



November 30, 1995

Franklin E. White
Chief Executive Officer

TO: BOARD OFFICER EVALUATION COMMITTEE

FROM: FRANKLIN E. WHITE *FYW*

Los Angeles County
Metropolitan
Transportation
Authority

SUBJECT: CEO EVALUATION

318 West Seventh Street
Suite 300
Los Angeles, CA 90017

It was my intention to submit to you in early 1996 a list of achievements to assist you with your review process. Recent events, however, have prompted me to prepare and deliver to you sooner some of the accomplishments of the MTA during its first 32 months.

213.623.1194

I am pleased to note that the first four of the eight goals adopted last year by the CEO's Evaluation Committee to be achieved in 1995 and 1996 have been completed in the time specified (Attachment A). One of those goals, number three, is being revised to incorporate committee comments. Goal five is due next month and the final three goals have due dates in early 1996.

The MTA has established a firm financial and management foundation for the operation of a state-of-the-art rail system, a much improved bus system, and development of a regional transportation system that will benefit the citizens of this region for generations to come. These are major accomplishments. A partial list of some of our other accomplishments is delineated below and completed on the attached document (Attachment B). These accomplishments include development and/or implementation of:

- ◆ A revised Board approved long-range plan that realistically portrays potential rail lines for the Los Angeles region and provides a comprehensive program to reduce congestion and improve air quality throughout the region. This plan, referred to as the MTA's 20-Year Plan, provides a transportation blue print for Southern California, defining achievable objectives that relate directly to the MTA's Mission Statement.

- ◆ Communication efforts that achieved public acceptance of the fiscal realities facing the MTA, including changed sales tax estimates due to a prolonged recession and decreased federal and state operating subsidies.
- ◆ A spending policy supported by the Board of Directors that calls for annual budgets based on realistic financial projections. When I became CEO, neither Board of the two predecessor agencies had been apprised of the true financial condition of the Authority for at least eight months prior to the merger and thereby making necessary enormous adjustments to our immediate funding plans and activities.
- ◆ Policies that prevent tampering with contractor selection.
- ◆ A revamped management structure within the Operations Division and a bus system conceded by all to be cleaner and more efficient than five years ago.
- ◆ Successful negotiation of new labor contracts with the MTA's three principal labor unions, which presage a new direction for labor negotiations; successful operation of transit service and effective communication of management's positions during the strike.
- ◆ A reorganized Rail Construction division which replaced the Rail Construction Corporation. The revamped division now has new leadership and a greater emphasis on safety and accountability. We also have implemented more than half of 150 specific recommendations to improve the construction division which were identified in the Arthur Anderson study. We are working aggressively with a Board Task Force to implement all of the recommendations.
- ◆ An improved management structure; recruitment of a new Deputy CEO to focus on internal management improvements; completion of the merger process and institution of new unified policies and procedures. We also have reduced by one-half the number of non-engineering consulting contracts.

- ◆ Efficiencies which allowed the elimination of over 500 staff positions and resulted in an annual savings of over \$50 million.

These are among the impressive accomplishments of the MTA. They were made notwithstanding unforeseen and protracted difficulties. These included several widely reported construction mishaps and continued allegations of malfeasance on the part of some of our employees and/or contractors associated with the construction program, and assaults on our funding. All of these consumed enormous amounts of time and energy of the Board and the CEO. Consider, in the rail construction program alone, it was necessary to conduct six independent reviews and analyses of various aspects of the rail construction program. I am pleased to remind you that all of these projects have been successfully completed, and that the cost of four of the six was borne by the firms reviewed.

It is also important to recall the assault on MTA funding both at the state and federal level. While the MTA was required to transfer \$50 million to the County of Los Angeles, this was significantly less than the \$375 million approved by the State Legislature. At the same time, federal funding for the subway project was reduced in the face of criticism by members of the state legislature and government officials from our region.

These realities have and will continue to put pressure on our abilities to move forward with our transportation program. Despite them, I am confident we can move forward expeditiously with the programs the Board has marked as top priority including improvements to the bus system as well as the Eastside extension of the Red Line and, subject to Board review and approval of major cost containment activities, the Pasadena Blue Line.

I am proud of our accomplishments and for the opportunity to lead this important agency. I look forward to your questions and comments and the opportunity to discuss these accomplishments with you individually.

ATTACHMENT A

CEO ROLE AND OBJECTIVES

ROLE:

In general the CEO must possess leadership abilities, taking decisive action to resolve conflicts and to exercise good judgement. The CEO should develop staff into a professional team focused on MTA goals and supported by management tools.

The role of the CEO is: 1) to develop a vision and direction for the organization which has Board support; 2) to guide efficient and effective transit operations; and 3) to establish management policies which contribute to building a professional, credible and accountable transit authority.

