

**CITY OF TORRANCE
INTEROFFICE COMMUNICATION**

DATE: February 8, 2012

TO: Members of City Council Transportation Committee
VIA: ~~LeRoy Jackson, City Manager~~
FROM: Kim Turner, Transit Director
SUBJECT: City of Torrance Participation in the Municipal Area Express (MAX) Program

At the January 24, 2012 Transportation Committee meeting staff recommended that the city withdraw from the MAX program effective June 30, 2012.

The recommendation was based on the following:

- Annual Torrance boarding has decreased from approximately 17,000 to 15,000, a 12% decrease.
- The annual agency participation share will increase from \$91,021 in FY 11-12 to \$131,418 in FY 12-13, an increase of 44%.
- The subsidy per passenger boarding for calendar 2011 was approximately \$6.09. The projected subsidy for calendar year 2012 is projected at \$8.80. The Torrance transit subsidy per passenger is approximately \$3.33.
- The anticipated capital requirements to replace MAX buses will cost approximately \$1.2 million. The Torrance share is estimated to be approximately \$300,000.
- Current Torrance Transit service on Line#2, Line#5 and Line #8 along with other South Bay transit providers can adequately assist displaced MAX Torrance residents.

The Torrance City Council, at its March 29, 2011 meeting, approved Torrance's continued participation in the Municipal Area Express (MAX) Program for Fiscal Year (FY) 2011-2012 with future participation in the program to be evaluated on an annual basis. It was recommended that the City continue to support MAX system through the next year but that the City share with the MAX Board the City's intention to encourage MAX to support the phasing out of MAX while seeking a replacement. The present Interagency Agreement for the program requires that the Lead Agency (Torrance) provide notice if it wishes to withdraw at least 120 days prior to June 30, 2012. Therefore, Torrance has until March 2, 2012 to notify the partnering cities if we wish to terminate participation in the program.

At the January 24, 2012 meeting staff was directed to research and return to the committee with potential options to reduce the subsidy per passenger with a cap of \$5.00 per boarding. Staff was directed to analyze possible increases in revenue and/or reductions in expenditures by examining service on the MAX Line 2 and 3.

Increased Boardings Option

One method to reducing the subsidy paid per boarding on the MAX would be an increase in boardings. To accomplish a subsidy per passenger/boarding of no more than \$5.00 for the MAX Line 2 and 3 for Torrance this would require an extremely large increase in boardings. The projected Torrance subsidy for the MAX Line 2 and 3 is \$12.79 and \$6.61, respectively. The overall subsidy for Torrance on these two lines totals \$8.80. When examining the MAX Line 2 subsidy of \$12.79, the targeted subsidy (\$5.00) is \$7.79 lower than current projected levels. To achieve the requested \$5.00 subsidy per boarding it would require an increase in Line 2 boardings to 13,523 in Torrance. This would constitute a 156% increase in boardings over the CY 2011 figure of 5,288. While the additional 8,235 boardings would yield an increase in fare revenues totaling approximately \$18,529, only approximately 12.58% of the increase in fares would be recognized by Torrance, based on the current projected formula distribution. When examining the MAX Line 3 subsidy of \$6.61, the targeted subsidy (\$5.00) is \$1.61 lower than current projected levels. To achieve the requested \$5.00 subsidy per boarding it would require an increase in Line 3 boardings to 12,760. This would constitute a 32% increase in boardings over the CY 2011 figure of 9,649. As with the Line 2, fare revenues would increase approximately \$5,433. However, only approximately 11.87% would be recognized by Torrance, given the current projected formula distribution. It should also be noted that should these increases in boardings occur, the subsidy per passenger of \$5.00 would only be met for one year, then as the formula was updated next year, Torrance's relative costs would increase, putting a larger burden of the operating budget on Torrance. The reason for this increase in Torrance's share of the formula is because 50% of the formula is based on the morning boardings in each jurisdiction, and unless the other cities experienced comparable increases, Torrance would experience greater relative increases, thus resulting in a higher share of the formula.

