



Board Report

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Agenda Number: 42.

OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE SEPTEMBER 21, 2023

SUBJECT: MICROTRANSIT PILOT PROJECT - PART B

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

AUTHORIZE the:

- A. extension of the MicroTransit Pilot Program to allow the project team to move forward with a new operational business model to improve overall performance and support a more sustainable on-demand transit service program as outlined in Attachment G;
- B. Chief Executive Officer (CEO) to execute Modification No. 11 to Contract No. PS46292001 with RideCo., Inc., for the MicroTransit Pilot Project to extend the period of performance from October 1, 2023, through September 30, 2024, in an amount not to exceed \$14,120,992, increasing the Total Contract Value from \$43,225,766 to \$57,346,758; and
- C. CEO to negotiate and execute a contract modification to extend Contract No. PS46292001 with RideCo, Inc., for an additional six months, if necessary, from October 1, 2024 through March 31, 2025, for demobilization, mobilization and deployment efforts utilizing funds to be requested during future fiscal year's budget process.

ISSUE

The MicroTransit Pilot (MTP) has faced several challenges, such as an unsuited business model and the impact of COVID-19. Despite these challenges, staff recognizes the program's potential benefits and highly recommend extending the pilot to more accurately assess its effectiveness. The MTP Part B contract expires on September 30, 2023. This modification extends the current contract to allow the project team to develop new solicitation packages scheduled for release in Fall 2023 for MicroTransit service based on the improved business model. Without this extension, MicroTransit service would need to be suspended at the conclusion of the current contract extension, lasting until the new business model is implemented.

BACKGROUND

MicroTransit combines technology and operational approaches to provide flexible, on-demand transit

service. Passengers using MicroTransit enjoy flexible pick-up and drop-off locations and times. Instead of using a fixed schedule and route for each driver and vehicle, customers seeking to travel within a service zone are matched with drivers using a smartphone application, phone dispatch service, and/or website.

On February 27, 2020, the Metro Board of Directors awarded Contract No. PS46292001 Part B to RideCo, Inc. to implement and operate the MTP service. The intent of the MTP was to test the viability of a flexible on-demand service in terms of impacts on ridership, equity, accessibility (first/last mile), workforce development, and as a cost-effective alternative to underperforming fixed route services. The current MTP annual cost is approximately \$31M (\$16M contract cost and \$15M for SMART, AFSCME, and Management Labor & Overhead).

The first two Micro Zones were Watts/Willowbrook and LAX/Inglewood, deployed in December 2020. Within 45 days, the Pilot was expanded to incorporate the MOD/Sandbox Pilot adding three more zones covering Compton/Artesia, El Monte, and North Hollywood/Burbank. In June 2021, Highland Park/Eagle Rock/Glendale and the Altadena/Pasadena/Sierra Madre Micro Zones were implemented, followed by the Northwest San Fernando Valley Micro Zone in September 2021. The Compton/Artesia Zone was also merged into the existing Watts/Willowbrook Micro Zone in that same month of September. The UCLA/Westwood/VA Medical Center Micro Zone was added in December 2021 to create a total of eight Micro Zones, all deployed within one year. Today, within the eight zones as displayed in Attachment E, the MTP provides coverage in 21 cities as well as several unincorporated Los Angeles County communities across 165 square miles.

To ensure the goals of the service launch, the MTP was coupled with the NextGen Bus Plan as a key ridership initiative to drive usage by current and new customers. As such, the MTP programming was synchronized and, ultimately, implemented to help replace low-performing fixed-route Metro bus services. Replacing fixed-route bus services with the MTP was seen as a way to resolve changes to the network while improving transit access for residents in the areas served by these low-performing bus routes. In total, fourteen routes were partially or fully replaced by the MTP.

In March 2023, the Board approved a six-month extension to the existing contract with RideCo, Inc. to continue the pilot operation and evaluation of MicroTransit. During this time, staff continued to optimize the deployment of operators and vehicles, as well as the software and dispatch rules, including automatic booking limits, improving on-time performance, and time snapping. Staff also completed an evaluation of the MicroTransit pilot, and researched other MicroTransit deployments across the country to determine the best path forward for the program, both were presented to the Board at its July 2023 meeting.

