available inventory with the goal of maintaining a consistent deployed fleet size for public use.	<p><u>Immediate:</u></p> <ul style="list-style-type: none"> Targeting April Board approval
6a	Develop and launch marketing/informational campaign to address user confusion and negligence about returning bikes to docking stations	Staff to work with Metro Communications and MBS Operator to initiate the development of the campaign.	<p><u>Short Term:</u></p> <ul style="list-style-type: none"> Target launch of campaign to tie-in with the receipt of new bikes
7a	Engagement with law enforcement to aid in recovery of stolen bikes	Continuation of staff engagement with Metro Security and LAPD liaison.	<p><u>On-going:</u></p> <ul style="list-style-type: none"> Staff continuing current engagement and will examine opportunities to improve recovery efforts
8a	Discussion with Operator to improve missing bike recovery rate	Staff reviewed current recovery rate and initiated discussions on additional resources for fleet recovery. Possible engagement with other Metro departments and community programs to mitigate any concerns regarding loss of primary means of transportation.	<p><u>Immediate:</u></p> <ul style="list-style-type: none"> Operator providing data on recovery rate and recovery process (non-systems related) <p><u>Short Term:</u></p> <ul style="list-style-type: none"> Development and implementation of process improvements Target implementation by spring/summer 2022
9a	Develop and implement system improvements to better monitor and report on bike fleet, identify misplaced or missing bikes and improve recovery response time	Fleet monitoring and alerting improvements (due to availability of GPS data) to better understand fleet utilization and improve the identification of missing bikes.	<p><u>Immediate:</u></p> <ul style="list-style-type: none"> Current performance metrics and reporting practice under review

Attachment A – Motion Response Work Plan

		Includes the review of performance metrics and reports. Staff to review current practices and identify improvements.	<ul style="list-style-type: none"> Improvements to monitoring and reporting practices will be implemented in collaboration with Operator
10a	Develop and deploy system improvements to deter bike theft	Implementation of system or technical improvements – TAP, payment fraud prevention, rider alerts, payment collection, station rebalancing, etc.	<u>On-going:</u> <ul style="list-style-type: none"> Staff will continue to work on these items and implement as feasible
Motion Directive B – Action plan to address equitable access (address unbanked, digital divide and keeping fare low)			
#	Action/Tactic	Notes	Schedule/Timeline
1b	Obtain information via Market Survey and Industry Forum	Initiate action to obtain information on unbanked, digital divide and fare information via Market Survey. Separately, include further engagement as necessary as part of Industry Forum.	<u>Immediate:</u> <ul style="list-style-type: none"> Procurement process initiated Target completion of Market Survey work in 2 months <u>Short Term:</u> <ul style="list-style-type: none"> Target completion of task order work in summer 2022
2b	Include as part of Metro Bike Share Program evaluation	Specific tasks include: <ul style="list-style-type: none"> Ensure inclusion of equity, unbanked, digital divide, and reduced fares in the future operation. Review sponsorship opportunities, including possible targeted fiscal sponsorships. Identification and evaluation of possible alternative fare models based on equity considerations. 	<u>Mid Term:</u> <ul style="list-style-type: none"> Target completion of evaluation by fall 2022
3b	Engagement with Metro’s Office of Equity & Race and LADOT	Review current delivery of bike share from an equity perspective and identify recommendations for current and future consideration.	<u>On-going:</u> <ul style="list-style-type: none"> Staff to continue engagement with both Metro’s Office of Equity & Race and LADOT <u>Short Term:</u> <ul style="list-style-type: none"> Identification and implementation of recommendations