Fare Increase Option

Another method of reducing the subsidy per passenger would be additional revenues through fare increases. The last fare increase on the MAX was in October 2010. Current fares are \$2.25 on Line 2 and 1.75 on Line 3 and \$3.00 on the Line 3X. Torrance would need to increase revenues on the MAX Line 2 and 3 by \$41,000 and \$16,000, respectively, to achieve the requested subsidy levels. The industry standard for ridership deflection is for every 1% increase in fares a corresponding decrease of 0.33% in boardings should be expected. To generate the needed additional revenue, fares would have to be dramatically increased, thus reducing ridership tremendously. In order to generate an additional \$41,000 in

revenue in Torrance on the Line 2 fares generate per boarding would need to be increased by \$7.79 in Torrance. However with an increase that dramatic (346%), the deflection in ridership would far outweigh any additional revenue. Furthermore, to increase fare revenues on the Line 3 in Torrance, fares would need to be increased by \$1.61. With fares increased 92%, a deflection in ridership of 30% could be expected. This would again outweigh the increase in revenue through boarding reductions, and ultimately the increase in revenues would not be met. In order to ensure the increases in revenues were met fares would need to be even further increased, however given the elasticity of ridership; equilibrium would not be met. Any fare increase examined would require public hearings, especially with the magnitude required for this situation. Since the Line 2 and 3 both travel through low income and minority communities a detailed Title VI Civil Rights analysis on the impact to low income and minority riders would also be required. Additionally, since Torrance is only one participating agency in the MAX, potential fare increase proposals would need to be approved by all participating agencies through the MAX Policy Steering Committee. Additionally, the potential fare increase changes would create a service where the local routes are charging far higher than its express counterparts (Line 3X).

Service Reduction Option

Another option explored is the reduction in service which could decrease expenditures for the MAX program. If the line #2 were to reduce service by one run (bringing the service from its current 2 runs to 1 run) in the morning and evening a potential savings of \$90,000 could be realized. If the Line #3 were to reduce its service by two runs (bringing its service from 4 to 2 runs) in the morning and afternoon a savings of \$275,000 could be realized. However, with that said, it should be noted that this savings is the best case scenario. Currently, MV Transportation bills on a fixed and variable cost model. The previous figures assume their fixed costs could be adjusted proportionately downward, consistent with the reduction in service hours. If MV Transportation were to already have their fixed costs reduced, then only a savings of approximately \$29,000 and \$89,000 could be achieved on the Line 2 and 3, respectively.

Furthermore, because of the nature of the current operating budget formula, savings would not be wholly realized by Torrance. If Line 2 were reduced by one run in the morning and afternoon and the optimistic savings level (\$90,000) were used, Torrance participating share would only be reduced by \$40,000. Additionally, by using service reductions, ridership would drop significantly, consistent with past reductions in service on the Line 2. If Torrance were to reduce service on the Line 2 by eliminating a run it could expect a loss of approximately 1,850 boardings in Torrance alone. This calculation was determined by using deflection levels witnessed from the July 1, 2011 reduction in service. The loss of the 1,850 boardings would not only account for loss in fare revenues, but a drop in ridership on the Line 2 for Torrance of 35%. With this loss of ridership and a recalculation of

the current operating budget formula, the subsidy per boarding would still remain at almost \$9.00 on the Line 2 for Torrance.

Any service reduction would require public hearings and negotiation with the current operator MV Transportation regarding the corresponding impact to their employees. In July 1, 2011 when the city of Rancho Palos Verdes withdrew from the MAX, MV then reduced its contract by 16% or \$172,286. Consistent with past practice, the Policy Steering Committee for the MAX program would need to task Lead Agency staff with entering negotiations of any contract adjustments in FY 12-13.

Conclusion

Based on the staff analysis, the potential of each option results in either unattainable targets or highly unlikely outcomes, and ultimately does not achieve the goals of the City of Torrance. The staff recommendation with your honorable body's concurrence is to forward to the city council that the City of Torrance withdraws from the Municipal Area Express (MAX) program effective June 30, 2012.


