



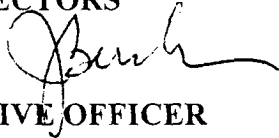
Julian Burke  
CEO

August 30, 1999

Metropolitan  
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**TO: BOARD OF DIRECTORS**  
**FROM: JULIAN BURKE**   
**CHIEF EXECUTIVE OFFICER**  
**SUBJECT: TRANSPORTATION ZONE DIVESTITURE ANALYSIS**

Management has completed an intensive analysis of actual costs potentially eliminated by zone transfers in order to provide preliminary subsidy estimates to the two zone applicants. A copy of the summary report is attached for your review. Board member staff representatives were fully briefed on this information on August 27<sup>th</sup>.

The subsidy estimates have been transmitted to the Foothill and San Fernando zone applicants in accordance with the Zone Guidelines. The next step in the process is delivery of an operating plan by each of the zones. While the zones themselves will have to determine whether the proposed subsidies (\$68.58 per hour for Foothill and \$69.07 per hour for the San Fernando Valley zone) are acceptable, we believe they are adequate to allow the zone process to continue.

We are scheduling a second briefing with Board staff on September 10<sup>th</sup>. If you have any questions, please call me or Chief Financial Officer Richard Brumbaugh.

c: Richard Brumbaugh



# Los Angeles County Metropolitan Transportation Authority

## Transportation Zones Divestiture Analysis

August 27, 1999



# Los Angeles County Metropolitan Transportation Authority

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# Los Angeles County Metropolitan Transportation Authority

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## *I. Introduction*

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### A. PURPOSE

The purpose of this study is to provide a preliminary estimate of capital and operating subsidies (both assets and funding) to the proposed expanded Foothill Zone and the new San Fernando Valley Zone according to the Adopted Local Transportation Zone Guidelines approved by the MTA Board of Directors on April 28, 1999.



# Los Angeles County Metropolitan Transportation Authority

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## *I. Introduction*

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### **B. CHANGES SINCE THE MARCH 1999 BOARD MEETING**

Since the March 1999 Board Meeting, changes have occurred at the MTA and in the scope of the subsidy estimates:

1. The Board approved MTA's five year capital improvement program.
2. 500 employees formed a new contract labor group.
3. The level of service to be transferred has been updated, as lines have been added and subtracted.
4. Foothill's request changed from \$80 per revenue service hour (RSIH) to \$85 per RSIH.
5. A detailed bus replacement schedule has recently been developed for the fleet.
6. The analysis presented earlier was determined by a model based on FY1999 forecasted budget data using average costs.
7. The current "implementation" stage of developing a preliminary subsidy estimate used a detailed actual cost approach.
8. Prior revenue forecasts were estimates; an analysis of operating revenues sales and collections was undertaken.
9. The prior analysis did not consider one-time and transition costs.
10. No capital or assets transferred were considered in the earlier analysis.



# Los Angeles County Metropolitan Transportation Authority

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## *1. Introduction*

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### **C. APPROACH**

1. The Local Transportation Zone Guidelines were used as the foundation for the cost savings analysis.
2. Cost savings were determined, according to the guidelines, on actual costs potentially eliminated by the Zone transfer, as opposed to an average or fully allocated cost basis.
3. An internal Divestiture Study Team was organized for this analysis by the MTA along with transportation and financial consultants from PricewaterhouseCoopers LLP.
4. An internal Steering Committee was formed consisting of various Executive Officers and MTA subject matter experts to oversee and review progress.
5. Executive Officers and their staff were asked to prepare cost reduction estimates in a two step process: 1. Submit initial "end-state" operating cost savings based on FY 2000 adopted budget and baseline assumptions; and 2. Submit estimated one time transition costs over the initial three year period.
6. To start the cost estimation process, all EO's were given some starting guidelines based on the KPMG preliminary estimates.
7. Extensive review sessions were held with each department to discuss the assumptions used and assure consistency, accuracy, and conformity to ground rules, resulting in numerous revisions and clarification of assumptions by the EO's.
8. The PwC MTA audit partner, and manager for the Triennial Audit served as Quality Assurance reviewers of the study approach and results.
9. Results were reviewed by MTA top management.
10. Board Staff was briefed on study results.