Attachment A – Motion Response Work Plan

4b	Engage with TAP on current best practices for unbanked	Collect information from TAP on current approach to this issue and learn how this may further support MBS	<u>Immediate:</u> <ul style="list-style-type: none"> Initiated discussions with TAP to identify current solutions within TAP and recommend additional modifications for MBS
5b	Engagement with Metro LIFE and other reduced fare programs	Review of current Metro Bike Share utilization of Metro LIFE and other Metro reduced fare programs to identify opportunities and solutions to increase participation.	<u>Immediate:</u> <ul style="list-style-type: none"> Staff reviewing current data and participation levels Identification and development of initial opportunities and solutions to increase participation <u>Short Term:</u> <ul style="list-style-type: none"> Coordination with appropriate departments and implementation of approved and achievable solutions
Motion Directive C – Plan to provide uninterrupted service			
#	Action/Tactic	Notes	Schedule/Timeline
1c	Extension of current Operator contract	Staff has prepared contract documents required for the modification and is actively responding to proposal and information submitted by Operator. Procurement action pending final negotiations and agreement on terms for O&M and replenishment.	<u>Immediate:</u> <ul style="list-style-type: none"> Targeting April Board approval
Motion Directive D – Plan to convene Industry Forum			
#	Action/Tactic	Notes	Schedule/Timeline
1d	Engagement with Metro Micro	Staff discussion with Metro Micro regarding their Industry Forum	<u>On-going:</u> <ul style="list-style-type: none"> Staff held initial discussion and will continue to engage with Metro Micro staff as the Bike Share forum is developed
2d	Hold Forum	Conduct the Industry Forum as part of evaluation of Metro Bike Share program.	<u>Immediate:</u> <ul style="list-style-type: none"> Create framework & structure of the Forum Target to hold Forum in summer 2022

Attachment A – Motion Response Work Plan

Motion Directive E – Perform Market Survey			
#	Action/Tactic	Notes	Schedule/Timeline
1e	Collection of existing information	Staff is compiling all existing and readily available information. This information will be provided to consultants for further verification.	<u>Immediate:</u> <ul style="list-style-type: none"> Task to be completed within 30 days
2e	Conduct initial Market Survey of other programs	Initiate procurement action to conduct the initial Market Survey.	<u>Immediate:</u> <ul style="list-style-type: none"> Procurement process initiated Secure consultant support within 30 days Target completion of work in 2 months
3e	Engagement with NABSA, NACTO, and other bike share groups	Ongoing engagement with industry and working groups to obtain additional marketplace information that can aid in future Metro Bike Share development.	<u>Immediate:</u> <ul style="list-style-type: none"> Collaborate with organizations and groups on Market Survey and Industry Forum <u>Short Term:</u> <ul style="list-style-type: none"> Actively participate in industry discussions, including the NACTO bike share working group
4e	Include as part of the Metro Bike Share Program evaluation	Review existing program information. Conduct follow up research and data gathering activities in support of the development of recommendations for the future operation and expansion of Metro Bike Share.	<u>Mid Term:</u> <ul style="list-style-type: none"> Target completion of evaluation by fall 2022
Motion Directive F – Recommendations			
#	Action/Tactic	Notes	Schedule/Timeline
1f	Identification of funding source and legislative opportunities	Initiate action for support to identify traditional and innovative funding sources and legislative opportunities	<u>Immediate:</u> <ul style="list-style-type: none"> Staff working with Government Relations and Grants to identify funding opportunities Procurement process initiated Secure consultant support within 30 days Target completion of work in 2 months
2f	Work with Metro Communications on current DoorDash extension and/or future opportunities	Collaborate with Metro Communication on possible future	<u>Immediate:</u>

Attachment A – Motion Response Work Plan

		opportunities through Metro’s advertising vendors	<ul style="list-style-type: none"> Staff will prepare information with updates on MBS in preparation for next steps
3f	Coordination with LADOT	Coordinate with LADOT on pending bike share program review. Coordination shall occur at both staff and consultant level.	<u>On-going:</u> <ul style="list-style-type: none"> Staff will continue on-going coordination, support and discussion with LADOT and consultants
4f	Metro Bike Share Program Evaluation and Path Forward	<ul style="list-style-type: none"> Evaluation to provide recommendations which shall address items from motion. Evaluation shall be transparent, with coordination and collaboration with regional partners and stakeholders. 	<u>Mid Term:</u> <ul style="list-style-type: none"> Target completion of evaluation by fall 2022
5f	Stakeholder and customer engagement	Ensure that the new MBS contains an on-going stakeholder engagement process to support implementation of the new program and support on-going operations. Stakeholders to include MBS partners, CBOs, COGs, local cities. Ensure Customer engagement process to monitor the performance and quality of MBS services, includes engagement with EFCs.	<u>Immediate:</u> <ul style="list-style-type: none"> Staff to develop initial outline/plan of working group(s) Analysis of current feedback and comments regarding bike share Review of current engagement practices and identify opportunities for improvement <u>Short Term:</u> <ul style="list-style-type: none"> Develop and incorporate an on-going process to ensure consistent stakeholder and customer engagement

Notes:

On-going: Existing activity that will continue
 Immediate: Completion or action within 3 months
 Short Term: Completion or action within 6 months
 Mid-Term: Completion or action with 12 months
 Long Term: Completion or action longer than 12 months



Board Report

File #: 2021-0743, **File Type:** Motion / Motion Response

Agenda Number: 41.