FOR KIM TURNER
Kim Turner
Transit Director

- Attachment A): Public Comment Received
B): Transportation Committee meeting minutes from the January 24, 2012 City Council

PUBLIC COMMENTS RECEIVED

Chaparyan, Aram

From: Rhilinger, Susan
Sent: Wednesday, February 01, 2012 1:27 PM
To: Chaparyan, Aram
Subject: FW: I plead with you to keep the MAX bus running

Another for the public file.

Sent from my Windows Phone

From: Damon C. Perry
Sent: 2/1/2012 12:07 PM
To: Rhilinger, Susan
Subject: I plead with you to keep the MAX bus running

TO: Susan Rhilinger
Councilwoman
Torrance City Hall
3031 Torrance Blvd
Torrance, CA 90503
SRhilinger@torranceca.gov

FROM: Damon C. Perry
28530 Bearhaven Ct.
Rancho Palos Verdes, CA 90275
perryecn@yahoo.com

Dear Ms. Rhilinger:

I attended the Transportation Committee meeting on Tuesday January 24, 2012 and I was pleased to hear your suggestion that a public hearing about the planned cancelation of MAX bus service be held in the evening. I know of several citizens that were unable to attend the January 24th meeting because it was held at 4:30 PM when they were still either on the bus or at work.

If you are like me and tens of thousands of other commuters in Torrance, you spend lots of time stuck in traffic. These delays cause us stress, rob us of time with our family, create more air pollution, and prolonged noise pollution.

However, the MAX bus service offers a proven solution to these problems for hundreds of people. Some folks board or disembark in the city of Torrance, but hundreds more simply ride through Torrance. All these riders share several things in common -- they help to reduce pollution and traffic congestion -- and this benefits everyone.

By riding the MAX 3 bus from the San Pedro area to El Segundo over the past four years I alone have *not* burned roughly 768 gallons of fuel. Imagine what a cloud of smog 768 gallons of burned fuel would have made.

2/2/2012

The MAX bus offers me the best solution for our environment. Other buses are not an option because they would add well over an hour to my daily commute. A vanpool, even it were available to me, would take only eight people off the road, not the dozens and dozens and dozens that the Max bus does.

I ride the bus because it conveniently stops in front of my house and my work. I plead with you to keep the MAX bus running not only for me but for hundreds of other in my situation.

Sincerely,

Damon C. Perry

Chaparyan, Aram

From: Rhilinger, Susan
Sent: Tuesday, January 31, 2012 8:03 PM
To: Chaparyan, Aram
Subject: FW: Cancellation of Max Bus Service 6/30/2012

Another for the public record:

Sent from my Windows Phone

From: Heidi Moore
Sent: 1/26/2012 5:05 PM
To: Rhilinger, Susan
Cc: Brewer, Tom; Numark, Cliff
Subject: Cancellation of Max Bus Service 6/30/2012

I was appalled to hear of the proposed cancellation of this service. Many of us depend on this service for our way to and from work. Especially with the increasing gasoline costs forecasted for this summer. Not only does this cancellation affect the commuters it also puts the loyal and dedicated drivers out of work unfair to all. I am casting my vote to keep the max bus lines in service even if a fare increase is needed to do so.

Thank you

Heidi Moore
U.S. Regional Manager
Sebamed USA
www.sebamedusa.com
310 707 6435 -Tel

Chaparyan, Aram

From: Rhilinger, Susan
Sent: Tuesday, January 31, 2012 8:01 PM
To: Chaparyan, Aram
Subject: FW: Planned Cancellation of MAX Bus
For the public record.

Sent from my Windows Phone

From: Mary.Andrews@faa.gov
Sent: 1/31/2012 1:26 PM
To: Rhilinger, Susan; Brewer, Tom; Numark, Cliff
Subject: Planned Cancellation of MAX Bus

I have been riding the MAX bus to work for 11 years now. It is a great alternative to driving. It is quite reasonable and saves on gas and pollution. I think one of the reasons that it is under utilized is because it is not advertised enough. I believe if more people knew about it they would take it to work.

I think it would be a real shame if the bus is not continued. In this day and age I believe that anything that helps communities go "green" is a good thing.

