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**OCTOBER 22, 2015**

**TO: BOARD OF DIRECTORS**

**THROUGH: PHILLIP A. WASHINGTON** PAW  
**CHIEF EXECUTIVE OFFICER**

**FROM: JAMES T. GALLAGHER** JTG.  
**CHIEF OPERATIONS OFFICER**

**SUBJECT: DIVISION 6 & DIVISION 13 OPERATIONS INFORMATION**

**ISSUE**

Through a re-evaluation of our bus divisions, Operations has determined the following initiatives will result in positive impacts to service in support of our bus and rail system:

- Division 6 (Venice) can be deactivated concurrently with the phased opening/activation of Division 13 (Los Angeles).
- Division functional reorganization efforts, including Division 6 and Division 4 (Non-Revenue in Downey), can be completed in the short-term future, and may result in additional cost savings and/or revenue possibilities.
- Estimated operating cost savings/potential gains associated with these initiatives include annual CNG fuel and deadhead savings; avoidable funding needed to staff a new bus division, and possible revenue generating opportunities at existing Metro locations.

**BACKGROUND**

The projected substantial completion date for Division 13 is Monday, November 2, 2015, with a final completion date projected 41 days after substantial completion on Monday, December 28, 2015. With the construction of Division 13 being close to completion, Operations conducted a re-evaluation of its bus divisions in an effort to identify opportunities to increase operational efficiency, minimize unnecessary costs and improve service. As a result, Operations is prepared to activate Division 13 between January – February 2016 and is also proposing the following initiatives:

Phase 1 (December 2015 – February 2016)

- Deactivate Division 6

- Reallocate Division 6 service to the following locations:
  - Divisions 1 and 10
- Activate Division 13 with 50 Buses

Phase 2 (April 2016)

- Prepare for Division 1 Rehabilitation Construction Project (2.5 year project)
- Analyze & Plan the Potential Transfer of Division 4 (Non-Revenue in Downey) to a central location (TBD)
- Incrementally increase Division 13 compliment to full capacity (+/- 185 buses)

It should be noted that when Division 13 was approved, the assumption was that Metro's 11 operating bus divisions were over capacity; a situation that was expected to grow worse based on bus ridership projections and planned future vehicle procurements. Divisions 1 and 2 were also identified as having inadequate infrastructure caused by underinvestment and were recognized as facilities in need of repair or replacement. Therefore, Division 13 was approved with the assumption that Division 2 would be closed for major rehabilitation and Division 2 staff and routes would be transferred to Division 13, which was built to accommodate a comparable fleet and staff. Currently, Division 2 construction is postponed and Division 1 is scheduled to undergo a phased rehabilitation slated to begin in April 2016 and will end in October 2018 (approximately 2.5 years).

**DISCUSSION**

**Operations Bus Division Assessment Findings:** Division 6 was re-evaluated and identified as being inefficient in terms of fueling buses, which must be done offsite resulting in additional labor expenses. Operations staff also identified Division 4's existing location in Downey as inefficient given that 85% of their customers are near downtown Los Angeles, resulting in increased deadhead and operational inefficiencies.

**Operations Recommendations:**

- 1) Operations will deactivate Division 6 on December 11, 2015. Service from Division 6 will be reallocated for the December 2015 Shake-up to Divisions 1 & 10 and will not negatively impact service to our customers.

The quantifiable benefits of deactivating Division 6 are as follows:

- Realignment of Division 6 service will be incorporated into more efficient run cuts and bus schedules, and will help balance the work between weekday and weekends, resulting in division workload efficiencies.
- With the opening of Expo Phase 2, it is anticipated that the lines that operate out of Division 6 may see a reduction in ridership further decreasing the need for Division 6.

- With regards to Road Calls, there are currently two incident trucks assigned to the Westside and these trucks can be assigned to Division 7 to allow for timely deployment in the nearby Westside/Santa Monica area.
- Annual CNG fuel and deadhead savings for Division 6 are estimated at \$833K/year
- Avoidable costs to staff Division 13 are estimated at \$2.38M/year

The risks of deactivating Division 6 are as follows:

- Division 10 may be slightly over capacity until Division 13 is fully operational.
- With the opening of Expo Phase 2, the ability for Metro to provide bus bridges in the Westside may be affected. However, due to limited capacity at Division 6 Bus Operations Control would likely utilize in-service buses from Lines 4, 20, 33, 704, 720 and 733 for Expo Phase 2 even if Division 6 were to remain open as all of these lines are frequent and have layovers in Downtown Santa Monica.

- 2) Due to the proximity of Division 13 and Division 10, Operations recommends activating Division 13 with 50 buses from Division 10. With the proposed deactivation of Division 6 scheduled to occur prior to the Division 13 activation, Operations will not require additional staffing at this time in order to maintain existing service levels. If Metro were to operate eleven full bus divisions, this would necessitate additional personnel based on past practice.

The positive benefits of activating Division 13 with 50 buses from Division 10 are as follows:

- Estimated annual cost savings from repositioning Division 10 buses to Division 13 is \$250K (located 3 minutes closer to Union Station).
- Allows staff to incrementally ramp-up Division 13 service with each shake-up.
- Allows for sufficient testing, training, staff familiarization and system integration.

The risks of partial activation are as follows:

- Slight temporary overcrowding at Divisions 10 and 7

### **Operational Considerations and Impacts to Existing Bus Divisions:**

The opening of Division 13 will have an impact on Metro operations and staff has re-evaluated the possible effects this will have on our existing resources. As a result, staff has determined that our existing centrally located bus divisions maximize our ability to optimize service levels and reduce system-wide deadhead costs in terms of service that travels to, and through, the central Los Angeles area.

Moreover, Division 4 Non-Revenue (located in the City of Downey) provides non-revenue vehicle maintenance support for all Metro non-revenue equipment

system-wide (over 2,100 units including sedans, trucks, vans, generators, construction & support vehicles, heavy equipment, and many other non-conventional units). Staff will continue to examine and assess the option of reallocating the Non-Revenue Maintenance function to a more centrally located area.

### **Operations Estimated Savings**

- Annual cost savings for activating Division 13 with 50 buses from Division 10 and repositioning service and staff from the deactivation of Divisions 6 is estimated at \$2.38M
- Annual CNG fuel and deadhead savings for Division 6 is estimated at \$833K/year
- Potential revenue to be generated for the lease/sale of Divisions 6 and 4 cannot be accurately estimated at this time
- The savings mentioned above will be appraised from the agency wide Risk Allocation Matrix (RAM) process to determine new revenues and cost savings opportunities. Pending Board approval of concept in January, 2016, the amount realized from the RAM process will be deposited to an internal savings account with clear withdrawing criteria.

### **NEXT STEPS**

With the realignment of Division 6 service, staff will share information associated with increased efficiency levels and will apprise our board with any actions/plans related to possible revenue generating opportunities at existing Metro locations.

Concurrent with the closure of Division 6, Metro Real Estate and Joint Development groups will conduct due diligence activities to inform a recommendation of future reuse or disposition. These activities include:

- Determining if there is any Federal interest in the site that would impact its reuse or disposition
- Reviewing and updating, as necessary, existing environmental site condition studies of the land and improvements
- Working with Operations to determine if there are any current or future transportation needs for the site
- Examining existing entitlements and likely entitlement options for the property
- Obtaining a rough order of magnitude valuation estimate based on alternative entitlements
- Evaluating the advantages and disadvantages of the Board declaring the property surplus and following the surplus properties disposition process or alternatively, proceeding with the site through the Board approved Joint Development process.