



**Board Report**

**File #:** 2024-1148, **File Type:** Informational Report

**Agenda Number:** 31.

**OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE  
JANUARY 16, 2025**

**SUBJECT: METRO MICRO SOFTWARE SERVICE**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE an update on the Metro Micro Software Services solicitation for the MicroTransit Pilot (MTP) Project.

**ISSUE**

At its September 2023 meeting, the Board approved the extension of the current Micro Transit contract until March 2025 to allow staff time to move forward with a new operational business model to improve overall performance and support a more sustainable on-demand transit service program.

The current MicroTransit contract provides for both on-demand software services and the operation of service, with Metro providing the drivers/operators. In issuing a new solicitation, Metro revised the operating model. Under the new model, the software solution and operation of service have been separated into two individual contracts to allow for operational control and financial sustainability. The contract for the operation of the service portion of the Micro program was approved at the December 2024 Board meeting. This board report provides an update about the on-demand software services contract award of the Metro Micro program. Board approval of the contract award is not required due to the contract value being within the delegated CEO authority amount of less than \$500,000.

**BACKGROUND**

In 2017, the MTP Program was designed as a three-year project to test the delivery of a new on-demand ridesharing service model for public transit throughout Los Angeles County. This program aimed to provide complimentary service to Metro’s fixed-route bus and rail network. Metro fine-tuned and revised the operating model to obtain the cost-per-trip target of \$20.00-\$25.00 to achieve financial sustainability.

The MicroTransit project combines technology and service operations to provide a flexible, on-

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demand transit service. Customers using MicroTransit rideshare services enjoy flexible pick-up and drop-off locations and times. Instead of adhering to a fixed schedule and route for each driver and vehicle, customers seeking to travel with MicroTransit are matched with drivers using a smartphone software application, phone dispatch service, and/or website. The on-demand software service provides the ability to book multiple passengers simultaneously to allow for ride sharing, thus improving the cost efficiency of the service.

The current MicroTransit contract includes both the operation of service and the on-demand software services, while Metro provides the drivers/operators. To reduce the cost per revenue hour, the software services portion of the MicroTransit project has been separated into its own contract, while the vehicle operations was issued under a separate solicitation which was approved by the Board in December 2024.

Metro issued RFP No. PS124278(2) for Metro Micro Software Services on September 30, 2024 and pending contract award in January 2025 after issuance of Notice of Intent to Award.

## **DISCUSSION**

Metro Micro service is an on-demand shared transit service utilizing a smartphone app, web-based software platform, and vehicles smaller than traditional transit buses to pick up and drop off customers based on customer demand rather than a fixed schedule and fixed routes. This service provides on-call transit service for short, shared trips approximately 1-6 miles long within defined Micro Service Zones and is based on customers' customized travel requests. The on-demand software services contract provides a configurable software platform that will schedule and dispatch ride requests within the existing eight (8) Metro Micro Service Zones.

The new Contractor will be required to provide a customized and configurable Micro software platform for on-demand routing and dispatch of Micro revenue service vehicles to be deployed using a software platform that offers ride booking, optional electronic payment, and real-time customer information. The software platform shall consist of: (1) a customer-facing mobile application; (2) an Operator mobile application; (3) a customer-facing web portal; and (4) a web-based dashboard with real-time and historical information for program management.

Through this new software service contract, the contractor will be responsible for providing services to configure and deliver a fully developed on-demand software platform for implementation and provide ongoing technical support for Metro Micro revenue service operations. The contractor shall be responsible for software configuration, project coordination, management, training, technical support, and software maintenance for the Metro Micro software platform with required Metro branding. The contractor shall integrate with Metro's new payment system (currently under development), and shall be responsible for coordinating with Metro Micro's new Operations Contractor to provide efficient and cost-effective revenue service. This includes, but is not limited to, software training, implementation of software platform, providing data reports, and technical support to Metro Micro's Operations Contractor and employees.