EXECUTIVE MANAGEMENT COMMITTEE NOVEMBER 18, 2021

Motion by:

DIRECTORS KREKORIAN, GARCETTI, KUEHL, AND SANDOVAL

Improving the Effectiveness and Sustainability of Metro Bike Share

Metro Bike Share, a county-wide bike share program, launched in 2016. Since then, Metro has had over 3,300 bicycles in the system, consisting of a mix of Classic, Smart, and E-bikes.

Currently, Metro only has 38% of the total original fleet remaining in operation. Metro Bikes have been targets of theft, and rates of fleet loss ebb and flow as new methods of theft are discovered and addressed. The Metro Bike Share team has increased efforts to recover lost and stolen bicycles but this is not sustaining the fleet and the program does not have an established fleet replenishment strategy. As a result, fewer Metro Bikes are available for use, which degrades the quality of service available to the public.

Affordable, accessible public transportation and active transportation options such as Metro Bike Share are a cornerstone of meeting our region's climate goals. As local jurisdictions in the County continue expanding bicycle infrastructure and mobility options to meet climate goals and improve the quality of life for residents, a successful and sustainable Metro Bike Share program is more important than ever.

SUBJECT: IMPROVING THE EFFECTIVENESS AND SUSTAINABILITY OF METRO BIKE SHARE

RECOMMENDATION

APPROVE Motion by Directors Krekorian, Garcetti, Kuehl, and Sandoval that the Board direct the Chief Executive Officer to report back in 90 days on:

- A. An action plan to stabilize the current fleet size including actions for how to identify, prioritize, and address new mechanisms of theft as they arise.
- B. An action plan to address equitable access in the current program and in any future form of the program. This plan shall include recommendations on issues such as serving people who may be unbanked, addressing the digital divide, and keeping fare cost low.

- C. A plan to provide uninterrupted service as the next iteration of the program is determined and executed.
- D. A plan to convene an industry forum (as was performed for Metro Micro) to bring together academics, cities with existing bike share programs, community stakeholders, and industry experts to provide recommendations on advancing Metro Bike Share beyond the current contract in one of several forms including but not limited to:
1. Continuing Metro Bike Share as a contracted service,
 2. Operating the program In-house with Metro employees,
 3. A private-sector model with financial subsidy provided by Metro.
- E. Performing a market survey to identify best practices and business models among existing bike-share systems in the US, and comparable global systems (e.g., Paris, London, Barcelona, Madrid, and Mexico City), and to develop comparative data on subsidy cost per ride, total ridership, size of fleet, vehicle technology, theft and damage loss and prevention, and alternative financing sources like sponsorship and advertising.
- F. Recommendations for continuing and evolving the Metro Bike Share program to meet the goals of the agency, with countywide stakeholder engagement and consideration of cost-sharing, with the goal of expanding service area and local participation to all subregions in the County. These recommendations should include eligible local, state, and federal funding sources for capital and operations budgets, as well as legislative opportunities to expand such funding eligibility.

Item 15

Los Angeles County
Metropolitan Transportation Authority

Finance and Budget Committee
March 16, 2022

Executive Management Committee
March 17, 2022



Metro Bike Share Program Update

Background

- MBS launched in July 2016 in partnership with the City of Los Angeles
- MBS serves Los Angeles County residents with more than 200 docked stations located in the Downtown Los Angeles, Central Los Angeles, Hollywood, Westside, and North Hollywood
- To date, 1.3 million trips have been taken, 4.4 million miles have been traveled, and 4.2 million pounds of CO2 have been averted
- Demographics: 50% Caucasian/White; 20% Latinx; 15% African-American; 40% Female; Household income - 34% less than \$50K and 58% less than \$75K; 47% of users are 25-34 years old and 8% are 50 years and above
- Contract with current operator, Bicycle Transit Systems, ending July 2022
 - DBE goal of 22.37% met and on target
- In September 2021, MBS agreed to a one-year sponsorship deal with DoorDash valued at slightly over \$1M will offset O&M
- Motion No. 41 directs staff to implement several actions in preparation for future MBS program model