Mary Andrews

CITY COUNCIL TRANSPORTATION COMMITTEE NOTES
Tuesday, January 24, 2012

COMMITTEE MEMBERS: Councilwoman Susan Rhilinger, Chair
 Councilman Tom Brewer
 Councilman Cliff Numark

CITY STAFF: Kim Turner, Transit Director
 Jim Mills, Transit Administration Manager
 Mary Giordano, Assistant City Manager
 Brian Sunshine, Assistant to City Manager
 Aram Chaparyan, Assistant to City Manager

CALL MEETING TO ORDER

The City Council Transportation Committee convened in a regular meeting, Councilwoman Susan Rhilinger called the meeting to order on Tuesday, January 24th, 2012 at 4:30 p.m. in the Third Floor Assembly Room.

TORRANCE PARTICIPATION IN THE MUNICIPAL AREA EXPRESS (MAX) PROGRAM

Discussion

Jim Mills from Transit Department gave an overview of staff recommendations on the issue of City's participation in the Municipal Area Express (MAX) Program. On behalf of the Transit Department, Mr. Mills proposed that City of Torrance withdraw from the MAX program based on the following factors:

1. Annual Torrance boardings have decreased from approximately 17,000 to 15,000, which equates to a 12% reduction.
2. Torrance annual participant share will increase from \$91,021 (FY 2011-2012) to \$131,418 (FY 2012-2013), a 44% increase.
3. Subsidy per boarding for calendar year 2011 was approximately \$6.09, while the projected subsidy per boarding for calendar year 2012 would be \$8.80, provided that the number of annual boardings remains constant. As a reference, Torrance Transit fixed route subsidy per boarding is approximately \$3.33 system wide on weekdays.
4. The anticipated Torrance share of local match for capital expenditure of replacing MAX buses will be approximately \$300,000, which amounts to a quarter of the total \$1.2 million.

Mr. Mills also presented a few potential solutions for in the case that MAX Line 2 and Line 3 were to be discontinued starting June 30, 2012. These recommendations included:

1. Current Torrance Transit Service Line 2 and Line 8 can assist MAX Line 2 riders. Residents may utilize Torrance Transit Line 2 and Line 8 along Artesia Blvd for service to the El Segundo area.
2. Current MAX Line 3 riders may use Torrance Transit Line 5 and local fix route services.

Aside from the proposals, Transit Department also examined the various financial impact of withdrawing from MAX program, specifically the relocation of the MAX funding and the post-withdrawal cost.

1. MAX funding of \$91,000 will be relocated to assist the rising fuel cost and the expense of Torrance Community Transit program.
2. Expenditure associated with the June 30, 2012 withdrawing from the MAX program will include costs of removal of MAX signs, new head signs for the buses, new schedules and new stickers for the remaining signage. This cost will vary pending on details.

In addition, Transit Department briefed the Committee, staff and guests on the background of MAX program: as a joint venture between several cities to provide South Bay residents quick and convenient travel to and from the El Segundo employment center, MAX program contains two fixed routes and one express route, operating from Monday to Friday during peak hours, with no service during weekends and holidays. Line 2 runs from Torrance to El Segundo, while Line 3 runs on a Freeway Express route from San Pedro to El Segundo.

Councilman Brewer questioned about the number of boarding in Torrance on a daily basis and how it has been impacted by the withdrawal of Rancho Palos Verdes (RPV) from MAX program. Mr. Mills explained, though there were little impact on the ridership, RPV's withdrawal did increase participating city's share of cost and reduced the number of MAX runs from 4 to 2. Councilman Brewer also inquired about the cost of fare and methods of payment. Mr. Mills clarified that bus fare ranged from \$1.75, \$2.25, and \$3, and can be paid by cash, regional easy pass or pre-purchased tickets. Furthermore, Mr. Mills responded to Chair Rhilinger's inquiry about the amount of subsidy per boarding. At the current moment, the City subsidizes \$6 per boarding; in the case that the City were to continue its participation in the MAX program, the City would have to subsidize roughly \$9 per boarding.