DISCUSSION

From a service perspective, the MTP has several major goals, including focusing on the customer experience and ease of use, improved connections to the larger Metro system and local and regional operators, addressing inequities in the availability and affordability of on-demand ride-hailing offered by private companies, which are often less available in communities of color and areas with lower median household incomes, and providing service throughout areas with low-performing Metro bus lines removed in the NextGen systemwide bus network redesign. The original MTP zones were

developed through a separate, but parallel planning process with NextGen. The MTP zone development aimed to identify areas that had specific use cases to test, were not duplicative of productive fixed route service, and aimed to address inequities in the availability of on demand service in equity focused communities. As the MTP and NextGen planning process were coming to a close, the plans were compared and adjusted to ensure coordination of service and consistency in service priorities between MTP and fixed route bus. Therefore, some of the MTP zones were revised to account for discontinued unproductive fixed route bus service.

Replacing Underperforming Fixed Route Bus Service:

As stated earlier, MicroTransit was partially implemented to replace underperforming fixed route bus service discontinued as part of the NextGen bus network redesign project. As shown in the table in Attachment E, the total value of savings of the discontinued bus service is about \$20.5 million per year in operating costs.

The annual cost of the MicroTransit program is \$31 million, which includes \$16 million in Contract cost and \$15 million in Metro Labor and overhead. Deducting the NextGen service reductions of \$20.5 million from the total cost, the adjusted cost of operating MicroTransit is \$10.5 million per year. Therefore, after removing \$2 million in capital costs from the contract, the net cost of operating MicroTransit is \$8.5 million per year.

The 12-month contract extension requested in this report will allow staff to complete the following:

Continue the MTP but with Operational Changes

One way to partially achieve the original MTP goals and work toward achieving performance measures would be to discontinue or curtail service in some Micro Zones and concentrate as well as conserve resources in the remaining Zones. Additional steps could be taken such as:

- Incrementally raising fares to the original planned fare of \$2.50 (current MTP fares are \$1 per trip as an introductory fare)
- Shifting operating costs to capital costs to reduce operating costs and improve overall financial viability
- Streamlining operating hours (current MTP hours of operation are generally from 5 am to 11 pm) to address the demand for more service levels during high demand periods as indicated by failed search percentages
- Structuring future contracts with better accounting for time-of-day and performance delivery to remain useful to customers and cost-effective for Metro
- Discontinuing or curtailing service in some low-performing Metro MicroTransit zones with consideration of continued service in zones where bus lines were eliminated/reduced due to NextGen

Implement a New Business Model

Staff is working towards achieving the performance and cost efficiency goals through a new business model. Using the information from the MTP evaluation and peer agencies comparison, Metro will be able to reduce the current per trip cost to \$20-\$25. The concepts for the MicroTransit Operational Model are outlined in Attachment G.

DETERMINATION OF SAFETY IMPACT

Ongoing operations of the MTP through this extension are not anticipated to adversely impact safety.

FINANCIAL IMPACT

Funding for Contract No. PS46292001 in the NTE increase amount of \$14,120,992 for the FY24 is allocated under Cost Center 3595 - MTP Operations, Project 309001, Operations Department Strategic Initiatives.

Since this is a multi-year contract, the Executive Officer, Transit Operations - Strategic Initiatives will be accountable for budgeting the cost in future years.

Impact to Budget

The sources of funding for this action include Proposition A, Proposition C, Measure R, Measure M, TDA, and STA. These funds are eligible for bus operations.

EQUITY PLATFORM

The MTP sought to also address inequities in the availability and affordability of on-demand ride-hailing services offered by private companies, which are often less available in communities of color and areas with lower median household incomes. Part of this effort included asking appropriate questions in our April/May 2023 Mode Shift Survey that examined how we can provide better availability and affordability through the MTP program.