Motion Response Work Plan

- Staff developed a work plan to respond to motion
- Current actions in the work plan include:
 - **Directive A: Stabilize Fleet and Address Theft**
 - Implementing a theft mitigation plan that includes launching an educational campaign
 - Engaging (ongoing) with Metro Security and LAPD liaison
 - Negotiating with Operator to purchase new bikes and GPS units to stabilize fleet (April 2022 Board action)
 - **Directive B: Equitable Access for Unbanked, Address Digital Divide and Keep Fares Low**
 - Creating an equity plan to address unbanked and the digital divide
 - Engaging OER, TAP, City of LA and other groups on best practices for technology solutions



Motion Response Work Plan

- Directive C: Provide Uninterrupted Service
 - Negotiating with BTS to extend contract by 12 months (April 2022 Board action)
- Directive D: Convene Industry Forum
 - Creating framework for Industry Forum that will include goals, objectives, topics, identification of subject matter experts
 - Consultant work underway to support Forum development
- Directive E: Perform Market Survey for Best Practices
 - Conducting Market Survey of other operators to gather information about existing bike share programs
- Directive F: Provide Recommendations for Future Model
 - Procuring consulting services for Motion Response support and final recommendations for new program and funding opportunities
 - Working with GR and Grants to identify additional funding



Next Steps

- Staff will complete negotiations for contract modification with BTS with the goal of returning in April 2022 for approval
 - Modification includes ongoing O&M and fleet replenishment
- Staff will move forward with the actions as outlined in the *Motion Response Work Plan* (Attachment A)
- Staff anticipates identification of new model by fall 2022



PROCUREMENT SUMMARY

METRO BIKE SHARE/PS272680011357

1.	Contract Number: PS272680011357			
2.	Contractor: Bicycle Transit Systems, Inc.			
3.	Mod. Work Description: Extend contract term an additional 12 months, purchase new bicycles, and purchase and install GPS equipment			
4.	Contract Work Description: Metro Bike Share Program			
5.	The following data is current as of: 4/1/22			
6.	Contract Completion Status		Financial Status	
	Contract Awarded:		Contract Award Amount:	\$11,065,673 Pilot Phase I – DTLA
	Notice to Proceed (NTP):		Total of Modifications Approved:	\$84,278,188
	Original Complete Date:		Pending Modifications (including this action):	\$15,250,213
	Current Est. Complete Date:		Current Contract Value (with this action):	\$110,594,074
7.	Contract Administrator: Lily Lopez		Telephone Number: (213) 922-4639	
8.	Project Manager: Paula Carvajal		Telephone Number: (213) 922-4258	

A. Procurement Background

This Board Action is to approve Contract Modification No. 11 issued in support of the Metro Countywide Bike Share Program to extend the contract period of performance by 12 months through July 30, 2023, purchase new bicycles to replenish and stabilize the on-street bicycle fleet, purchase and install GPS equipment, and maintain a 10% inventory, to ensure a consistent on-street fleet for the duration of this contract.

This contract modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm fixed price.

On June 25, 2015, the Board awarded firm fixed price Contract No. PS272680011357 to Bicycle Transit Systems, Inc. for the equipment, installation and operations of the Metro Bike Share Phase I Pilot in the amount of \$11,065,673 for a two-year period.

Refer to Attachment D – Contract Modification/Change Order Log.

B. Cost Analysis

The amount of the modification has been determined fair and reasonable based upon an independent cost estimate (ICE), cost analysis, technical analysis, fact finding and negotiations.

Proposal Amount	Metro ICE	Modification Amount
\$27,528,583	\$23,116,683	\$15,250,213

The difference between the above amounts is the time included in the contract term extension. The "Proposal Amount" and "Metro ICE" initially covered a two-year time extension. As a result of internal discussions, Metro decided to move forward with a one-year time extension on this contract. Therefore, the "Modification Amount" covers a one-year time extension.

