

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

MINUTES/PROCEEDINGS

Special Board Meeting
Board of Directors
District Board Room
425 South Main Street
Los Angeles

December 19, 1988

Called to order at 10:03 a.m. by President Swanson:

Directors Present:

Gordana Swanson
Marvin L. Holen
John F. Day
Joseph S. Dunning
Larry Gonzalez

Jan Hall
Jeff Jenkins
Nick Patsaouras
Kenneth R. Thomas

Director Absent:

Jay B. Price

Charles H. Storing

1. Report of the President

President Swanson reminded the Board members of the Public Hearing to be held on Thursday, December 22.

The President also extended her best wishes to everyone for a Happy Holiday Season. She prophesized that 1989 will be a year of change.

2. Report of the General Manager

General Manager Pegg spoke to the Board regarding the farebox audit report prepared by Peat, Marwick & Main, which has been the subject of press scrutiny over the past several days. He mentioned there are eleven issues noted in the report. A formal implementation report is being prepared for the Board; however, he stated that eight of the issues have been implemented or corrected.

Director Jenkins inquired when the recommendations had been implemented, with Mr. Pegg responding that implementation had taken place during the summer and fall of 1988. There was discussion concerning the articles in the press, how the report was given to the press, and the reporting procedures of the Inspector General's Office. Director Jenkins asked how this type of problem could be prevented in the future. Mr. Pegg responded that 1) the District has previously sought legislation to change the reporting relationship of the Inspector General, and 2) the largest amount discussed in the Peat, Marwick & Main report is \$200,000 that may have been lost in the form of interest. That problem had been previously discussed with the Board. The problem lasted for approximately 5-6 weeks. The annualized figure as mentioned in the report never happened. The amount reported in the newspapers and in the press is just speculation.

During further discussion, Director Jenkins mentioned the reporting relationship for the audit reports and he spoke about the \$10 million loss as mentioned in the newspapers. He said it was appalling. President Swanson asked Director Jenkins if, after reading the report, he believed \$10 million was stolen. Director Jenkins said that based on the police report and on the newspaper articles, he could believe that a certain amount was stolen.

Director Thomas stated that the report was actually released to the General Manager in May, 1988. If there is any problem it has to do with the release of the report, not the remedy of the issues. He continued that he believed that most of the Board members were aware that the collection of revenues suffered some discrepancies. He also said he believed that a newspaper continues to sling mud at the District. He mentioned that the Board had also discussed the reporting relationship of the Inspector General.

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Director Jenkins asked if the Board members would object to asking Peat, Marwick & Main to do a follow-up on this report. Director Jenkins also asked for a monthly status report on this subject.

Director Jenkins put his request in the form of a motion to have the Inspector General and Peat, Marwick & Main follow-up and report back to the Board on the progress. This motion was seconded. General Manager Pegg suggested it might be appropriate to have the review begin in February with the installation of the new fareboxes. Director Dunning presented a substitute motion that such report be implemented effective with the installation of the new fareboxes.

During further discussion, Director Jenkins mentioned that the report deals with two processes, 1) the vaulting, and 2) the cash counting room. Mr. Pegg spoke to each of the issues identified in the report. Director Patsouras commented that the District is not the only organization that handles large volumes of cash. He suggested that the District get input from other agencies on the handling of cash and the proposed procedures as identified in the audit report. This could take the form of a Request For Proposal or a Peer Review Panel. This suggestion was put in motion form, seconded and unanimously carried with nine (9) directors present. Following this action, Directors Jenkins and Dunning withdrew their motions.

Director Holen spoke to the subject, stating that some of the problems are endemic to this type of organization, some are endemic to the lack of good judgment. He expressed concern about the magnitude of management failure. Again, Director Thomas aired his concern that people might leave this meeting with the impression that nothing has been done. He restated that the only problem is the release of the report.

Director Day spoke about the figures that have been thrown around regarding alleged loss; i.e., \$10 million - \$2 million. Director Day asked Director Jenkins where he got the information that \$10 million was lost. Director Jenkins replied that his impression was from the report of December 16 and he may have discussed the matter with one of the partners who did the report. Director Day suggested that if we don't know how much, if any, was lost, then figures should not be thrown around. He concluded that he resented the misleading statement that funds were lost. During this discussion, Director Day also asked Director Patsouras about the figure he was quoted as saying could have been lost. Director Patsouras said that to the best of his memory, it was a figure that was reported by the Chief of Police about two years earlier.

3. Director Special Items

Director Holen mentioned a newspaper article regarding the sentencing of a former District employee arrested for grand theft of farebox revenues. He commented on the inconsequential sentence and he asked the Legal Department for a report on this matter. Director Thomas urged caution in this matter, suggesting that the theft may have been inconsequential and the sentence may have fit the crime.

4. Recessed to Closed Session at 10:58 a.m. to consider personnel, labor negotiations and litigation matters. The Board returned from Closed Session at 12:40 p.m. with all Directors responding to Roll Call except Directors Patsouras, Price and Storing.

CONSENT CALENDAR

Items 6 through 13 on the consent calendar, except item no. 5, were approved in one motion with 8 directors present.

6. Received and filed Report Calendar - December 9 - December 22, 1988.
7. Received and filed Purchasing Agent's Report of Sales - Third Quarter
8. Received and filed Treasurer's Report on the District's Investments for November, 1988.
9. Received and filed the Metro Rail Construction Change Order Report for November 1988.