To generate the broadest sample possible, the survey was issued through three methods: (1) an online survey, announced via email in English and Spanish; (2) an on-board survey conducted by bilingual outreach personnel in English and Spanish; and (3) a telephone survey in English and Spanish of people booking through the Metro Call Center in September 2022 who opted-in to be contacted. A total of 2,875 Metro MicroTransit customers completed surveys. The survey was available in English and Spanish. The completion rate for English-language individuals was 80%, and the Spanish-language completion rate was 78%. 95% (n=2733) of the surveys were completed in English, and 5% (n=142) were completed in Spanish.

Initial survey results indicate:

- More than half of respondents identified as female (53%), 40% identified as male, 3% as non-

- binary, and 0.3% as other gender
- Compared to Metro customers overall, Metro Micro users identified as Asian/Native Hawaiian/Pacific Islander (18% vs. 7% overall) and White/Caucasian (28% vs. 12% overall), compared to riders identifying as Black/African American (10% vs 14% overall) or Hispanic/Latinx (40% s 58% overall)
- Compared to overall Metro customer household income, Metro Micro users identified as under \$15,000 (19% vs 39% overall), \$15,000-\$24,999 (14% vs 23% overall), \$25,000-\$49,999 (19% vs 21% overall), compared to \$50,000-\$99,999 (16% vs 11% overall) or \$100,000 or more (13% vs 6% overall)

While all Metro MicroTransit zones contain EFCs, there is a range of EFC coverage among zones. This coverage can be found in Attachment F EFC Coverage Among Zones.

For context, 31% of the land area of the eight Metro MicroTransit zones are in EFCs.

Metro staff continues to monitor changes to daily operations for equity-related impacts.

As the MTP seeks to increase ridership and efficiency with an eye toward reducing cost per boarding, Metro staff will be conscious of the potential impacts on equity.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The MTP supports strategic plan goals #1.2 and 2.3: Metro MicroTransit is an investment in a world-class transportation system that is reliable, convenient, and attractive to more customers for more trips. Metro MicroTransit was designed to improve customer satisfaction at customer touch points by offering an accessible, flexible service that better adapts to customer demand and needs.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the recommended action(s). This alternative would cease revenue service operations for the communities and neighborhoods that utilize MTP for essential trips, including:

- Loss of population access to transit for nearly 350,000 residents, including in EFCs and loss in first/last mile connections as currently 19% of Metro Micro customers connect to fixed route transit using the new offering
- Loss of potential new customers as 11% of Metro Micro customers are new to Metro
- Loss of a well-liked transit service with a 4.8 out of 5 customer rating
- Loss of jobs/pathways for existing and new operators

In addition, staff will need to recommend mitigations to the Board to consider for replacement service in areas where MTP was used to replace unproductive fixed route bus service.

NEXT STEPS

Upon Board approval, staff will execute Modification No. 11 to Contract No. PS46292001 with RideCo, Inc.

Staff will move forward with the implementation of the business model concepts that were derived from lessons learned. The new model appropriately assigns risk and responsibilities to Metro and the private sector by using expertise to maximize cost efficiency, service quality, innovation, and productivity.

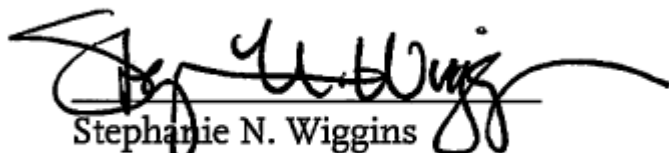
Staff will come back to the Board with a recommendation for a new contract award based on the new business model for an optimized MicroTransit program that is expected to provide a more cost-competitive solution and efficient operation.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary
Attachment D - MicroTransit Zones Map
Attachment E - NextGen Bus Route Mitigations
Attachment F - EFC Coverage Among Zones
Attachment G - MicroTransit Operations Model Concepts

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Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