CONTRACT MODIFICATION/CHANGE ORDER LOG

METRO BIKE SHARE/PS272680011357

Mod. No.	Description	Status (approved or pending)	Date	Amount
1	Addition of Sponsorship Broker Agreement	Approved	12/30/15	\$0
2	Additional Support for Phase I Downtown Los Angeles	Approved	06/06/16	\$108,656
3	Addition of 2 Subcontractors	Approved	07/07/16	\$0
4	Extend Phase I (Downtown Los Angeles Pilot), expand and accelerate Phase II (Pasadena) and Phase III (Venice and Port of Los Angeles)	Approved	11/07/16	\$42,618,583
5	Update Exhibit A-1 Milestone Payment Schedule	Approved	03/22/17	\$0
6	Addition of TAP Integration Step 3	Approved	05/31/17	\$610,076
7	Extend and activate Phase III and Phase IV	Approved	10/08/18	\$34,598,747
8	Metro Countywide Bike Share Greenhouse Gas Reduction Fund (GGRF) Grant	Approved	12/06/18	\$6,342,126
9	Revised SOW + Milestones	Approved	12/14/18	\$0
10	Reallocation of bikes + update milestones with invoices	Approved	8/21/21	\$0
11	Extended POP by 12 months through 7/30/23, purchase new bicycles to replenish and stabilize the on-street bicycle fleet, purchase and install GPS equipment, and maintain a 10% inventory.	Pending	Pending	\$15,250,213
	Modification Total:			\$99,528,401
	Original Contract:		07/24/15	\$11,065,673
	Total:			\$110,594,074

DEOD SUMMARY

METRO COUNTYWIDE BIKESHARE/PS272680011357

A. Small Business Participation

Bicycle Transit Systems, Inc. (BTS) made a 22.37% Disadvantaged Business Enterprise (DBE) commitment. The project is 71% complete and the current SBE participation is 23.53%, exceeding the DBE commitment by 1.16%. Bicycle Transit Systems, Inc. submitted its initial shortfall mitigation plan in July 2021 and a subsequent update in March 2022.

BTS has projected the continued utilization of DBE subcontractors Accel Employment Services, Inc. and BikeHub through July 2023. BTS has allocated 27.29% of this proposed modification value to the two (2) DBE firms listed above. BTS contends that the station shipping scope of work to be performed by Say Cargo, has been completed.

Small Business Commitment	DBE 22.37%	Small Business Participation	DBE 23.53%
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	DBE Subcontractors	Ethnicity	% Committed	Current Participation¹
1.	Accel Employment Services, Inc.	Asian-Pacific American	15.28%	11.89%
2.	BikeHub	Asian-Pacific American	5.48%	10.08%
3.	Toole Design Group	Caucasian Female	0.93%	1.19%
4.	Say Cargo Express, Inc.	Hispanic American	0.68%	0.37%
	Total		22.37%	23.53%

¹Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

B. Living Wage and Service Contract Worker Retention Policy Applicability

A review of the current service contract indicates that the Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) was not applicable at the time of award. Therefore, the LW/SCWRP is not applicable to this modification.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.



Board Report

File #: 2022-0021, **File Type:** Program

Agenda Number: 17.

FINANCE, BUDGET AND AUDIT COMMITTEE APRIL 20, 2022

SUBJECT: PROPERTY INSURANCE PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase All Risk Property and Boiler and Machinery insurance policies for all property at increased policy limits at a not to exceed price of \$5.5 million for the 12-month period May 10, 2022 through May 10, 2023.

ISSUE

The All Risk Property and Boiler and Machinery insurance policies expire on May 10, 2022.

BACKGROUND

Our insurance broker, USI Insurance Services ("USI") is responsible for marketing the property insurance program to qualified insurance carriers. Quotes are currently being received from carriers with A.M. Best ratings indicative of acceptable financial soundness and ability to pay claims. The premium indications below are based upon current market expectations. Final pricing, however, is not available until approximately 30 days prior to binding coverage.

Metro established a program of Excess Commercial Property Insurance to protect against insured losses. Each year, Risk Management meets with USI to prepare for the upcoming marketing process and secure the data required to approach underwriters and obtain the most competitive coverage and pricing available.

