



COMMUTEwell

Options. Value. Convenience.

Joint Labor-Management Committee Commute Options & Parking **COMMITTEE REPORT 23-03**

Date: January 12, 2023
To: JLMC-COP
From: Special MOU Subcommittee
Subject: Successor Special MOU Transit Incentive and Parking Fee Update

JLMC-COP Members

Management

Valerie Melloff, GSD, Chair
Paula Dayes, Personnel, First Prov. Chair
Patricia Huber, CAO
Jay Kim, LADOT

Employee Organization Primary Members

Charles Leone, SEIU, Vice-Chair
Leticia Gonzalez, AFSCME, Second Prov. Chair
Esteban Lizardo, LIUNA
Billy Brockway, LAPCOA

Employee Organization Secondary Members

Charley M. Mims, LAPMA

RECOMMENDATION:

That the JLMC-COP approve a six-month extension to the temporary transit incentive increase.

DISCUSSION:

At its meeting on April 14, 2022, the JLMC-COP established the Ad Hoc Special Parking MOU Review Subcommittee (Subcommittee) to work with staff in bringing recommended benefit design and policy changes to the Special Memorandum of Understanding Regarding City Employee Parking and Commute Options (Special MOU). This report provides an overview of proposed changes to the Special MOU that have a significant impact on parking and transit incentives and fees. This report will give the full JLMC-COP the opportunity to provide feedback to the Subcommittee before it prepares a draft successor Special MOU for the Committee’s consideration.

According to the Special MOU, the purpose of the MOU is to, “support the City’s state goal to reduce traffic congestion, encourage City employee ridesharing and other means of commute trip reduction, and improve the quality of life...” These efforts are funded solely by the City’s Ridesharing Trust Fund (Fund), which generates revenue from City employee parking fees and vanpool fares. For that reason, any enhancement or expansion of transit and ridesharing programs must be sustainably funded by the Fund and the revenue it receives. This report will provide an overview of the proposed enhancements to these programs and what the approximate cost is expected to be each year.

A. Permanent increase of the monthly transit incentive amount from \$50 to \$100

On September 15, 2021, the JLMC-COP approved a one-year increase of the monthly transit incentive amount from \$50 to \$100. The increase was effective beginning in July 2022. The increase was intended to provide an additional incentive for City employees to consider car-alternative transit options after utilization plummeted during the pandemic. Employees are able to take advantage of the increased incentive in one of three ways:

- **Transit Reimbursement Program** - Provide reimbursement each month to individuals who use public transportation to commute to work.
- **Transit Spending Account (TSA) Match Program** - Allows employees to set aside up to \$280 (\$300 for calendar year 2023) per month on a pre-tax basis to pay for transit expenses and receive the monthly transit incentive as an automatic matching contribution.
- **Bike/Walk to Work Program** - A monthly bike/walk incentive to individuals who commute from home to work via bicycling or walking to one of the City's 34 SCAQMD-regulated worksites.

After the increased incentive was implemented, the Transit Reimbursement Program saw a 25% increase in participation, the TSA Match Program saw a 13% increase in participation, and the Bike/Walk to Work Program saw an 18% increase in participation.

It is not clear to what extent the increased utilization was directly related to the increased incentive amount. Employees' transit behaviors are likely influenced by several factors including the transit incentive, comfortability with public transit options, and the telecommuting options offered by their department.

However, data from the Transit Reimbursement Program can provide a helpful perspective into the utilization of the increased incentive. When employees submit their transit reimbursements, COMMUTEwell staff track the total amount of the receipts submitted for each month, but only approve a reimbursement up to the monthly incentive amount. The data below provides an overview of the transit reimbursement data submitted in the first quarter since the incentive was increased. The tables below are inclusive of transit receipt submission amounts before the transit incentive limits are applied.

