



June 25, 1997

Los Angeles County
Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012

213.922.6000

TO: BOARD OF DIRECTORS

FROM: ELLEN G. LEVINE
EXECUTIVE OFFICER, TRANSIT OPERATIONS

JAMES L. de la LOZA
**EXECUTIVE OFFICER, REGIONAL TRANSPORTATION
PLANNING AND DEVELOPMENT**

SUBJECT: COST EFFECTIVENESS OF DIVISION 6

ISSUE

In December 1996, the Board directed staff to complete an analysis of the need and cost effectiveness of Division 6, in Venice, for on-going bus operations. The preliminary results of the analysis revealed that transferring service from Division 6 to other operating divisions would result in 8,619 additional deadhead hours based on existing service and 13,321 additional deadhead hours based on the service potential for the division. The annual cost of the additional deadhead time ranged from \$570,405 to \$881,584 while the savings from closing the division was approximately \$544,983. In the short-term, the MTA needs to maintain the existing Division 6 operating facility, since this is the most fiscally responsible approach to service delivery on the Westside without compromising service to the area.

BACKGROUND

In December 1996, staff recommended Board approval of a contract for replacement of the existing single-walled underground fuel storage tanks at Division 6 with double-walled steel tanks. Director Mel Wilson initiated a motion to postpone the proposed contract award because a number of factors suggested that continued use of the site for MTA Operations may not be the highest and best use of the property. He further moved that staff complete an analysis of the need and cost effectiveness of Division 6 for on-going bus operations.

Analysis Results

In accordance with Director Wilson's request, staff postponed award of the tank contract and began an analysis of the cost effectiveness of Division 6. The Scheduling

Department completed an analysis of transferring the FY98 service originating out of Division 6 to Divisions 7 and 10. This analysis revealed that transferring the lines out of Division 6 would result in an additional 8,619 deadhead hours. Further analysis revealed that transferring existing service from Divisions 5, 7, and 10 to Division 6 would actually decrease deadhead time and result in significant annual savings for the agency.

Staff completed an analysis of the efficiencies of Division 6, based upon the FY98 budget. At a marginal cost of \$66.18 per service hour, the annual cost of the deadhead time as a result of closing the division would be \$570,405 based on existing service levels. However, the agency would realize further efficiencies by transferring existing service from other operating divisions to Division 6. By transferring service from Divisions 5, 7, and 10 to Division 6, the agency would realize an additional \$311,179 in reduced deadhead costs, indicating that increasing the number of buses housed at the division, rather than closing the division, is the most cost-effective option for the agency.

The analysis revealed that the agency would save approximately \$544,983 through a reduction in labor and miscellaneous costs resulting from closure of the division. However, when factoring in the cost of the additional deadhead time for the division operating at optimal levels, the closure of Division 6 would result in an overall net increase in annual operating cost of \$336,601, not a savings.

Westside Transit Restructuring Study

The Westside Transit Restructuring Study that was initiated several months ago is now nearing completion. Staff is deferring any final decision on the disposition of Division 6 pending recommendations from this study, to be released in September/October 1997. If the study reveals that it is more cost effective to maintain or increase service levels out of Division 6, staff will reinitiate a Board recommendation to replace the existing fuel tanks at the division.

Fuel Tank Replacement

A decision on replacement of the fuel tanks will be crucial at that time, since the California Code of Regulations specifically states that owners of motor vehicle fuel tanks constructed of steel must retrofit those tanks with secondary containment by December 22, 1998. Since demolition, earthwork, soil disposal, pavement and concrete work, and installation of tank accessories and piping are expected to encompass approximately 10 months, a contract will need to be awarded by November 1997 to ensure compliance with this California statute.

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Potential Relocation

At the request of Board Alternate Nick Patsaouras, staff is evaluating the potential for combining existing service out of Divisions 6 and 7 at a new location bordering Pico and San Vicente Boulevards. The preliminary findings indicate that a new operating division at this location could have a significant impact on the planned Metro Red Line Mid-City segment, which has a rail station planned at this site. The rail station will include a station platform and tail tracks (possibly in an aerial configuration) as well as a transit center and parking structure. The community is also anticipating joint development of office/retail uses at the station site to enhance the rail system and the adjacent community. The Pico/ San Vicente site cannot physically accommodate the rail station facilities, community commercial uses, and a combined bus division all at the same location.

Staff will participate with Mayor Riordan's efforts to identify other alternate sites that might be suitable for relocating the existing Division 6 facility. The relocation of Division 6 is not presently included in the capital budget and will result in additional capital costs for the agency. For example, a preliminary estimate of the construction cost for an operating division at the Pico/San Vicente site could range from \$50 to \$60 million not including land cost, while the value of the two existing divisions has been estimated to be approximately \$23 million.