Public comments were received from resident, David, a MAX rider, who works for Los Angeles Air Force Base. He applauded the tremendous convenience MAX system has created for aerospace industry employees and emphasized the impact of discontinuing MAX buses. A Raytheon employee described the benefits of MAX system by offering a personal and emotional appeal to the audience, portraying the various MAX riders such as individuals in uniform, blue and white collar workers, students and etc. Citizens have suggested the possibility of purchasing Prop A fund and Federal grant fund at discounted price to cover transit subsidy, possibility of extending bus service to LAX in order to raise more revenue, and the possibility of raising bus fare on MAX 3X Freeway Express. Other attendees have shared with the audience about their transit subsidy of \$250/month.

Mr. Mills explained to the public, Max bus is a special 32-foot bus that costs up to \$600,000 each, the alternative of replacing buses and extending the list of bus will have to start with the use of current reserve funds but when replaced will require \$6.0 million funding. The current bus contract runs until 2013. Councilman Numark questioned about the possible source of the \$91,000 contribution to the MAX system, the additional \$40,000 contribution for FY 2011-2012, and the yearly capital expenditure contribution. In addition, he examined the financial impact of withdrawing from MAX by questioning where the \$91,000 would be distributed if the City were to withdraw. In the case the City were to continue MAX participation, the additional cost of \$40,000 for FY 2011-2012 would come from additional revenue or budget reductions; if the City were to discontinue MAX participation, the designated \$91,000 would return to Transit Fund to cover the skyrocketing fuel cost and to support senior and disabled in the City. If the City were to buy discounted Prop A money, it would have to use City's general fund to do so.

To expand on the finance side of MAX participation, Councilman Numark also inquired about the number of MAX riders, number of Torrance riders, and how Torrance contribution is determined. Based on actual ridership counts conducted, from January 2011 to December

2011, there were 84,000 MAX boarding and of which 15,000 boarding were made in the City of Torrance. Torrance MAX contribution is calculated based on the number of boarding in the City and the 50% of AMP mileage. Subsequently, Councilman Numark requested staff to produce a price increase analysis and research on possible source for the \$40,000 additional cost.

Councilman Brewer suggested the possibility of fare increase and questioned about relevant government regulations. The last fare rise took place in October 2010, and in terms of regulation, government has no restriction on raising bus fare. Mr. Mills added that MAX Line 2 and Line 3 typically operate at closer to 50% capacity while Line 3X is often filled as a result of high number of Air Force personnel riders. Councilman Brewer suggested that staff look at ways to raise fare to appropriate level and locate \$300,000 contribution for the replacement of fleet, assuming that the \$40,000 increase is secured.

Committee Discussion

Chair Rhilinger commented on the initial intention of MAX system, but was concerned about the \$40,000 additional subsidy. If the City were to withdraw from MAX program, she advocated that this equity including the \$40,000 and \$91,000 contribution would be able to assist seniors and disabled in Torrance.

Councilman Brewer made the motion to explore options to increase fare to various level, reduce number of routes/frequency, cap fare subsidy to \$5 per boarding in order to keep the MAX participation for another year. Councilman Numark amended the motion to hold evening meetings to encourage more public participation, which Councilman Brewer accepted as part of the motion. Motion then carried unanimously.

TORRANCE RAPID BUS PROGRAM PUBLIC HEARING REQUEST

Discussion

Jim Mills, Transit Administration Manager, on behalf of the Transit Department recommended the council to approve a public hearing request on Rapid Bus Program, a peak time bus service. Proposals about the Line 3 service that runs from South Bay Galleria to Mall and Redondo Beach to Mall included modifying the frequency of Line 3 service from every 20 minutes to every 15 minutes. Proposed revision in spring 2012 would require capital start up cost of \$7.9 million, which included \$6.4 million capital for the 8 alternative fuel buses and \$1.5 million operating cost for the 2-year period. Since Line 3 is funded by Federal fund, city staff is examining the saving that would result from reducing the service from 4 times to 3 times a day. Staff requests council to allow two (2) community meetings to be conducted to seek public input.

Committee Discussion

Council Committee members concurred with motion to accept staff recommendation.

ORALS

None

ADJOURNMENT

At 5:45 p.m. the meeting was adjourned.