MICROTRANSIT PILOT PROJECT/PS46292001

1.	Contract Number: PS46292001			
2.	Contractor: RideCo, Inc.			
3.	Mod. Work Description: MicroTransit Pilot Project – PART B (Implementation)			
4.	Contract Work Description: Continuation of services for the MicroTransit Pilot Program from October 1, 2023 through September 30, 2024.			
5.	The following data is current as of: August 9, 2023			
6.	Contract Completion Status		Financial Status	
	Contract Awarded:	04/26/2018	Contract Award Amount:	\$219,650
	Notice to Proceed (NTP):	05/22/2018	Total of Modifications Approved:	\$43,006,116
	Original Complete Date:	09/06/2019 (PART A)	Pending Modifications (including this action):	Not-to-Exceed \$14,120,992
	Current Est. Complete Date:	09/30/24 (PART B)	Current Contract Value (with this action):	\$57,346,758
7.	Contract Administrator: Lily Lopez		Telephone Number: 213-922-4639	
8.	Project Manager: Dan Nyguen		Telephone Number: 213-418-3233	

A. Procurement Background

This Board Action is to approve Contract Modification No. 11 to extend the contract for twelve months for the continuation of services from October 1, 2023 through September 30, 2024.

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

The initial Request for Proposals (RFP) for this project was issued on October 25, 2017 and was solicited and awarded to be executed in two parts; Part A, the "Planning and Design" phase and Part B, the "Implementation and Evaluation" phase. This procurement tool served as the agency's first Pre-Development Agreement Public Private Partnership (PDA-P3) procurement model.

On April 26, 2018, the Board awarded three (3) contracts to firms to perform Part A (Planning and Design) of the MicroTransit Pilot Project. The period of performance for Part A was 6 months. Part B was determined to be a future Board action depending on the feasibility results of Part A. On February 27, 2020, the Board approved RideCo to perform Part B of the MicroTransit Pilot Project.

Ten modifications have been issued to date.

Refer to Attachment B - Contract Modification/Change Order Log.

B. Cost Analysis

The not-to-exceed amount of \$14,120,992 has been determined to be fair and reasonable based upon an independent cost estimate (ICE), technical analysis, cost analysis, and fact finding.

Proposal Amount	Metro ICE	Not-to-Exceed Amount
\$14,120,992	\$14,667,391	\$14,120,992

CONTRACT MODIFICATION/CHANGE ORDER LOG

MICROTRANSIT PILOT PROJECT/PS46292001

Mod. No.	Description	Status (approved or pending)	Date	\$ Amount
1	Extend period of performance	Approved	09/04/18	\$0.00
2	Extend period of performance	Approved	12/19/18	\$0.00
3	Revise Statement of Work to increase Work to be Performed	Approved	05/23/19	\$66,334
4	Extend period of performance	Approved	10/31/19	\$0.00
5	Part B (Implementation) of MicroTransit Pilot Project	Approved	07/30/20	\$28,874,748
6	Add new subcontractor	Approved	09/22/20	\$0.00
7	Expand MicroTransit Operations to three additional service zones (North Hollywood/Burbank, El Monte and Compton/Artesia) for 24 months	Approved	1/28/21	\$5,970,870
8	Revise the requirements for the excess liability insurance requirement.	Approved	4/23/21	\$0.00
9	No cost time extension for the continuation of services through March 31, 2023.	Approved	12/13/22	\$0.00
10	Extend period of performance for 6 months for the continuation of services for the MicroTransit Pilot Program.	Approved	3/23/23	\$8,094,164
11	Extend period of performance for 12 months for the continuation of services for the MicroTransit Pilot Program through September 30, 2024.	Pending	Pending	\$14,120,992
	Modification Total:			\$57,127,108
	Original Contract:		04/26/18	\$219,650
	Total:			\$57,346,758

DEOD SUMMARY

MICROTRANSIT PILOT PROJECT/PS46292001

A. Small Business Participation

Rideco, made a 10.23% Small Business Enterprise (SBE) and a 3.20% Disabled Veterans Business Enterprise (DVBE) commitment on this contract. Based on payments, the project is 91% complete and the current level of participation is 11.40% SBE 1.42% DVBE. Rideco is exceeding the SBE commitment by 1.17% and has a 1.78% DVBE shortfall.