Overview of Monthly Transit Reimbursement Submissions

	July	August	September
Number of Submissions	419	462	466
Average Submission Amount	\$82	\$89	\$85
Total Receipts Submitted	\$34,338	\$41,094	\$39,680

Count of Monthly Submissions by Receipt Total

	July	August	September
Less than \$50	175	161	166
\$50 - \$75	57	65	59
\$75 - \$100	97	131	138
More than \$100	90	105	103

In total, the COMMUTEwell office received \$115,111 in Transit Reimbursement Program receipts. After applying the \$100 monthly incentive, COMMUTEwell staff approved \$97,233 in reimbursements. If the incentive amount had not been increased, staff would have only been able to approve \$63,887 in reimbursements. Of the 594 employees who participated in the Transit Reimbursement Program during this quarter, 391 (66%) were able to take advantage of the increased incentive. Furthermore, during the quarter there were 190 employees (32%) for whom their receipts exceeded even the newly increased incentive.

TSA Match utilization is not as enlightening as the Transit Reimbursement Program because COMMUTEwell staff does not directly receive receipts from employees. However, TSA contribution data from the same period (quarter ending September 30, 2023) can be evaluated to understand how the increased incentive may assist this population.

Overview of Monthly TSA Contributions

	July	August	September
Average Monthly Contribution	\$57	\$68	\$70
Contributing Employees	306	330	331
Total Deductions	\$20,480	\$24,496	\$25,068

Count of Monthly TSA Contributions by Amounts

	July	August	September
Less than \$50	202	184	177
\$50 - \$75	37	27	25
\$75 - \$100	24	67	77
More than \$100	43	52	52

Employees contributed \$70,044 toward TSA accounts. After applying the \$100 monthly incentive, COMMUTEwell staff approved \$57,791 in reimbursements. If the incentive amount had not been increased, staff would have only been able to approve \$42,000 in reimbursements. Of the 360 employees who participated in the TSA Program during this quarter, 165 (46%) were able to take advantage of the increased incentive. Additionally, during the quarter there were 61 employees (17%) for whom receipts exceeded the increased incentive.

This proposal on its own is anticipated to cost approximately \$159,000 per year given current levels of utilization.

B. Permitting intermittent employees to participate in the Transit Reimbursement Program

Employee benefits programs including those related to commute options and parking are limited to benefits-eligible employees, which are defined as those employees who are actively contributing to either the Los Angeles City Employees' Retirement System (LACERS) for civilian non-Department of Water and Power employees and Los Angeles Fire and Police Pensions (LAFPP) for sworn employees. Accordingly, part-time intermittent employees are currently not eligible for the benefits described in the Special Parking MOU. At the same time, these employees have a need to travel to City work sites and the way in which they do so has an impact on air pollution. The subcommittee considered both the potential benefit to intermittent employees' commute arrangements and the improved environmental impact and proposed that intermittent employees be permitted to participate in the Transit Reimbursement Program to have their commute-related public transportation expenses reimbursed.

This proposal on its own is expected to cost approximately \$107,000 per year, or approximately \$128,000 per year if the transit incentive was also permanently increased to \$100. This was calculated by assuming intermittent employees would utilize the transit reimbursement program at a similar rate to the benefits-eligible employees. The pool of eligible employees

would grow by approximately 18% and the amount of transit incentive expenditures would grow accordingly.

C. Permitting parking permit holders to participate in the Transit Reimbursement Program

According to the current Special MOU, employees who have a City-issued parking permit are not permitted to participate in the COMMUTEwell transit programs. Some employers have more flexible transit incentive systems that do not necessarily lock an employee into committing to a particular mode of transportation. This approach may deter employees from trying alternatives to driving to work and lock an employee into a transit behavior that the City aims to reduce. The subcommittee has proposed allowing employees who hold parking permits to participate in the Transit Reimbursement Program. In doing so, the hope is that employees may consider public transit who might not otherwise. Additionally, the COMMUTEwell office considers parking lot occupancy, not just the number of permits issued, when deciding to issue additional permits for a given lot. For that reason, if permit holders begin using alternative forms of transportation, the COMMUTEwell office will be able to observe additional parking capacity and issue permits accordingly.