# Los Angeles County Metropolitan Transportation Authority

## Annual Total Subsidy Estimate (dollars in thousands)

	YEAR 1 San Fernando			YEAR 2 San Fernando			YEAR 3 San Fernando			Schedule
	Foothill	Valley	Both [1]	Foothill	Valley	Both [1]	Foothill	Valley	Both [1]	
Operating Expenses										
End State Savings	\$ 18,691	\$ 84,265	\$ 133,929	\$ 19,931	\$ 86,406	\$ 137,330	\$ 51,199	\$ 88,600	\$ 140,818	A
Operational Transition Costs [2]	(6,500)	(8,247)	(14,661)	(617)	(277)	(894)	(417)	(281)	(701)	B
Estimated Cost Savings	42,191	76,018	119,268	49,314	86,129	136,436	50,782	88,316	139,117	
Revenues										
Farebox	20,503	37,185	57,688	21,024	38,129	59,153	21,558	39,098	60,656	C
Non-Operating Revenue	1,427	2,200	3,627	1,427	2,200	3,627	1,427	2,200	3,627	C
Revenue Reduction	21,930	39,385	61,315	22,451	40,329	62,780	22,985	41,298	64,283	
Operating Subsidy Transfer [3]	20,264	36,633	57,953	26,863	45,800	73,656	27,797	47,018	75,814	
Capital Subsidy [4]	9,762	48,629	58,393	3,703	7,103	10,806	33,144	5,732	39,177	D
Value of Assets Transferred [5]	10,699	55,664	66,363	-	-	-	-	-	-	E
Total Subsidy Estimate	40,725	140,926	182,709	30,566	52,903	84,462	61,241	52,750	115,011	
Zone Revenue Potential	21,930	39,385	61,315	22,451	40,329	62,780	22,985	41,298	64,283	
Total Resources Available to Zone	\$ 62,655	\$ 180,311	\$ 244,024	\$ 53,017	\$ 93,232	\$ 147,242	\$ 84,226	\$ 94,018	\$ 179,294	

Notes:

- [1] Savings identified for Foothill and San Fernando Valley separately may not necessarily equal Both due to additional savings realized upon elimination of both zones versus only one zone
- [2] The PUC requires "adequate provision" to employees who "may be displaced, or whose wages, hours, place or condition of employment are or may be adversely affected by zone implementation." These one-time costs are yet to be determined
- [3] Operating subsidy reflects 3.5% CPI increases compounded for each of the 3 years
- [4] The capital subsidy was based on the Capital Improvement Plan which already reflect increases in costs
- [5] The value of assets transferred is based on net book value



# Los Angeles County Metropolitan Transportation Authority

## Cumulative Total Subsidy Estimate (dollars in thousands)

	TOTAL San Fernando		
	Foothill	Valley	Both [1]
Operating Expenses			
End State Savings	\$ 149,824	\$ 259,271	\$ 412,077
Operational Transition Costs [2]	(7,534)	(8,808)	(16,256)
Estimated Cost Savings	142,290	250,463	395,821
Revenues:			
Farebox	63,085	114,411	177,496
Non-Operating Revenue	4,281	6,600	10,881
Revenue Reduction	67,366	121,011	188,377
Operating Subsidy Transfer [3]	71,924	129,452	207,444
Capital Subsidy [4]	46,909	61,464	108,376
Value of Assets Transferred [5]	10,699	55,664	66,363
Total Subsidy Estimate	\$ 132,532	\$ 246,580	\$ 382,183
Zone Revenue Potential	67,366	121,011	188,377
Total Resources Available to Zone	\$ 199,898	\$ 367,591	\$ 570,560