1995-96 PROPOSED OBJECTIVES:

1. By July 1995 present to the Board a multi-year Cost Containment Program focused on design, construction and operation costs; as well as a balanced budget for FY' 95-96, all in connection with the Long Range Plan.
2. By August 1995, present to the Board an organizational chart which identifies a management structure with a business orientation, that places responsibility, accountability, decision-making and authority at appropriate levels of management.
3. By August 1995, prepare for Board approval a comprehensive public image strategy to be implemented over the next year, which establishes internal/external communication guidelines, public relations approaches, public education, and media campaign activities. Such a strategy shall include provision for timely Board notification of issues/incidences which impact the MTA.

4. By September 1995, finalize for Board approval, all employee practices which are within MTA control, so as to eliminate inconsistent treatment between former RTD and LACTC employees.
5. By December 1995, present an operational proposal for rail/bus which utilizes a public/private partnership, contracting out, and/or turnkey agreement in the context of the Long Range Plan.
6. By January 1996, prepare for Board approval, a discussion paper which outlines a long term strategy for the MTA by defining its regional role in the delivery of the transportation system. Specifically, address the long term implications of transit restructuring and MTA's role as coordinator, funder and primary operator.
7. By February 1996, establish the relationships and processes which will maximize the potential of the region to receive federal, or other funding alternatives for all present funding agreements, operational costs and Board adopted projects. Additionally, identify other possible sources of revenue to be included in the FY 96-97 budget, such as, fiber optics, real estate transactions, and new technology programs.
8. By March 1996, present for Board approval, a proposal on the appropriate technology and implementation program for the installation of an innovative fare collection system, as well as a program to proactively increase ridership.

CEO ACCOMPLISHMENTS

Administration:

- Developed three balanced budgets, exercising fiscal responsibility to make sure the MTA had the funds necessary to finish any capital project once started.
- Established management efficiencies which included the elimination of over 500 staff positions resulting in an annual savings of over \$50 million.
- Instituted reform procedures to safeguard procurement process from outside influence.
- Adopted new procedures and processes for processing farebox revenues to reduce risk of fraud and theft.
- Established a uniform set of administrative policies and procedures, per the CEO goals and objectives. These policies eliminate existing inequities.
- Completed construction and occupancy of the Gateway headquarters building on time and at budget, saving the agency approximately \$36.3 million in leasing fees over a 30-year period.
- Finalizing an agreement with the IRS to retroactively opt out of Social Security. This agreement will include the return of some \$90 million, which includes approximately \$50 million in employer contributions.
- Implemented new administrative procedures which have reduced significantly the use of outside consultants, cut fraud and expenses, reduced the number of agency provided vehicles and vehicle subsidies, and MTA overhead expenses.

Planning and Programming:

- Reorganized the department, transferring the Operations Planning and Scheduling function to Planning & Programming to enable a more balanced review of the performance of the MTA's bus and train fleet.

- Prepared and adopted a new Long Range Plan which includes more realistic fiscal program and project objectives for the coming 20 years.
- Submitted a Cost Containment Program which identified approximately \$500 million of capital and operating cost reductions associated with the Pasadena and Eastside rail projects, as well as the LA Car, and rail operations.
- Secured full funding grant agreements for MOS III, including increased federal participation for Eastside Extension.

Construction:

- Resolved funding shortfalls connected with the Green Line, assuring timely completion and opening of the rail projects.
- Restructured the rail construction program to bring it under direct control of Board of Directors and CEO.
- Launched construction on Segment 3 of the Metro Red Line.
- Completed construction of all Wilshire corridor facilities on Red Line Segment 2.
- Recruited new Executive Officer of Construction.
- Implemented a strategy to vastly improve the performance of MTA's contracting partners to increase oversight and accountability of public funds.
- Reestablished a positive working relationship with the FTA in the wake of federal demands for an improved management structure.

Operations:

- Introduced Regional Manager concept and strengthened management systems at division level to better control costs.
- Adopted new fare structure, the first rate hike in six years.
- Expanded Zero Tolerance Program; completed rehabilitation of bus exteriors ahead of schedule; currently working to achieve similar objectives on bus interiors.
- Created new revenue possibilities for the MTA by establishing the Regional Rebuild Center (RRC). The MTA currently has contracts with other government agencies to repair and perform maintenance on their equipment, demonstrating MTA's ability to compete with the private sector.
- Redeployed bus services in the San Fernando Valley to provide more efficient and economic transit.
- Deployed 196 clean burning CNG buses.
- Improved grade crossing safety along the Blue Line by installing video monitors.
- Opened MTA's new Gateway Transit Center.
- Provided emergency bus service on short notice following Northridge earthquake to citizens made homeless by quake, and to those needing extra transportation assistance with numerous key arteries closed because of damage. Worked daily in close cooperation with city, county and federal officials to ensure that MTA was able to provide the needed emergency service.
- Reduced the value of employee workers' compensation claims by \$3 million.