This proposal on its own is expected to cost approximately \$59,000 per year, or approximately \$71,000 per year if the transit incentive was also permanently increased to \$100. This was calculated by assuming that parking permit holders would utilize the transit reimbursement program at a similar rate to the benefits-eligible employees. The pool of eligible employees would grow by approximately 10% and the amount of transit incentive expenditures would grow accordingly.

D. Expanding the bike/walk to work program to intermittent employees and work sites not regulated by the South Coast Air Quality Management District (SCAQMD).

The Special MOU currently provides an incentive for employees who walk or ride a bike to work. The incentive was temporarily increased from \$50 to \$100 alongside the other transit incentives. However, this incentive is unique in that it is only available to employees at SCAQMD-regulated work sites. This program serves a relatively small population (approximately 100 individuals prior to the pandemic, and no more than 60 since). The subcommittee proposes expanding the program in two ways: first, by permitting participation from employees at all City work sites, and second, by allowing intermittent employees to participate.

This proposal on its own is expected to cost approximately \$17,000 per year, or approximately \$33,000 per year if the transit incentive was also permanently increased to \$100. This was calculated by assuming that the employees at non-regular worksites and intermittent employees utilized the bike/walk program at the same rate as the currently eligible population.

The pool of eligible employees would grow by approximately 18% due to including intermittent employees and approximately 20% due to including non-SCAQMD-regulated work sites.

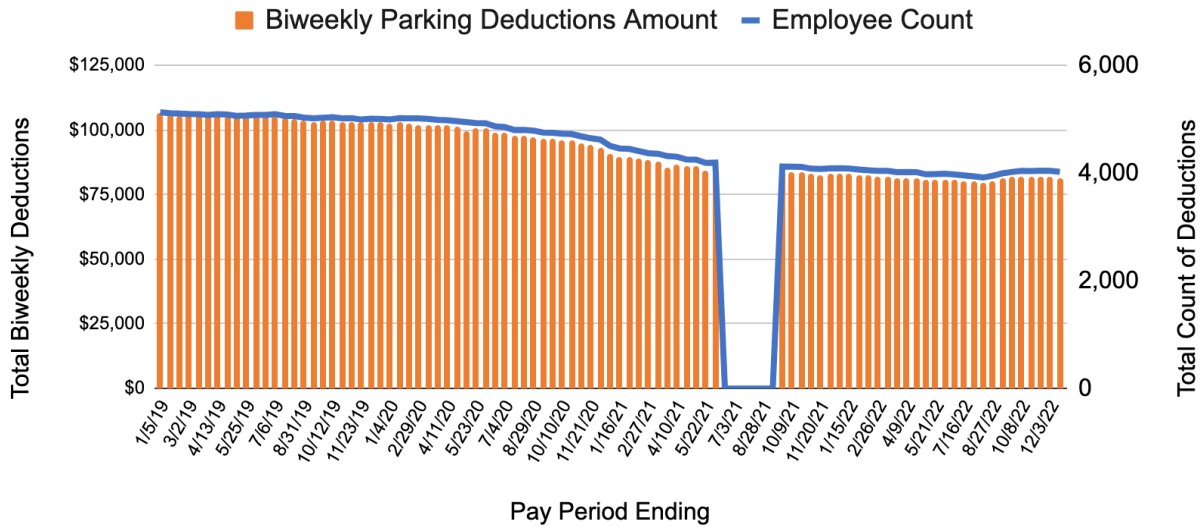
The table below summarizes the annual cost for each of the proposals:

Proposal	With \$50 Transit Incentive	With \$100 Transit Incentive
Transit Incentive Increase	–	\$158,640
Transit Incentive for Intermittent Employees (Estimated 18% increase in participation)	\$106,596	\$127,915
Transit Incentive for Permit Holders (Estimated 10% increase in participation)	\$59,220	\$71,064
Expanded Bike/Walk Incentive (Estimated 42% increase in participation)	\$16,723	\$33,446
Total	\$182,539	\$391,066