Notes:

- [1] Savings identified for Foothill and San Fernando Valley separately may not necessarily equal Both due to additional savings realized upon elimination of both zones versus only one zone.
- [2] The PUC requires "adequate provision" to employees who "may be displaced, or whose wages, hours, place or condition of employment are or may be adversely affected by zone implementation." These one-time costs are yet to be determined.
- [3] Operating subsidy reflects 2.54% CPI increases compounded for each of the 3 years.
- [4] The capital subsidy was based on the Capital Improvement Plan which already reflect increases in costs.
- [5] The value of assets transferred is based on net book value.





# Los Angeles County Metropolitan Transportation Authority

Schedule A

End State Savings (dollars in thousands, except for per hour costs)

	Feebill		San Francisco Valley		Both	
	Remaining MTA		Remaining MTA		Remaining MTA	
	MTA FY2000 Budget	End State Savings Budget	End State Savings Budget	End State Savings Budget	End State Savings Budget	End State Savings Budget
<b>OPERATING EXPENSES by Cost Center</b>						
Board Office, Office of Board Secretary, Ethics Office & Inspector General	\$ 2,139	\$ -	\$ 2,139	\$ -	\$ 2,139	\$ -
County Counsel	187	8	179	8	179	15
Chief Executive Office - Deputy CEO/COO & Chief of Staff	1,618	81	1,537	81	1,537	81
Management Audit Services	2,075	20	2,055	40	2,035	60
Board Research Services	37	-	37	-	37	-
Media Relations	-	-	-	-	-	-
Administration, Customer Relations & Marketing	26,701	147	26,554	252	26,419	165
Government Relations	1	-	1	-	1	-
Transit Operations						
Executive Office, Transit Operations	145	-	145	-	145	-
Transit Operations Support	11,084	1,129	11,655	5,072	12,012	9,069
Bus Transportation	281,359	20,967	262,392	14,217	249,142	14,807
Light Maintenance Support	14,921	1,593	13,328	2,809	12,112	1,482
Bus Maintenance	128,559	11,310	117,249	20,247	108,312	11,587
Total Transit Operations	494,268	37,129	456,939	62,145	431,923	106,030
Heavy Maintenance	61,459	1,911	56,515	8,997	52,362	11,984
RTP & D	6,742	323	6,419	160	6,582	607
Accounting, Executive Office Finance, Office of Management & Budget, Revenue Administration & Treasury	45,901	765	45,136	2,056	43,845	7821
Risk Management	34,406	2,056	32,350	4,477	29,929	6,533
Human Resources	5,605	82	5,523	130	5,475	60
Office of Safety & Security	36,558	1,418	35,140	1,071	33,484	1,127
Office of Procurement	18,344	305	18,029	545	17,789	669
Engineering & Construction	1,505	19	1,495	13	1,492	23
Base Year End State Savings	727,836	47,488	680,348	82,178	645,658	139,611
CPI	2.51%	2.51%	2.51%	2.51%	2.51%	2.51%
Total End State Savings for Year 1 [2]	\$ 746,323	\$ 48,694	\$ 697,629	\$ 84,265	\$ 662,058	\$ 133,929
Total End State Savings for Year 2 [4]	\$ 765,280	\$ 49,931	\$ 715,349	\$ 86,406	\$ 678,874	\$ 137,330
Total End State Savings for Year 3 [2]	\$ 784,718	\$ 51,199	\$ 733,518	\$ 88,600	\$ 696,417	\$ 140,818
Per Revenue Service Hour Cost Year 1 [3]	\$ 105.75	\$ 68.58	\$ 109.91	\$ 69.07	\$ 113.42	\$ 69.39

Notes:  
 [1] Includes driver on standby, accident repairs, and parking.  
 [2] Based on the Bureau of Labor Statistics' Urban Population 4 1/2 year average CPI ending July 1993. Years 2 & 3 use a compounded rate for future years.  
 [3] The base cost per revenue service hour of \$105.75 in Year 1 is equivalent to \$101.13 in the base year.