After interviews, demonstrations, and evaluations, Spare (a microtransit software technology firm) was found to be the top ranked proposer receiving a total evaluation score of 91.19. They also received the highest technical score of 71.19. Spare offers various on-demand software features, fully integrating multiple modes (e.g. MicroTransit linking to fixed route) into a single-trip and operational features such as automatically scheduling a replacement vehicle to transport passengers when the original vehicle breaks down. Since 2019, they have successfully implemented micro transit at Dallas Area Rapid Transit (DART), expanding services from four zones to 30 zones in 2022, and various changes to improve the software. Recently, they obtained a contract with North County Transit District in San Diego, California.

Metro Micro is one of the largest and most complex service areas, combining bus and rail services with multiple transit providers. It requires various sources of transit data feeds and robust algorithms to determine the best trip options for customers. Partnership with Metro provides Spare an opportunity to showcase their abilities within the shared mobility industry as Metro successfully meets its performance goals with minimal costs and maximum passengers per vehicle hour.

All proposers were requested to submit BAFO's, which allowed them the opportunity to revise their technical proposal and price proposals. The contract value with Spare is for \$0.01 for the three-year base term and \$0.00 for the three-year option term as the company sees benefit in partnering with Metro to strengthen their market presence. This results in the first-year Revenue Service Hours (RSH) rate for software services of \$0.00, with a first-year cost reduction of \$928,521 (100%) compared to the current RSH rate for the software portion of the current contract. The total combined RSH rate for both operation of service with the new Operations Contractor and Software Services Contractor is \$24.22, achieving the target cost per trip of \$20.00-\$25.00 as outlined in Table 1 - Cost Comparison below.

Table 1- Cost Comparison

COST COMPARISON		
	Existing Model	Total New Model
Software RSH Rate	\$3.67	\$0.00
Operation RSH Rate*	\$98.13	\$82.35
Total RSH Rate*	\$101.80	\$82.35
Cost/Passenger**	\$29.94	\$24.22

\*1st Year RSH Rate. Annual Revenue Service Hours of 253,003 remain the same for ne

\*\*Based on current Passenger Per Vehicle (l

By revising the operating model, Metro has been able to achieve an estimated annual cost reduction of \$928,521 for the software portion of the program and \$3,992,437 for the operation of service portion of the program, for a total estimated annual cost reduction of \$4,920,958 within the first year of revenue service operation for all eight service zones.

In the BAFO proposal, SPARE highlighted recently securing \$42 million in Series B investments to expand their business. They cited a potential partnership with LA Metro as an opportunity to accelerate product innovation, strengthen their market presence, and position Spare as a leader in the microtransit industry.

The contract terms and conditions enable Metro to take progressive actions in cases of non-performance, including failure to meet KPIs or achieve satisfactory performance. To address potential risks associated with a \$0.01 proposal, Metro has verified the company's financial resources through a pre-qualification review, determining that the company has sufficient resources to complete the project. Additionally, the contractor will provide a \$700,000 Letter of Credit as a performance guarantee. In addition, the contract terms and conditions allows Metro to exercise progressive actions should there be a lack of performance in adhering to its contractual obligations in meeting KPIs or achieving satisfactory performance.

## **EQUITY PLATFORM**

Metro Micro's daily operations aim to increase overall ridership and access to important needs such as employment, education, health care, and basic necessities. The project covers a variety of zones, all of which serve Equity Focus Communities (EFCs), and some of which are mostly made up of identified EFCs. An evaluation done in 2023 found that the proportion of Metro Micro trips that occur in EFCs is higher in every zone than the proportion of transit trips or overall person-trips. One of the goals of the project was to provide an on-demand service in lower-income areas where the market forces driving for-profit transportation network companies (TNCs) make them less likely to pick up rides despite relatively low car ownership and other indicators of high transit propensity; the high uptake of Metro Micro in EFCs suggests that this aim has somewhat succeeded. Approving this Board action for contract award will help sustain Metro's ability to provide an affordable service for those not able to afford a vehicle and provide service for under-served communities.

Staff will update equity program goals for Metro Micro once results are available from the 2024 On-Board Customer Experience Survey. Staff will compare the results of the 2024 survey with previous surveys and update any additional program modifications needed to further Metro's Equity Platform based on the results of the 2024 survey.

