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Authority

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**TO:** BOARD OF DIRECTORS  
**FROM:** ALLAN LIPSKY   
CHIEF OPERATING OFFICER  
**SUBJECT:** TRANSPORTATION ZONE SCHEDULE UPDATE

### ISSUE

For your information we are providing the following status report on the Foothill and San Fernando Valley zone applications.

### BACKGROUND

In late May, the Board approved the pre-applications from both Foothill Transit and the Greater San Fernando Valley Transportation Zone and directed staff to proceed with the transportation zone application process according to a milestone schedule. At both the Planning and Programming Committee and the May Board meeting, the consultant for the project and MTA staff noted that the development of the operating and financial plans would be the critical element in the process and could require additional time. However, in general both MTA staff and the applicants believed that some compression of the overall schedule might be possible.

The next step in the process was for the transportation zone applicants to submit some basic service and cost information to the MTA by June 18. Based on this information, the MTA was to provide a preliminary subsidy estimate by July 9, which the transportation zone applicants will use as a basis for developing their operational and financial plans.

### **San Fernando Valley**

Staff met with the Greater San Fernando Valley Zone applicants after Board approval of the pre-application. At that meeting, representatives of the City of Los Angeles indicated that they would likely extend the submission date for the required information. This will provide an opportunity to assess the funding issues and the viability of the proposal before returning to the City

Council to request supplementary funding for the additional consultant evaluation.

To date, the applicants have not submitted the requested information to the MTA. City of Los Angeles staff are considering calling a meeting of the Greater San Fernando Valley policy committee this week to discuss the revisions in the work plan. It is clear that financial considerations are important to these applicants. Therefore, it is critical that MTA staff develop a reasonably accurate estimate of what the subsidy amount will be.

### **Foothill/Expanded San Gabriel Valley**

The Expanded San Gabriel Valley Foothill Transportation zone applicants submitted their service and cost information on June 21. In addition to the data, their submission included a number of assumptions that are not in conformance with the adopted transportation zone guidelines and will need further negotiation, such as:

- service enhancements and additional service over the base service to be transferred through the addition of Line 260, which was not included in the pre-application approved by the Board, and would impact the preliminary subsidy estimates.
- more peak vehicles, spares and total vehicles than are currently operated in the same service area.
- fare boxes which must be compatible with those of Foothill Transit and buses to be painted in their colors.

Staff is evaluating the financial and operational effects of these changes, some of which could delay MTA's service improvement plans or inconvenience MTA riders. Any difference between the Foothill plan and the zone guidelines will be presented to the Board for discussion and resolution.

Staff met with representatives from Foothill Transit on July 2, 1999 and discussed the rationale for the additional time required to conduct the MTA analysis.

### **NEXT STEPS**

Given that the MTA is looking at divesting almost one-third of its operations if both zones are approved, it is important that adequate due diligence be carried out in this important step of subsidy transfer. It is critical that adequate analysis and preparation be conducted ahead of time so that the Board and zone applicants can make an informed decision based on solid facts.

In order to be responsive to the need for a reasonably accurate subsidy estimate for both applicants, the MTA is developing a detailed implementation plan that includes cost savings resulting from this bus service divestiture.

As part of this effort, the MTA has contracted with PricewaterhouseCoopers (PwC) to provide an objective review of the completeness, reasonable accuracy and reasonableness of analytic approach for each of the component areas of cost savings.

The consultant team began last week and has developed an aggressive time table to complete the preliminary subsidy estimate by August 27. While this step will take slightly longer than the original milestone date, staff believes that the enhanced quality of work product will provide an opportunity to compress other steps in the application process and meet the target decision date of February or March, 2000.