Rideco contends that Metro descoped work to focus more directly on operation of the service, post-pandemic, which impacted its utilization of originally listed SBE/DVBE firms Arellano, Ready Artwork, and Proforma. Rideco submitted an updated mitigation plan outlining their efforts to bring additional SBE/DVBE firms onto the project to meet Metro's need. Rideco added DVBE firm, Semper Fi Automotive Inc. dba Fullerton Ford to perform Vehicle Inspection and Maintenance Services and stated this will help narrow the gap towards reaching its DVBE commitment. Staff will continue to track and monitor Rideco's efforts to meet or exceed their commitments.

Small Business Commitment	10.23% SBE 3.20% DVBE	Small Business Participation	11.40% SBE 1.42% DVBE
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	SBE Subcontractors	% Committed	Current Participation¹
1.	Arellano Associates	2.19%	1.45%
2.	Design Studios dba Ready Artwork	8.04%	2.50%
3.	Sandbox Production, LLC dba Autoconcierge	Added	7.45%
	Total SBE Participation	10.23%	11.40%

	DVBE Subcontractors	% Committed	Current Participation¹
1.	DVE Global Marketing, Inc. dba Proforma DVA Global Marketing	3.20%	1.32%
2.	Semper Fi Automotive Inc.	Added	0.10%
	Total DVBE Participation	3.20%	1.42%

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.