E. Identifying funding for the proposed changes

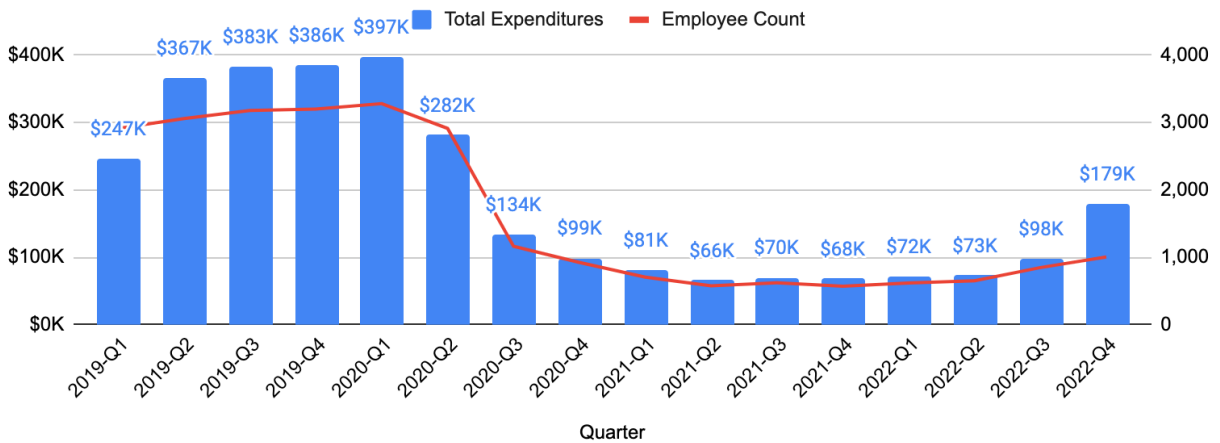
When the pandemic began, many employees began working from home, and those that reported to a City work site were able to park for free due to a temporary policy change from GSD. As shown in the chart below, parking revenue began to fall as employees canceled their parking permits. Prior to the pandemic, biweekly revenue from parking fees was approximately \$107,000 per pay period. Biweekly revenue is now approximately \$82,000 per pay period, a 23% decrease. This also reflects approximately 1,100 fewer permit holders. While the COMMUTEwell office aggressively processes new permit requests, the large volume of cancelation requests outpaces our ability to see net permit growth. Staff anticipates that this trend will reverse as the temporary parking policy reduces in scope and there’s a movement toward more employees being on-site. At the same time, staff is working on ways to identify additional staffing resources and to more efficiently issue permits.

Biweekly Parking Deduction and Employee Count Pay Period Ending 1/15/19 through 12/17/22



Although parking revenue has decreased considerably, the Fund has remained healthy because the Fund’s largest expenditure, transit incentives, decreased even more rapidly, as indicated by the chart below. This resulted in the Fund accumulating a larger balance, which was lessened first with a six-pay-period parking fee holiday, then with a one-year increase in transit incentives, and again with an eight-pay-period fee holiday that is in the process of being implemented.