# Los Angeles County Metropolitan Transportation Authority

Schedule B

*Operational Transition Costs (dollars in thousands)*

	YEAR 1 San Fernando			YEAR 2 San Fernando			YEAR 3 San Fernando		
	Foothill	Valley	Both	Foothill	Valley	Both	Foothill	Valley	Both
<b>Operational Transition Costs by Cost Center</b>									
County Counsel [1]	\$ 1,992	\$ 1,358	\$ 3,310	\$ 350	\$ -	\$ 350	\$ 150	\$ -	\$ 150
Administration, Customer Relations & Marketing	12	17	29	-	-	-	-	-	-
<b>Transit Operations</b>									
Transit Operations Support	178	266	414	-	-	-	-	-	-
Bus Transportation	3,751	5,930	9,681	-	-	-	-	-	-
Light Maintenance Support	18	31	49	-	-	-	-	-	-
Bus Maintenance	2	3	6	-	-	-	-	-	-
<b>Total Transit Operations</b>	<b>3,949</b>	<b>6,230</b>	<b>10,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Heavy Maintenance	-	-	-	-	-	-	-	-	-
RTP & D	37	63	100	37	63	100	37	63	100
<b>Accounting, Executive Office Finance, Office of Management &amp; Budget, Revenue Administration &amp; Treasury</b>									
	260	260	490	200	200	100	200	200	100
<b>Human Resources</b>									
	50	50	70	-	-	-	-	-	-
<b>Office of Safety &amp; Security</b>									
	25	50	75	-	-	-	-	-	-
<b>Office of Procurement</b>									
	14	11	14	-	-	-	-	-	-
<b>Base Year Operational Transition Costs [2]</b>	<b>6,339</b>	<b>8,042</b>	<b>14,298</b>	<b>587</b>	<b>263</b>	<b>850</b>	<b>387</b>	<b>263</b>	<b>650</b>
<b>CPI [3]</b>	<b>2.54%</b>	<b>2.54%</b>	<b>2.54%</b>	<b>5.14%</b>	<b>5.14%</b>	<b>5.14%</b>	<b>7.82%</b>	<b>7.82%</b>	<b>7.82%</b>
<b>Total Operational Transition Costs</b>	<b>\$ 6,500</b>	<b>\$ 8,247</b>	<b>\$ 14,661</b>	<b>\$ 617</b>	<b>\$ 277</b>	<b>\$ 894</b>	<b>\$ 417</b>	<b>\$ 281</b>	<b>\$ 701</b>

Notes:

[1] The PUC requires "adequate provision" to employees who "may be displaced, or whose wages, hours, place or condition of employment are or may be adversely affected by zone implementation." These one-time costs are yet to be determined.

[2] Includes estimated wage & travel penalties and training costs related to article 7 & 51 of the UIU agreements.

[3] Based on the Bureau of Labor Statistics' Urban Population 4 1/2 year average CPI ending July 1999. Years 2 & 3 use a compounded rate for future years.