CONSENT CALENDAR - Cont'd.

10. Received and filed status report on Board Request - December 1988
11. Approved minutes of Board meeting held November 10, 1988.
12. ACCEPTED Work Authorization from Los Angeles County Transportation Commission for FY 89 Start-up activities for the Long Beach-Los Angeles Light Rail Project; form of document subject to approval of the General Counsel.
13. Received and filed General Manager's report to the City of Los Angeles for alternatives to lower SCRTD fares.

(End of Consent Calendar)

5. APPROVED Requisition No. 8-1800-145 and amending existing contracts with U. S. Guards Company, Los Angeles, and West Oaks Security, Inc., Los Angeles, covering security guard services at various divisions, increasing the total cost by an additional \$240,000; form of contract amendments subject to approval of the General Counsel.

UNANIMOUS, with 8 directors present

Director Gonzalez questioned the criteria used for the selection of the firms recommended. Staff answered the question to his satisfaction.

(Director Day left the meeting)

14. Received and filed report on implementation of RTD /LACTC 8-Point Plan.

UNANIMOUS, with 7 directors present

Director Jenkins thanked the staff for their cooperation. Director Holen asked for a copy of the agreement being negotiated with LACTC regarding the withdraw of the District's grant application. During further discussion, concern was expressed about the functional changes being made to the Rail Construction Company (RCC), the receipt of funds due to the District for the Metro Rail Project, and the contingency regarding grantee status for the Metro Rail Project pending the final negotiation of the contract with the LACTC.

Director Hall reminded the Board members that her motion on this item was to receive and file the report, including the Memorandum of Understanding.

Director Dunning suggested that it would be appropriate to make the Board members aware of the various steps and processes the staff must go through to get large sums of money.

15. APPROVED the Negative Declaration regarding expansion of operations for Lines 460, 462, and 466 at Terminal 4 in Downey, effective with the February service changes.

UNANIMOUS, with 6 directors present

16. REJECTED non-responsive bids submitted by Graham Brake and Diesel, Mohawk Manufacturing and Supply, and American Fleet Parts, and APPROVED contract on Item No. 1, with Valley Detroit Diesel Allison, City of Industry, and Item #2, Graham Brake and Diesel, Chatsworth, covering procurement of crankshafts for a one-year period, with an option for one additional year at the election of the District, at an estimated cost of \$39,940 for Item #1 and \$138,200 for item #2; form of contract subject to approval of the General Counsel.

UNANIMOUS, with 6 directors present

17. APPROVED extension of the FY 1989 prepaid revenue reimbursement agreements with the City of Los Angeles, County of Los Angeles and the Foothill Transit Zone Joint Powers Authority (JPA); form of agreements subject to approval of General Counsel.

UNANIMOUS, with 6 directors present

18. APPROVED:

- a. Requisition No. 8-8100-684, Option 1A and amendment of Contract A616 with Lord Corporation, Erie, Pennsylvania, for fasteners for Phase II of the Metro Rail Project, at a cost of \$2,946,000;
- b. acceptance of a Work Authorization from Los Angeles County Transportation Commission, covering the cost of the option;

form of documents subject to approval of the General Counsel.

This procurement is funded by the Los Angeles County Transportation Commission.

UNANIMOUS, with 6 directors present

19. APPROVED Requisition No. 8-8100-699 and an increase in the not-to-exceed limit for Change Order No. 53 to Contract No. A-145 with Guy F. Atkinson Construction Company covering disposal of contaminated soil at 5th/Hill Street, in the additional amount of \$440,000; form of amendment subject to approval of General Counsel.

This project is funded in part under UMTA Grant No. CA-03-0130.

UNANIMOUS, with 6 directors present

20. APPROVED Requisition 8-8100-701 and Change Order 16A to Metro Rail Contract A146, Tunnels, 5th/Hill to 7th/Flower Station covering the installation of compaction grout holes and replacement of geotechnical instrumentation at a cost not to exceed \$50,000; form of documents subject to approval of General Counsel.

This project is funded in part under UMTA Grant No. CA-03-0130.

UNANIMOUS, with 6 directors present

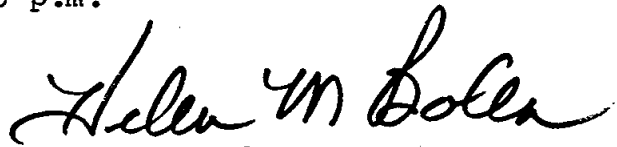
21. Following a concern raised by Director Jenkins regarding the recommended action, and his request that this item be carried over to a future meeting, the Director was assured that the firm of Financial Information Services was in no way responsible for the backlog of farebox revenue processing mentioned in the audit report, but in fact, this firm had performed well in clearing up that backlog.

On motion duly made, seconded and carried with 6 Directors present, approved Requisition No. 8-7100-134 and amendment to an existing contract with Financial Information Services, Los Angeles, for the period February 19 through November 30, 1989, covering the sale of paper currency, increasing the total cost by an additional \$1,872,000; form of contract subject to approval of the General Counsel.

22. Public Comment

There was no public comment.

The meeting adjourned at 1:50 p.m.



Helen M. Bolen
District Secretary