Employee Transit Incentives by Quarter



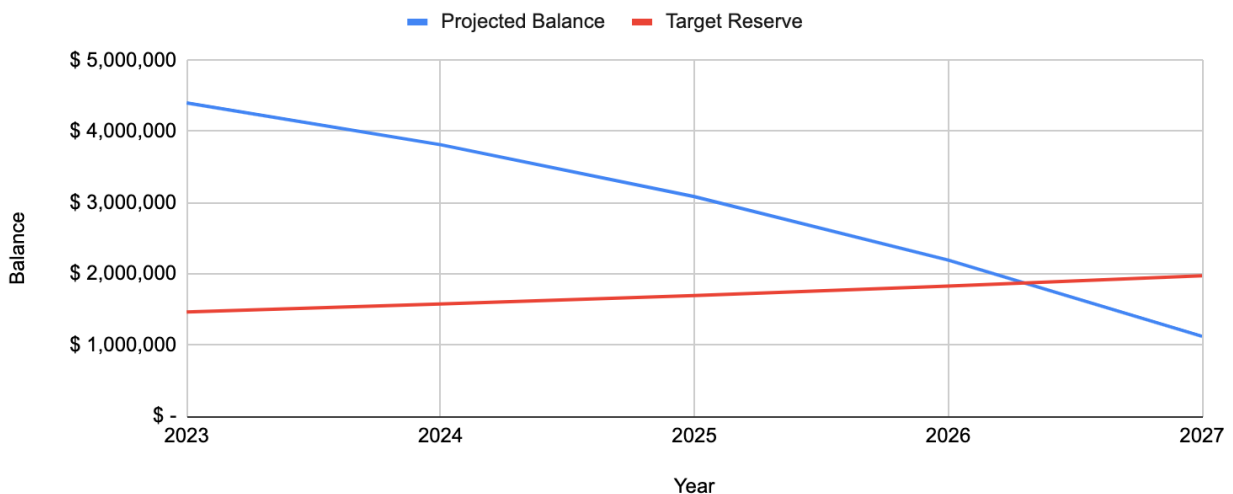
COMMUTEwell staff provided the Subcommittee with a Fund forecasting model to evaluate how the proposals, coupled with certain assumptions about program utilization, would impact the fund. The Subcommittee also agreed that it would be prudent to utilize a target reserve fund balance equal to 50% of the Fund’s annual expenditures. The chart below shows the baseline scenario. The Subcommittee set a goal of keeping the Fund balance above the reserve threshold for the duration of the MOU, which will likely be three years. The charts from the model below include five years for illustrative purposes.

It is important to note the assumptions and inputs that are incorporated into the model:

- There are currently 4,027 employees paying for parking permits with that revenue going into the Fund.
- Each year there will be a 5% net growth in parking permits issued.
- Each year there will be a 10% net growth in transit incentive utilization.
- Each year there will be a net growth in vanpool ridership of 3%.
- Vanpool expenses will increase by 10% each year due to leases ending and renewals costing more.
- Regular administrative expenses will grow by 2% each year.
- Based on the most recent quarterly data, the average Transit Reimbursement Program and TSA Program match amount is \$60 (this is lower than the average monthly submission because not every employee applies for an incentive every month).
- The model already incorporates the as-of-yet implemented eight-pay-period fee holiday.

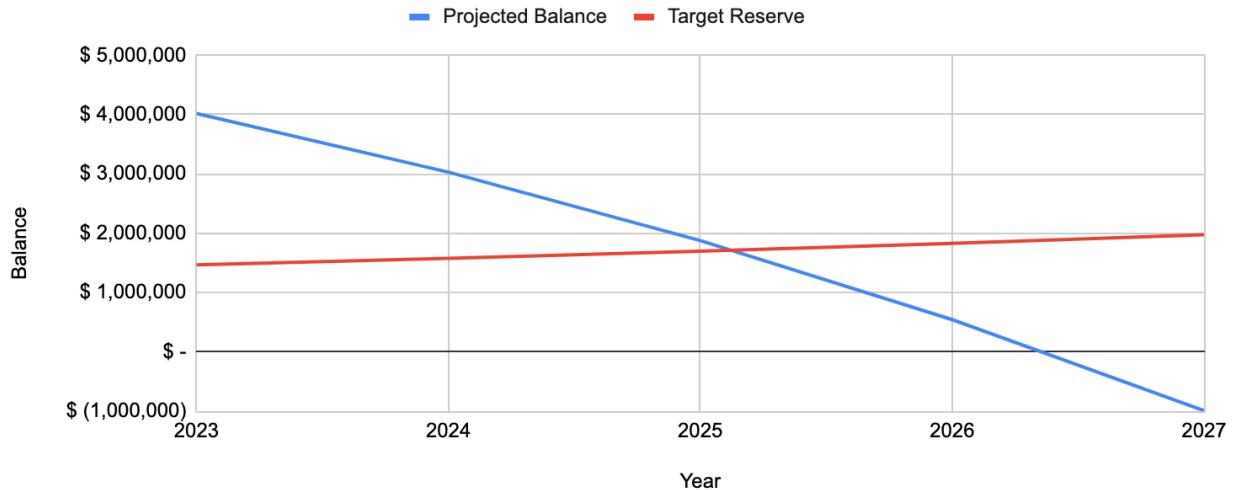
In the baseline scenario, the temporarily increased transit incentive reverts back to \$50, none of the proposals described in this report are implemented, and parking rates stay the same. The baseline scenario shows the Fund balance steadily decreasing until it crosses below the target reserve threshold in late 2026.