Initial discussions begin in the first quarter of the fiscal year through an evaluation of market conditions to determine the availability of coverages and what levels of premium are indicated. Once established, an annual stewardship meeting is conducted in September to review what data will be required, including new infrastructure, such as rolling stock (bus, rail and non-revenue vehicles), real property (buildings and facilities), business personal property (equipment, furniture) and newly completed projects as each are accepted by the agency. Risk Management further obtains status data including targeted completion dates of various projects to provide an accurate account of the present and future property exposures within the agency.

Risk Management compiles updated information including projected revenues, payroll, property valuations and property distribution as needed. Once internal data is collected, the data forwarded to USI to present to the domestic insurance marketplace as well as international markets in London, Bermuda and Amsterdam. Due to timing requirements, USI approaches underwriters in January to ensure that data is deemed current. Initial indications of interests and costs generally become apparent in late March.

USI provides a not-to-exceed number that serves two functions. First, the number provides an amount that Risk Management may approach the CEO and Board to obtain approval for binding of the new program, which mitigates a potential gap in insurance coverage. And second, the number allows our broker ample time to continue to negotiate with underwriters to ensure that Metro obtains the most competitive pricing available.

DISCUSSION

Property insurance protects against losses to our structures, fleets, and improvements, which are valued at approximately \$14.6 billion, up from last year's \$13.6 billion. The increase in total insured value is primarily due to general replacement cost growth (mainly soaring construction costs) along with revaluation of both heavy and light rail vehicles. The value of the Crenshaw/LAX Line was previously included in our total insured values last renewal and the property is fully insured. Property insurance is required by many contracts and agreements, such as our lease/leaseback deals involving a number of our operating assets.

USI marketed the property program to qualified insurance carriers to obtain property insurance pricing with coverage limits of \$425 million. Quotations for our property insurance program were received from carriers with acceptable A.M. Best ratings. Final pricing is pending, so the quotes including contingency for unanticipated adjustments serve as a not to exceed cost before policy binding.

The Recommended Program secures the All Risk deductible at \$250,000 with no earthquake coverage and a flood deductible at 5% per location subject to a \$250,000 minimum. USI continues negotiations with carriers regarding deductible limits on selected Metro assets including rolling stock, non-revenue vehicles and potential flooding in subway tunnels. If a loss exceeds the deductible, All Risk coverage is provided up to \$425 million per occurrence for losses except for flood related damages that are covered up to \$150 million (tunnels are covered up to \$50 million with a \$500,000 deductible for flood damages). The recommended program is the same as the prior year program. Attachment A shows the outline of the recommended program structure. The not to exceed premium price includes a contingency for premium adjustments, taxes and fees due to on-going negotiations with insurance carriers.

The recommended program does not include earthquake coverage. We received quotes estimated at \$4.2 million for \$50 million in limits with a 5% of total insured value deductible. Metro has not purchased earthquake coverage in previous years. In the event of a major disaster, we believe funding would be available through federal and state sources to restore public transportation in Southern California. The lack of earthquake coverage is consistent with decisions made by other large local government agencies.

We evaluated terrorism coverage options this renewal cycle and have not opted to purchase the coverage. Terrorism coverage is available but does not appear to be cost effective at a quoted cost of \$687,700 for \$400 million limits with a \$50,000 deductible. The Terrorism Risk Insurance Act (TRIA) provides government support by providing mechanisms for spreading losses across policyholders. In the past, we rejected this coverage because of the high likelihood of federal and state funding to restore transportation services as a result of a serious terrorism incident. We will continue to reject terrorism coverage at the present time.

The current and recommended programs of insurance are layered structures. Several insurance carriers participate in the program with each contributing a portion of coverage which maintains a diversified portfolio of insurance carriers. Continual monitoring through internal methods, as well as updates provided by USI, ensure that all carriers maintain the required financial ratings indicated by financial reporting agencies and as determined by A.M. Best.

In January, February, and March 2022, USI contacted multiple domestic and international insurance providers to present our property risks and supplemental data. USI provided an overview of the Metro transit system during discussions with the underwriters, including our extensive security infrastructure, fire protection, loss control and minimal risk of flood exposures. USI provided information and statistics on system operations, assets, and our excellent loss history over the past twenty years with one fixed property insurable event and under \$1.8 million insurable losses of rolling stock and non-revenue vehicles.