CONCLUSION

In the short-term, the agency needs to maintain the existing Division 6 operating facility, since this is the most fiscally responsible approach to service delivery on the Westside without compromising service to the area. With Division 6 being the only operating facility in the vicinity, closure of the division and transfer of service to other existing facilities would result in increased service delays and operating costs. Service vehicles and replacement buses responding to road failures would need to be dispatched from the West Hollywood or Downtown Los Angeles facilities, which would significantly increase response time and labor costs.

DIVISION 6 - ANALYSIS OF CLOSURE

	FY98 BUDGET	TRANSFERRED \$	COST SAVINGS
<u>COSTS TRANSFERRED WITH SERVICE</u>			
DL UTU OPER-NORMAL TIME	1,570,738.28		
DL UTU OPER-SCHED OT-BASE RATE	344,862.00		
DL UTU OPER-UNSCHED OT-BASE	101,597.00		
DL UTU OPER-PART TIME	134,596.44		
OT UTU OPER SCHED OT PREM	172,431.00		
OT UTU OPER UNSCHED OT PREM	50,798.00		
SUBTOTAL - UTU LABOR COST		2,375,022.72	
DL ATU MECH-NORMAL TIME	514,132.47		
DL ATU MECH-OT AT 1 1/2 BASE	25,200.00		
DL ATU NON-MECH-NORMAL	229,965.14		
DL ATU NON-MECH-OT 1 1/2 BASE	16,800.00		
OT ATU MECH AT 1 1/2 PREM	22,308.00		
OT ATU NON MECH OT 1 1/2 PREM	17,482.00		
SUBTOTAL - ATU LABOR COST		825,887.61	
ALLOCATED FRINGE BENEFIT (UTU and ATU)	1,609,015.41		
FB UNIFORM/TOOL/CLOTHING ALLOW	23,300.00		
SUBTOTAL - FRINGE BENEFIT COST		1,632,315.41	
FUEL DIESEL REVENUE EQPT	243,750.00		
FUEL NON REV EQPT	17,968.00		
LUBRICANT REVENUE EQPT	4,373.00		
LUBRICANT NON REV EQPT	5,801.00		
M/S PARTS NON-REV VEHICLE	388.00		
M/S PARTS REV VEHICLE	231,627.00		
M/S PROMO AND INFO MATERIAL	1,000.00		
M/S TOOL AND EXPEND EQUIPT	9,922.00		
MISC COMMUNITY OUTREACH	1,000.00		
SUBTOTAL - PARTS, CONSUMABLES, AND MISC		515,829.00	
<u>COST SAVINGS WITH CLOSURE OF DIVISION</u>			
DL NC-NORMAL TIME	221,077.73		
SUBTOTAL - NC LABOR COST			221,077.73
DL TCU NORMAL TIME	90,381.17		
DL TCU OT AT TIME & 1/2 BASE	18,052.00		
OT TCU AT TIME & 1/2 PREM	9,026.00		
SUBTOTAL - TCU LABOR COST			117,459.17
ALLOCATED FRINGE BENEFIT (NC and TCU)	170,173.81		
SUBTOTAL - FRINGE BENEFIT COST			170,173.81
M/S BLDG & GROUNDS	19,162.00		
M/S COMPUTER SUPPLIES	3,250.00		
M/S OFFICE SUPP/EXPENDBLE EQ	6,240.00		
MISC BOOKS / PERIODICALS	500.00		
ER MILEAGE	1,000.00		
MISC SEMINARS/CONF FEE	900.00		
MISC EXPENSES OTHERS	5,220.00		
SUBTOTAL - MATERIAL, SUPPLY AND MISC			36,272.00
COLUMN TOTALS	5,894,037.45	5,349,054.74	544,982.71

FINANCIAL IMPACT WITH CLOSURE (existing service)

COST OF ADDITIONAL DEADHEAD (8619 hours)	\$ 570,405.42		
TOTAL ADDITIONAL COSTS (@ \$66.18 marginal cost)		570,405.42	
SAVINGS WITH CLOSURE OF DIVISION		544,982.71	
TOTAL ADDITIONAL COST WITH DIVISION CLOSURE		\$ 25,422.71	

IMPACT BASED ON DIVISION 6 POTENTIAL SERVICE

COST OF ADDITIONAL DEADHEAD (13,321 hours)	\$ 881,583.78		
TOTAL ADDITIONAL COSTS (@ \$66.18 marginal cost)		881,583.78	
SAVINGS WITH CLOSURE OF DIVISION		544,982.71	
TOTAL ADDITIONAL COST WITH DIVISION CLOSURE		\$ 336,601.07	