Baseline Scenario



If the JLMC-COP were to implement all of the transit incentive proposals laid out in the report, the chart below shows that the Fund would fall below the target reserve amount in early 2025 and then fall below \$0 in mid-2026.

All Transit Incentive Proposals Implemented Scenario



The Subcommittee agreed that the proposals described in this report can only sustainably be funded by increasing parking fees. Changes to the transit incentives and parking fees have not occurred in quite some time. The transit incentive amount has been \$50 per month since at least 2002 and the current parking rates have been in place since 2007. The most expensive parking permit costs \$46 (plus the 10% City parking tax) and is an individual permit for the Downtown Los Angeles area. There are also less expensive permits for certain ridesharing situations and for times that have less demand for parking (nights and weekends). On average, permit holders pay \$40.56 per month. The Subcommittee used the Fund forecasting tool to determine how much parking rates would need to increase in order to fund the transit incentives proposed in this report. The Subcommittee also considered whether those rates would be reasonable when compared to the market rate for parking. COMMUTEwell staff reviewed 42 lots and the average cost was \$172 per month, and the median price was \$165 per month. The lowest cost lot was Los Angeles Department of Transportation (LADOT) Lot #763 priced at \$90 per month and the most expensive was Joe’s Parking Garage on 504 S. Hill Street priced at \$300 per month. Staff also surveyed the parking lots near the Van Nuys Civic Center, most of which were LADOT lots. Of the 11 lots surveyed, the average monthly rate was \$53, and the median price was \$49. Based on this review, the Subcommittee agreed that it could fund the proposed transit incentives with modest rate increases that would still be substantially below the going market rate. The Subcommittee proposes the following new rate structure:

Monthly Rates for Downtown Los Angeles Parking

Permit Type	Current Rate	Proposed Rate
Individual Permit - All Lots	\$46.00	\$55.00
Electric Vehicle	\$0.00	\$55.00
Carpool Permit	\$34.50	\$40.00
Personal Motorcycle Permit	\$11.50	\$15.00
Night Permit	\$11.50	\$15.00
Weekend Permit (Saturday and Sunday)	\$11.50	\$15.00
Platoon Duty Permit (Fire Department)	\$15.33	\$20.00
Rotating Shift (24-Hour) Permit	\$28.75	\$35.00