The Metro property program continues to be well received by insurers due to our favorable loss history and the growth of the account from \$7.8 billion in values in 2010 to \$14.6 billion for this renewal. As such, USI presented the submission to incumbent and competing insurers to create competition in the insurance marketplace. The marketing effort resulted in maintaining our incumbent carriers for the recommended program. Our rate per million dollars of insurable value is \$377 for the recommended program which represents a 15.4% rate increase per million dollars of insured value over the prior year. Some of the major factors driving the rate increase are summarized in the following paragraphs.

The property insurance market is continuing to experience major interruption. Capital (and therefore capacity) has either been exhausted or withdrawn from the market in a way that has not been seen since 2001. Losses over the past six years continue to show higher than expected loss development. In 2020, many carriers pulled out of unprofitable classes of business. This year, carriers are looking at those classes again if the rate and terms are deemed adequate. Carrier One Beacon exited the public entity space in March 2022 leaving a void of \$80 million in coverage for public entities.

Commercial property insurance rates have shown significant growth in recent quarters. Climate change's influence on natural catastrophes, supply chain challenges and inflation are working concurrently to push rates higher, according to a report from Westchester, Chubb Ltd.'s wholesale excess and surplus lines division. In addition to driving up rates, the issues are making underwriting more challenging. Further, inflationary pressures along with rising costs for labor and building materials are increasing the possibility for undervalued replacement costs. Carriers are looking to

return their portfolios to profit which has led to continuing universal rate increases (even for insureds that are claims-free).

According to the Allied Public Risk “Public Entity Insurance Market Outlook for 2022” report, the demand on insurance carriers to deliver profits, the limited participants in the public entity market, and inflationary pressures on operational and claims expense contribute to increased premiums throughout 2022. As operational and claim costs increase, premiums are adjusted to cover anticipated liabilities to deliver acceptable profit margins. The limited number of carrier participants in the public entity market compounds the costs associated with losses and operations. Over the last 18 months, several carriers have exited the public entity sector because of rising risks and falling profits. Carriers that remain in the market are either reducing limits or requiring higher Self-Insured Retentions but are offering no premium reduction in return.

Along with premium increases and higher deductibles, carriers are instituting more restrictive terms. Carriers are rating on the potential for loss (regardless of good loss history) and with our increased valuations on buildings, facilities, buses and rail cars, carriers are rating on total loss estimates. Many carriers are reducing their capacity by 20%-50%, in some cases requiring more carriers to participate on programs in order to maintain limits. For this renewal, our broker was able to retain last year's incumbent carriers.

Metro has enjoyed some of the lowest rates among transit systems and remains an attractive client within this space. Unfortunately, the space is not held in the same regard it was just a few years ago. This year's renewal reflects our continuing favorable insurability and ability to take full advantage of USI's marketing efforts in a very demanding market environment.

DETERMINATION OF SAFETY IMPACT

Approval of this procurement will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

The funding for two months of \$916,667 for this action is included in the FY22 Budget in cost center 0531, Risk Management - Non Departmental Costs, under projects 100001 - General Overhead, 300022 - Rail Operations - Blue Line, 300033 - Rail Operations - Green Line, 300044 - Rail Operations - Red Line, 300055 - Gold Line, 300066 - Expo Line, 301012 - Metro Orange Line, 306001 - Operations Transportation, 306002 - Operations Maintenance, 320011 - Union Station, and 610061 - Owned Property in account 50601 (Ins Prem For Phys Damage). In FY22, an estimated \$4.6 million will be expensed for property insurance.

The remaining ten months of premiums are included in the FY23 Requested Budget, cost center 0531, Risk Management - Non Departmental Costs, under projects 100001 - General Overhead, 300022 - Rail Operations - Blue Line, 300033 - Rail Operations - Green Line, 300044 - Rail Operations - Red Line, 300055 - Gold Line, 300066 - Expo Line, 301012 - Metro Orange Line, 306001 - Operations Transportation, 306002 - Operations Maintenance, 320011 - Union Station, and 610061 - Owned Property in account 50601 (Ins Prem For Phys Damage).

Impact to Budget

Additional funds required to cover premium costs beyond FY23 budgeted amounts will be addressed by fund reallocations during the year. The current fiscal year funding for this action will come from the Enterprise, General and Internal Service funds. No other sources of funds were considered for this activity because these are the funds that benefit from the insurance. This activity will result in a minor change to operating costs from the prior fiscal year.