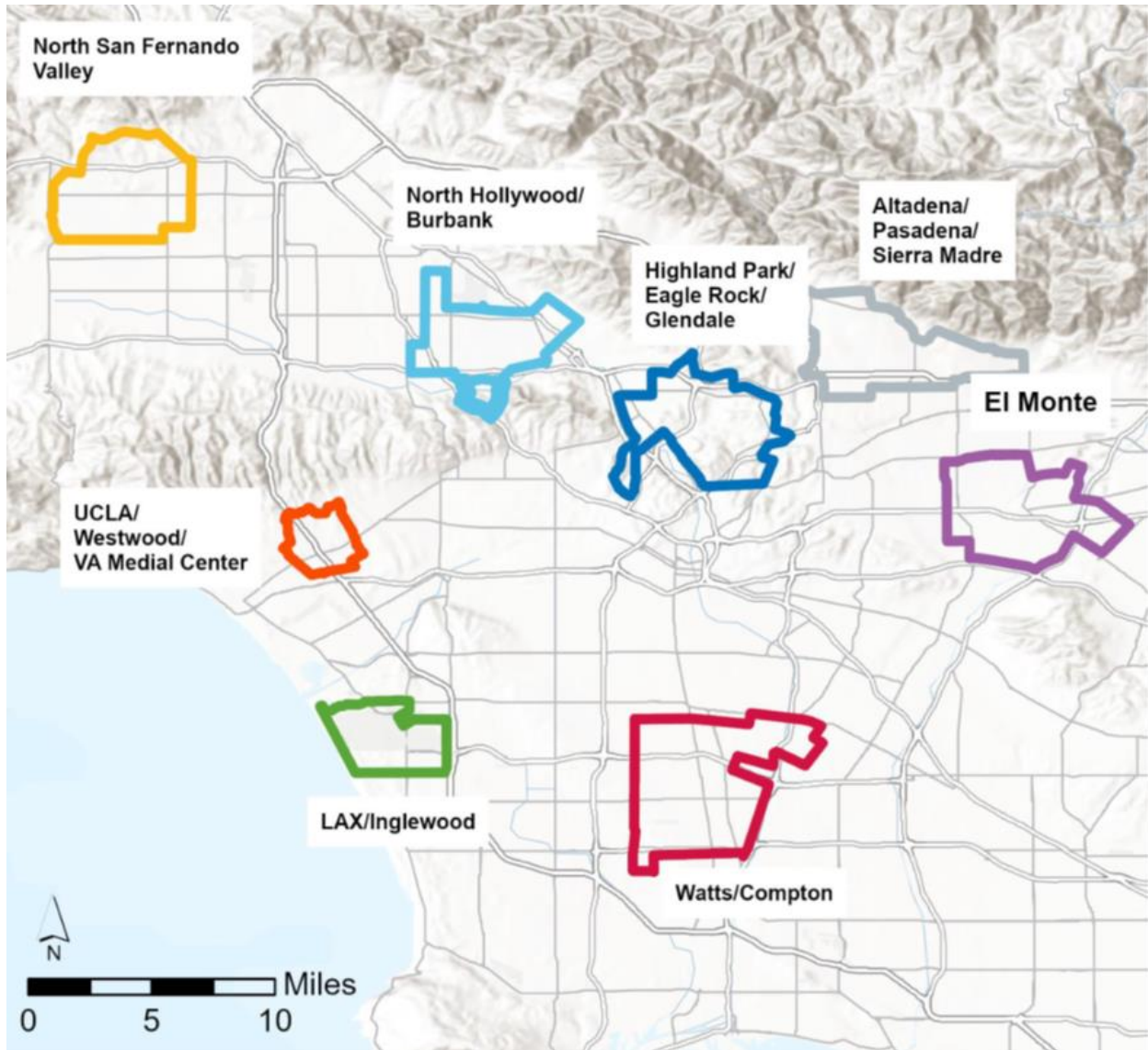
C. Prevailing Wage Applicability

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. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.

MicroTransit Zones Map



ATTACHMENT E**NextGen Bus Route Mitigations**

Zone Name	NextGen Replacement	NextGen Mitigation	Revenue Service Hour	NextGen Fixed-Route Cost
Watts/Compton	Routes: 254 and 612	Restore Line 612.	19,564	\$ 4,204,695
LAX/Inglewood	Routes: 625	Restore Line 625 (weekday only as it was)	5,916	\$ 970,520
El Monte	N/A	None		
North Hollywood/Burbank	Routes: 183 (Bel Aire Dr) and 222(Barham Bl)	Extend Line 96, Modify Line 155.	6,333	\$ 1,213,295
Highland Park/Eagle Rock/Glendale	Routes: 183, 201, 256 (part) and 685	Restore Lines 201, 685 (modified); Extend Line 179	43,404	\$ 9,328,280
Altadena/Pasadena/Sierra Madre	Routes: 256 (part), 264, 267 (part), 268 (part), 487 (part), and 687	Extend/Modify Lines 287 and 686.	12,391	\$ 2,662,966
Northwest San Fernando Valley	Routes: 242/243 (Porter Ranch)	Extend Lines 242/243	10,217	\$ 2,195,838
UCLA/Westwood/VA Medical Center	N/A	None		
			97,824	\$ 20,575,594

EFC Coverage Among Zones

Zone Name	% of Land Area in EFC	% of Population in EFC	Average Weekday Ridership FY23Q4
Watts/Compton	68.0%	69.8%	443
LAX/Inglewood	33.2%	40.3%	126
El Monte	50.6%	73.3%	183
North Hollywood/Burbank	19.2%	29.5%	212
Highland Park/Eagle Rock/Glendale	19.3%	31.7%	531
Altadena/Pasadena/Sierra Madre	9.9%	23.7%	538
Northwest San Fernando Valley	3.9%	7.2%	207
UCLA/Westwood/VA Medical Center	5.5%	10.6%	115

MicroTransit Operational Model Concepts

Cost Efficiency Considerations:

- Shifting operating costs to capital costs and optimize labor model to reduce operating costs and improve overall financial viability
- Effective January 2024, incrementally raising fares to the originally planned fare of \$2.50 (current MTP fares are \$1 per trip as an introductory fare)
- Structuring future contracts with better accounting for time-of-day and performance delivery to remain useful to customers and cost-effective for Metro
- Hybrid approach which combines a smaller MicroTransit program coupled with a partnership with a Transportation Network Company (TNC)

Performance Enhancements:

- November 2023, streamlining operating hours (current MTP hours of operation are generally from 5 am to 11 pm) to address the demand for more service levels during high demand periods as indicated by failed search percentages
- June 2024, discontinuing or curtailing service in some low-performing Metro MicroTransit zones with consideration of continued service in zones where bus lines were eliminated/reduced due to NextGen