**Monthly Rates for Parking Outside Downtown Los Angeles
(Van Nuys and Wes Los Angeles)**

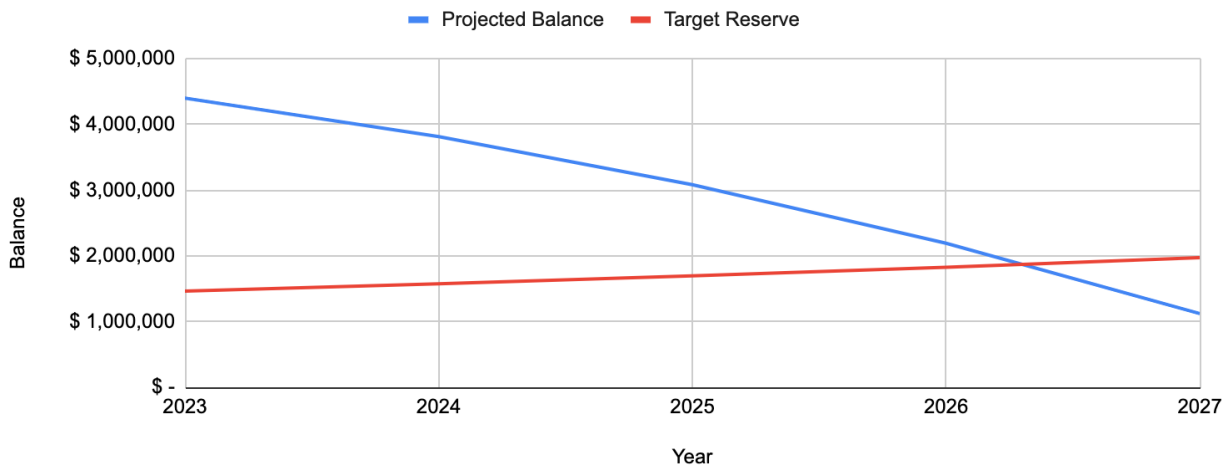
Permit Type	Current Rate	Proposed Rate
Individual Permit - All Lots	\$27.25	\$30.00
Electric Vehicle	\$0.00	\$30.00
Carpool Permit	\$17.25	\$20.00
Personal Motorcycle Permit	\$11.50	\$15.00
Night Permit	\$11.50	\$15.00
Weekend Permit (Saturday and Sunday)	\$11.50	\$15.00
Platoon Duty Permit (Fire Department)	\$5.75	\$10.00

Citywide Monthly Rates for Home-Garaged Vehicles

Permit Type	Current Rate	Proposed Rate
Home-Garaged Vehicle Permit	\$46.00	\$55.00

The scenario below shows the projected Fund balance assuming the increased rates above are implemented alongside all of the transit incentive enhancements proposed in this report. The projected Fund balance would fall below the target reserve in early 2026 and would not fall below \$0 during the five-year period.

Projected Ridesharing Trust Fund Balance by Year



While the Subcommittee is proposing a parking rate increase, the permits are still priced competitively against the market. COMMUTEwell staff surveyed public and private lots throughout the downtown area to assess how the City's rates compared. The Subcommittee also considered that the parking fee increase could be implemented midway through the new Special MOU. By doing so, employees could immediately begin experiencing the positive improvements to the transit programs and those with parking permits would be given ample notice about forthcoming rate increases.

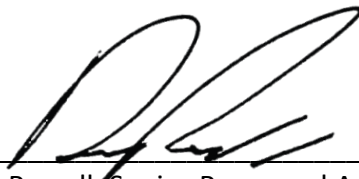
There are approximately 35,400 employees Citywide who are eligible for parking through the COMMUTEwell Program, and only 6,500 parking spaces. The proposed changes described in this report would institute a very modest increase in parking fees for those who are able to attain a parking permit to fund transit incentives that can ease the commute of many more employees

who do not have on-site parking privileges. And in doing so, the City more aggressively encourages transit behaviors that will reduce air pollution and improve the environment. The models used for forecasting the balance of the Fund are based on the assumptions described earlier in this report, and it's possible that unexpected events occur that change those assumptions. Regardless of what proposals are incorporated into the final successor Special MOU, COMMUTEwell staff will provide regular updates on the health of the Fund to the JLMC-COP, and the Committee will have the ability to adjust transit incentives and parking fees accordingly.

F. Six-month extension to the \$100 transit incentive

While the Subcommittee is moving diligently to draft a successor Special MOU as quickly as possible, it is possible that the MOU will not be fully approved by the JLMC-COP and ratified before the temporary transit increase expires on June 30, 2023. To avoid this, the Special MOU Subcommittee recommends that the JLMC-COP approve a six-month extension to the transit incentive increase. According to the terms of the Letter of Agreement establishing the original transit incentive increase, the JLMC-COP may extend the duration of the transit incentive increase without further amendment of the Special MOU.

Submitted by:



Daniel Powell, Senior Personnel Analyst II

Approved by:



Paul Makowski, Chief Benefits Analyst