# Los Angeles County Metropolitan Transportation Authority

Schedule C

*Revenues (dollars in thousands)*

	MTA FY2000 Budget [1]	Foothill	San Fernando Valley	Both
<b>REVENUES</b>				
Operating:				
Farebox	\$ 86,658	\$ 8,244	\$ 18,544	\$ 26,787
Tokens	75,583	4,200	9,597	13,797
Pass Sales	53,626	7,551	8,123	15,675
Base Year Operating Revenues [2]	215,867	19,995	36,264	56,259
Non-Operating:				
Advertising	13,640	1,367	2,200	3,567
Leases	4,600	60	-	60
Metrolink Interagency Transfer Agreement	2,254	-	-	-
Base Year Non-Operating Revenues [3]	20,484	1,427	2,200	3,627
Base Year Impact on Revenues	\$ 236,351	\$ 21,422	\$ 38,464	\$ 59,886
Total Impact on Revenues in Year 1 [4]	\$ 241,834	\$ 21,930	\$ 39,385	\$ 61,314
Total Impact on Revenues for Year 2 [4]	\$ 247,456	\$ 22,451	\$ 40,329	\$ 62,780
Total Impact on Revenues for Year 3 [4]	\$ 253,221	\$ 22,985	\$ 41,298	\$ 64,282

Notes:

- [1] Does not include the forecasted fare increase of \$9.4 million
- [2] Based on unaudited 1999 sales and collections adjusted by the CPI of 2.51%. Includes revenues from contracted lines
- [3] Non-operating revenues are based on the current fixed contract terms and reflect the estimated dollars that will be collected.
- [4] Based on the Bureau of Labor Statistics' Urban Population 1<sup>st</sup> year average CPI ending July 1999 compounded for future years, except for non-operating revenue



Los Angeles County Metropolitan Transportation Authority

Schedule D

Total Capital Subsidy (dollars in thousands)

	YEAR 1			YEAR 2			YEAR 3		
	San Fernando			San Fernando			San Fernando		
	Foothill	Valley	Both	Foothill	Valley	Both	Foothill	Valley	Both
Capital Expenditures									
MMS/VMS	\$ 153	\$ 307	\$ 460	\$ 131	\$ 262	\$ 393	\$ 82	\$ 163	\$ 245
LOIS	11	28	42	-	-	-	-	-	-
Division FARE Carding	511	991	1,502	-	-	-	-	-	-
Transit Radio	1,124	2,050	3,174	1,101	2,009	3,110	117	213	332
Larebox Refurbishment	79	149	229	44	83	127	23	44	68
Fare Collection System	1,676	3,069	4,746	286	524	810	432	794	1,222
Bus Division Maintenance Equipment	6	-	6	-	614	614	-	128	128
Non Revenue Vehicle Replacement	116	219	334	43	101	144	106	820	926
ADA Compliance at Bus Operating Divisions	-	307	307	307	307	614	-	-	-
Automatic Bus Undercarriage Cleaning System	-	-	-	-	338	338	-	319	319
Bus Replacement [1]	6,083	41,509	47,593	1,791	2,865	4,656	32,681	3,233	35,912
<b>Total Capital Expenditures [2]</b>	<b>\$ 9,762</b>	<b>\$ 48,629</b>	<b>\$ 58,393</b>	<b>\$ 3,703</b>	<b>\$ 7,103</b>	<b>\$ 10,806</b>	<b>\$ 33,111</b>	<b>\$ 5,712</b>	<b>\$ 39,177</b>

Notes

[1] Based on Transit Operator's planned replacement of buses by type of bus

[2] An additional \$31,376 will be available in Year 1 for increasing the capacity of the CNG facilities, as long as San Fernando acquires additional CNG buses to warrant the expenditure.



Los Angeles County Metropolitan Transportation Authority

Schedule E

*Value of Transferred Assets (dollars in thousands)*

	Net Book Value			Adjusted for Market Value of Real Property		
	San Fernando			San Fernando		
	Foothill	Valley	Both	Foothill	Valley	Both
Buses & Non Revenue Vehicles	\$ 9,550	\$ 37,357	\$ 46,907	\$ 9,550	\$ 37,357	\$ 46,907
Real Property & Other Assets	1,149	18,307	19,456	20,667	43,561	64,228
<b>Total Value of Transferred Assets [1]</b>	<b>\$ 10,699</b>	<b>\$ 55,664</b>	<b>\$ 66,363</b>	<b>\$ 30,217</b>	<b>\$ 80,918</b>	<b>\$ 111,135</b>