Metro Micro™



**OPERATIONS, SAFETY, AND
CUSTOMER EXPERIENCE COMMITTEE**

SEPTEMBER 2023

Recommendations



- A. AUTHORIZE the extension of the MicroTransit Pilot Program to allow the project team to move forward with a new operational business model to improve overall performance and support a more sustainable on-demand transit service program as outlined in Attachment G.
- B. AUTHORIZE the Chief Executive Officer (CEO) to execute Modification No. 11 to Contract No. PS46292001 with RideCo., Inc., for the MicroTransit Pilot Project to extend the period of performance from October 1, 2023, through September 30, 2024, in an amount not to exceed \$14,120,992, increasing the Total Contract Value from \$43,225,766 to \$57,346,758; and
- C. AUTHORIZE the CEO to negotiate and execute a contract modification to extend Contract No. PS46292001 with RideCo, Inc., for an additional six months, if necessary, from October 1, 2024 through March 31, 2025, for demobilization, mobilization and deployment efforts utilizing funds to be requested during future fiscal year's budget process.

Background

- Microtransit zone planning and NextGen bus network redesign were done in parallel
- NextGen and Microtransit service plans were compared and coordinated to ensure consistency in service priorities between MTP and fixed route bus network
- As a result, some of the MTP zones were adjusted to replace discontinued unproductive fixed route service



Cost Analysis

- The annual cost of the MicroTransit program is \$31 million inclusive of \$16 million in Contract costs and \$15 million in Metro labor and overhead
- NextGen service reductions save \$20.5 million in annual operating costs
- Net costs for Microtransit is \$10.5 million (\$2 million considered as capital costs)



Progress to Date

Since the March 2023 Board approved 6-month contract extension, the Microtransit team have been optimizing the program as follows:

- Rightsizing vehicles to minimize lease/maintenance cost
- Rewriting operator schedules to increase deployment to times/locations with greater demand and reduce down time
- Limiting bookings for customers with high cancellation rates to increase resources and coverage
- Adjusting the software algorithm to increase shared rides
- Researching other Microtransit deployments to understand key factors in developing a new business model that minimizes cost per passenger, and maximizes passengers per vehicle hour
- Evaluating service zones (e.g. stop spacing, ridership, duplication, productivity by time, day of week, and area)
- Reducing contract costs from \$16 million on the Mod-10 contract to \$14 million on the Mod-11 contract



Microtransit Benefits



Metro Micro Trip Variations from September 9 to 17, 2023				
Zones	First/Last Connection	No Fixed Route	One Fixed Route	Fixed Routes (2 plus)
Altadena/Pasadena/Sierra Madre	47.6%	13.6%	11.5%	27.4%
El Monte	42.4%	45.1%	1.3%	11.2%
Highland Park/Eagle Rock/Glendale	56.6%	17.5%	5.9%	20.1%
LAX-Inglewood	57.1%	10.0%	5.7%	27.2%
NoHo-Burbank	39.6%	7.4%	19.9%	33.1%
Northwest San Fernando Valley	45.4%	4.4%	14.5%	35.7%
UCLA/Westwood/VA Medical Center	54.5%	29.5%	2.3%	13.6%
Watt/Compton	43.7%	9.1%	11.2%	36.0%
All Zones	48.4%	14.8%	9.9%	27.0%

- 48% of trips provide first/last mile connections to fixed route service
- 15% of trips provide service where no fixed route exists
- 11% of Microtransit riders are new to Metro services



Next Steps



Board approval of this 12-month extension will allow Microtransit to accomplish the following:

- Continue internal optimization by developing a new business model to achieve performance/cost goals
- Anticipate a new RFP issued on Fall-Winter 2023
- Streamline operating hours (e.g. reduce span of service) and discontinue or reduce service coverage in low performing zones by June 2024
- Discontinue the introductory fare of \$1 and returning to the originally planned fare of \$2.50 per ride by January 2024



Ridership

Total Week Ridership