EQUITY PLATFORM

Metro's property insurance program ensures that our facilities, rolling stock fleet, and infrastructure are covered by insurance policies in the event of a major loss or damage. The insurance policies cover all Metro-owned property, stations, tunnels, bridges, rolling stock fleet, right of ways, facilities, and buildings that provide transportation service and benefits to low-income residents, black, indigenous, and people of color, people with disabilities, people with limited English proficiency, minorities, women, disadvantaged or disabled veterans, LGBTQ community, and other marginalized groups.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal # 5 "Provide responsive, accountable and trustworthy governance within the LA Metro organization." The responsible administration of Metro's risk management programs includes the use of insurance to mitigate large financial risks resulting from damage to or loss of Metro property.

ALTERNATIVES CONSIDERED

The current program, the recommended program and an option with earthquake coverage are summarized in Attachment B. Based upon our past history of favorable renewal and losses, we recommend continuing the current program of insurance as the most cost effective and prudent program. The option of adding earthquake coverage is not recommended because the high cost of the earthquake premium does not justify the benefit of the coverage.

NEXT STEPS

Upon Board approval of this action, we will advise USI to proceed with placement of the property insurance program outlined herein effective May 10, 2022.

ATTACHMENTS

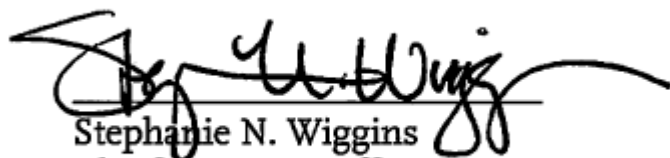
Attachment A - Recommended Pricing and Carriers
Attachment B - Alternatives Considered

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Stephanie N. Wiggins
Chief Executive Officer

ATTACHMENT A

RECOMMENDED PROGRAM PRICING AND CARRIERS



USI Insurance Services
Proposed Property/B&M Insurance Summary 2022 - 2023 (as of March 10, 2022)
Los Angeles County Metropolitan Transportation Authority

Limit	Excess of	Coverage	Carrier - Best Rating	Participation (\$)	Participation (%)	Total Premium (incl taxes & fees)
\$275M	\$150M	All Risk Excluding Flood & Earthquake	Chubb Bermuda - AA	\$275,000,000	100.00%	522,500
				\$275,000,000	100.00%	522,500
\$150M	Underlying Deductibles	All Risk Excluding Earthquake	AIG Specialty Insurance Co - A XV	\$60,000,000	40.00%	1,575,645
			Liberty Mutual Fire Insurance Co- A XV	\$15,000,000	10.00%	608,200
			Ironshore Specialty Ins Co - A XIV	\$10,000,000	6.67%	418,645
			Starr Specialty Insurance Agency - A XV	\$30,000,000	20.00%	869,674
			Kemah/Markel - A XV	\$10,000,000	6.67%	411,085
			HDI/Mitsui/Travelers - A+ XV	\$25,000,000	16.67%	936,527
				\$150,000,000	100.01%	4,819,774

Terrorism pricing is not included above.

TOTAL LIMITS \$425,000,000

Earthquake pricing is not included above.

Estimated Program Premiums *	\$5,342,274
Contingency for carrier premium, tax and fee adjustments	\$157,726
Estimated Program Not-To-Exceed Total	\$5,500,000

2022/23 Total Insurable Values: **\$14,582,611,440**

* Subject to finalization of on-going negotiations with carriers. Amounts shown are estimates only.

ATTACHMENT B**ALTERNATIVES CONSIDERED**

	Current Program	Recommended Program*	Recommended Program With Earthquake*
Deductibles	\$250,00 All Risk / 5% of location value for Flood **	\$250,00 All Risk / 5% of location value for Flood **	\$250,000 All Risk/5% of structure value for Earthquake and Flood **
All Risk Limits	\$425 Million	\$425 Million	\$425 Million
Flood Limits	\$150 Million	\$150 Million	\$150 Million
Earthquake Limits	None	None	\$50 Million after first 5% per location deductible
Terrorism	None	None	None
Total not to Exceed or Actual Premium	\$4,440,369	\$5,500,000	\$9,640,000

* recommended programs are not to exceed amounts.

** \$50 million limit on flood in tunnels with a \$500,000 deductible.