Note

[1] In finalizing the transfer of these assets, the MTA would expect to have a revenue sharing arrangement for any realizations above remaining book value



# Los Angeles County Metropolitan Transportation Authority

Exhibit A

## *Major Assumptions Used in the Analysis*

1. The MTA FY2000 Adopted Budget was used as a baseline for this analysis.
2. All estimates have been adjusted for the Bureau of Labor Statistics 4 ½ year average CPI of 2.54%.
3. The transfer of all zone operations will occur as of July 1, 2000.
4. The review included examination of both fixed and semi-fixed costs to identify savings resulting from decreases in service levels.
5. The following levels of service hours and buses to be transferred are based on December 1999 projections and include a 20% spare ratio:

<u>Zone</u>	<u>Service Hours</u>			<u>Buses Transferred</u>
	<u>MTA Operated</u>	<u>Contract</u>	<u>Total</u>	
Foothill	620,000	90,000	710,000	216
San Fernando Valley	1,140,000	80,000	1,220,000	394
Total	1,760,000	170,000	1,930,000	610

6. The union personnel transfer will be based on seniority.
7. Lost zone revenues is based on the MTA's current fare structure.
8. Pass revenue for the zones is based on the same relationship as tokens sold and collected in the zones.
9. Capital for bus replacement is based on operations planned bus retirements and sales.
10. No CNG buses would be transferred to the Foothill Transit Zone.
11. Other savings in capital spending were based on the Capital Improvement Plan and contract commitments already in place.
12. In the analysis, personnel transferred to the zones include both represented and non-represented employees.



# Los Angeles County Metropolitan Transportation Authority

Exhibit B

## Pre- & Post-Divestiture Steady State Performance Evaluation

Performance Measures	Pre-Divestiture	Post-Divestiture		
	MTA FY 2000 Budget (CPI Adjusted)	MTA Excluding Foothill	MTA Excluding SFV	MTA Excluding Both Foothill & SFV
Total Blended Cost	\$746,323,322	\$697,630,711	\$662,058,159	\$612,394,005
Blended Cost per Revenue Service Hour	\$105.75	\$109.91	\$113.42	\$119.44
Blended Cost per Revenue Mile	\$8.87	\$9.41	\$9.74	\$10.57
Blended Cost per Passenger (Boarding)	\$2.04	\$2.05	\$2.11	\$2.13
Blended Cost per Peak Bus	\$376,361	\$391,487	\$405,424	\$427,649
Average # of Boardings per Year per Peak Bus	184,802	191,328	192,061	201,200
Farebox Recovery Ratio	32%	32%	31%	29%

Note: Total Blended Cost & Farebox Revenue figures are CPI adjusted (2.54%) based on Bureau of Labor Statistics Urban Population 4 1/2 year average ending July 1999



*Important Considerations Impacting Zone Subsidies*

The following considerations should be reviewed prior to the commitment of resources:

1. **Potential Impact of Federal Transit Act, Section 13C provisions for displacement of employees**—This transaction would not appear to give rise to Section 13C liability because it is not caused by a federal grant, but rather by local agency actions. However, in the event 13C obligations are found to exist (depending on whether or not the Zones accept all displaced employees) there may be a significant impact on transition costs. In addition, the PUC requires “adequate provision” to employees who “may be displaced, or whose wages, hours, place or condition of employment are or may be adversely affected by zone implementation.” If these liabilities are found to exist, there may be a significant impact on transition costs.
2. **Mix of Bus Operators Making the Transition**—We have assumed that senior operators will stay with the MTA based the contract provisions for bidding which gives preference to seniority. Thus, the operating subsidies will depend ultimately on the mix of operators that choose to transfer to the new Zones.
3. **Bus Fleet Transferred** - The type and mix of buses transferred may impact capital cost savings.
4. **Future Cost of Worker’s Comp Insurance** - Present insurance contracts expire in early FY ’02. While there are no savings until then, there may be additional savings on re-negotiation of these contracts based on reduced work force.
5. **Future Fare Increase** - The current proposed fare increase has not been approved. Thus, we have simply applied and imputed 2.54% (CPI) inflation factor to fares that will have to be reviewed in the context of actual increases.
6. **Verification of Revenue Estimates** - In addition to the issue of potential fare increase, revenue estimates per line transferred need to be verified via new ride checks against FY ’01 actual collections, and three year revenue forecasts agreed upon.
7. **Treatment of Passenger Tokens, Pass and Transfer Revenues** —The agreed upon disposition of token and pass revenue, as well as, the handling of passenger transfers needs to be resolved in order to estimate revenue splits.
8. **Residual Pension Liabilities**—Based on the actual staff transfer, an analysis of pension liabilities or pay out must be evaluated for potential additional one-time costs.
9. **Negotiation of Employee Transfer Costs**—The one-time contract cost of transferring employees to a new Zone will likely have to be negotiated with the unions.
10. **Cost of Customer Relations** - It is currently assumed that the MTA will continue to handle customer relations for the new Zones. If the Zones choose to undertake this responsibility themselves, there may be some additional savings.
11. **Evaluation of Capital Funding Sources** —An analysis of the capital funding sources is recommended to assure that potential savings may be properly expended without jeopardizing the source of funds.
12. **Impact on the Formula Allocation Plan** —An analysis is needed to determine the overall net impact of the zone divestiture on the FAP.
13. **Allocation of Overhead Costs** -If two or more operations share the administrative resources, an equitable method of allocation should be developed.
14. **Potential impact on existing bond covenants needs to be evaluated.**





*Projected Courses of Action*

Following is a projection of the next courses of action in the process:

1. **Transmit Preliminary Subsidy Estimate**—Convey MTA’s preliminary subsidy estimates to both Zones by COB on 8/27/99.
2. **SFV Submits Preliminary Zone Estimate**—The San Fernando Zone representative should submit its own preliminary estimates. Currently, no estimates have been received from the San Fernando Zone.
3. **Clarification of Estimates and Handling of Contingencies**—Meeting between MTA staff and Zone representatives to answer questions and to provide clarifications.
4. **Draft Three-Year Operational and Financial Plan**—Zones will submit a draft three-year Operational and Financial Plan that describes:
  - A. Assets, staff, monitoring systems and agreements proposed for transfer;
  - B. Proposed transition of service from existing operator(s) to Zones, and
  - C. Utilization of capital investments, assets and labor. (Source: Zone Guidelines)
5. **Review of Three Year Plan(s)**—MTA reviews plans submitted and meets with Zone representatives to clarify and refine plans as needed. MTA may audit Zone financial plan as needed to verify cost basis.
6. **Stakeholder Briefing**—MTA conducts a briefing of stakeholders to review preliminary subsidy transfer estimate, the draft Zone three-year Operational and Financial Plans, any differences between Zone applicants and MTA that may still exist, potential negative impacts of the transfer, and receives comments and concerns from stakeholders.
7. **Assess Negative Impacts**—The MTA will provide the Zone applicants with a preliminary description of anticipated or potential negative impacts (e.g. employees, effective use of capital, financial impact on included operators from changes in the formula allocation plan, passenger fares and service) from Zone implementation. Also presented at this juncture is the sources and amounts of funding to be transferred if the Draft Operational and Financial Plans are approved by all parties.
8. **Application Preparation**— Zone applicant(s) prepares necessary documentation as required under the Zone Guidelines and files application(s). The application must address (mitigation of) potential negative impacts identified above, finalize the Operational and Financial Plan, and contain a transition plan to implement the zone.
9. **Application Review**— MTA staff reviews applications and seeks any clarifications or revisions needed to meet Zone Guidelines, and prepares recommendation to MTA Board.
10. **Begin formal application review and approval process (See Zone Guidelines).**