The Diversity and Economic Opportunity Department established a No-Goal for this solicitation due to the limited availability of opportunities for DBE firms having an existing on-demand shared ride software platform readily available for customizing.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

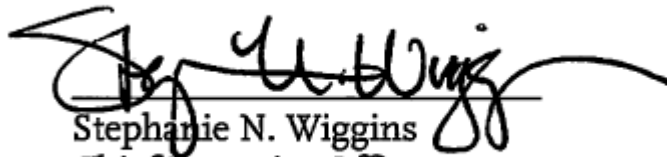
MTP supports strategic plan goals #1.2 and 2.3: Metro Micro is an investment in a world-class transportation system that is reliable, convenient, and attractive to more customers for more trips. Metro Micro continues to improve customer satisfaction at customer touchpoints by offering an accessible,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

## **NEXT STEPS**

After execution of contract, Metro staff will transition the Micro program software to the new contractor, Spare.

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Stephanie N. Wiggins  
Chief Executive Officer



# Metro Micro<sup>TM</sup>

Software Services Contract Award

Operations, Safety, & Customer Experience Committee Meeting

January 16, 2024



Metro

# Background



- This Board Action – Receive and File report on the Contract Award for Metro Micro Software Services
- Metro issued RFP No. PS124278(2) Metro Micro Software Services under revised operating model
- **Current** Model - Combines On-Demand Software Services and Operation Services
- **New** Model – Separates Software Services and Operation Services into 2 Individual Contracts for improved Operational Control and Financial Sustainability
- Operations Services - Contract Award Approved at the December 2024 Board Meeting & advised Board that Staff would return in January with Software Contract
- Software Services Contract – Notice of Intent to Award issued January 6, 2025; Contract Award approx. January 23, 2025. Board Approval is not required due to the contract value of \$.01
- Recommended Awardee – **Spare** (a microtransit technology firm)



## SPARE

- Spare specializes in microtransit on-demand software technology with transit agencies
- Spare's Experience with Transit Agencies
  - ✓ Implemented microtransit service at Dallas Area Rapid Transit (DART)
    - Expanded 4 to 30 Zones in 2022 with various improvements to the software
  - ✓ New Contract with North County Transit District (NCTD) in San Diego, California
- Spare Scored as Top-Rank Proposer Demonstrating Various On-Demand Software Features
  - ✓ Integrating multiple modes into a single-trip
  - ✓ Automatic scheduling for a replacement vehicle to transport passengers if original vehicle breaks down
- Spare is able to Accommodate Metro's Technology as one of the Largest and most Complex Service Areas (Bus and Rail services)
  - ✓ Metro requires various sources of transit data feeds and robust algorithms to determine the best trip options for customers



# Discussion (continued)



## SPARE'S PROPOSAL

- Spare's BAFO \$0.01 for Full Scope of Services
  - ✓ 3 Year Base \$0.01
  - ✓ 3 Year Option \$0.00
- The \$0.01 BAFO Proposal was based on 1) Spare's Motivation to Partnership with Metro as it provides Spare Opportunity to Accelerate Product Innovation, 2) Strengthen their Market Presence, and 3) Position Spare as Leader in microtransit industry
- Spare's BAFO also highlighted recently securing \$42 Million in Series B investments to expand their business, indicating they are financially secure in offering the \$0.01 Proposal
- In Response to the \$0.01 Proposal
  - Metro verified the company's financial resources through Pre-Qualification Review
  - Spare will provide a \$700,000 Letter of Credit as Performance Guarantee
  - Lastly, contract terms and conditions allows Metro to exercise progressive actions for lack of performance

# New Contracts Cost Efficiencies



<b>New Contracts Achieve Cost Per Trip Target \$20-\$25</b>		
	<b>Existing Model</b>	<b>Total New Model</b>
<b>Software RSH Rate*</b>	\$3.67	\$0.00
<b>Operations RSH Rate*</b>	\$98.13	\$82.35
<b>Total RSH Rate*</b>	<b>\$101.80</b>	<b>\$82.35</b>
<b>Cost/Passenger**</b>	<b>\$29.94</b>	<b>\$24.22</b>

*\*Annual Revenue Service Hours of 253,003 remain the same for new contract. 1st Year RSH Rate.*

*\*\*Based on current Passenger Per Vehicle (PVH) Load 3.4*



THANK YOU