

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

MINUTES/PROCEEDINGS

Regular Meeting
Board of Directors
Thursday, October 25, 1984
District Board Room
425 South Main Street
Los Angeles

Called to order at 1:03 p.m.

DIRECTORS PRESENT

Nick Patsaouras, President
Gordana Swanson, Vice-President
John F. Day
Norman H. Emerson
Carmen A. Estrada
Jan Hall

Nate Holden
Marvin L. Holen
Michael W. Lewis
Jay B. Price
Charles H. Storing

1. Presentation of Certificates of Merit to:
 - a. Carlos Curiel, Maintenance Employee-of-the-Month;
 - b. Maria Sanchez, Information Operator-of-the-Month;
 - c. Hilario Navarro, Operator-of-the-Month;and presentation of plaques by Director Hall.

2. Recognition of meritorious action by District Employee Alfredo Magallon and presentation of certificate by Director Swanson.

Assemblyman Alatorre also appeared before the Board and made a special presentation to Officer Magallon.

3. Presentation of Employee Suggestion Awards by Gayel Pitchford, Director of Personnel to Rigoberto Banuelos, Kenneth C. Barbara, Domingo Gutierrez, Carl B. Winfrey and Gilbert Estrada.

4. Report of the President

Jim Burgess, Transit Police Chief, presented to the Board a plaque from the Los Angeles City Police Department for the District's support of the 1984 Olympic Crime Prevention Program.

President Patsaouras announced that the second regular meeting in November will be rescheduled to Wednesday, November 28, 1984 due to the Thanksgiving holiday. He also announced that the second meeting in December will be rescheduled to Thursday, December 20, 1984.

The President then announced that a Closed Session will be held at the conclusion of the agenda to discuss labor matters.

5. Report of the General Manager

General Manager Dyer reported that the City of Los Angeles is proceeding with a proposed charter amendment related to residential assessments. The City Council is studying three options; 1) provide for a total exemption within Metro Rail Benefit Assessment Districts, 2) provide for no assessment of existing residential property, but leave open the question of assessment of future residential properties, and 3) would require any contract entered into by the City to fund construction of the Metro Rail system to provide that no assessments would be levied on residential properties. Mr. Dyer indicated he expressed the Board's position of not assessing residential property, therefore the District could support any of the three options. The City Council should be considering this matter within the next 30 days. Director Emerson commented that the City Council will be facing the reality of benefit assessments before April, 1985 and some of the council members are becoming concerned. After discussion, Mr. Dyer stated that the intent of the City is to put language into the charter that would preclude future councils from changing their position on this issue.

Report of the General Manager (Cont'd.)

5. Continued

Mr. Dyer expressed his appreciation to the members of the Board for their time spent attending the October 18th workshop meeting. Staff has prepared all the material requested during that workshop meeting, and Mr. Dyer indicated he would discuss the charts contained in this material later in the meeting today.

Mr. Dyer concluded his report by stating that the RTD/LACTC Coordinating Committee meeting scheduled for Monday, October 29th at 1:00 p.m. is an important meeting and he urged each of the Directors to read Mr. Richmond's memorandum to the LACTC concerning Proposition A discretionary funds. The allocation of these funds will have significant impact on the District. Director Holen asked if the committee will discuss fare structure, indicating it would be more appropriate to discuss whether or not the Commission has the right to establish a fare structure. Mr. Dyer responded that there are two items on the agenda; 1) the RTD's plans for a post 50¢ fare Proposition A service, and 2) LACTC's proposed distribution formulas. The formula deals with three issues; a) a maximum fare of 75¢ in base period, b) a distribution formula, and c) waiver of a set of reporting requirements. Mr. Dyer commented that the Commission proposes to sub-contract 5% of the funds, and they will want to know the service changes proposed by the District as early as possible so they can consider through an RFP process proposals from private carriers. Mr. Dyer indicated his belief that the issue of a 75¢ maximum fare for a two-year period will also be discussed. Mr. Dyer indicated the Commission's time frame for making a decision on all elements is November 28th. That decision will drive all decisions the District has to make from December 15th to the end of February. Any impact the District may wish to make on the Commission's decision must be made between now and the end of November. This will take the District into the system down-sizing issue and the fare structure issue. We are required to make those decisions by March 15th in order to get them into the Short Range Transportation Plan.

Report of the General Manager (Cont'd.)

5. Continued

Director Hall asked if it wouldn't be fare setting and subject to public hearing if the Commission uses the caveat that to receive discretionary funds, the maximum base fare would be 75 cents. Mr. Powers indicated that he did not believe the Commission would have to hold a public hearing. What in fact, they are doing is saying if the District wants the funds, these are the conditions.

If the Board contractually agreed to that, then this Board would have to hold the public hearing. Director Storing asked what statutory authority the Commission has to discuss fares. Mr. Powers responded that there is no direct statutory authority, but they do have the authority to allocate the discretionary funds in the best interest of public transit purposes. Director Lewis commented that staff projections indicate that with a 75 cent fare and a 500,000 service hours cut, the budget cannot be balanced. Mr. Dyer indicated that it would be appropriate at this time for him to present the material he had planned to present later in the meeting.

Mr. Dyer indicated that the total available outside revenue is \$330 million. The operating cost for the current fiscal year is \$438 million. The unfunded costs of \$128 million is covered by farebox revenue. Next year the total available outside revenue is estimated at \$298 million. Total operating costs would be \$487 million, with the unfunded amount of \$189 million to be made up by farebox revenue. These figures are based on the existing system with inflationary growth rate of 6-7%. Mr. Dyer went through the figures explaining various fare proposals and service reductions and the impact on the current system. Mr. Dyer concluded by stating there are about 12 separate alternatives to consider, and he requested the Board members to study them carefully and be prepared to discuss how much of the system is to be retained and what the fare is to be.

Report of the General Manager (Cont'd.)

5. Continued

Director Hall asked what number of automobile trips we would be dumping back on the freeway system. Mr. Dyer responded about 200,000 additional trips; there currently are about 25 million auto trips per day. While this is a small percentage, they will be using the already heavily crowded routes. Director Emerson asked about the elasticity factors and the potential recovery of some of these riders. Mr. Dyer indicated that this had been factored in. Director Holden commented that it appeared that everything had been factored in but public opinion. He spoke about the surplus funds for 1983, 1984 and 1985 and that this money could have been used to subsidize fares.

6. Director Special Items

Director Emerson asked if the District was keeping up to date on the entire land use planning activity as it relates to the City Planning Department and the Community Redevelopment Agency. He asked that the Board receive an update on the various specific plans and the area planning process as it relates to benefit assessment districts and the entire planning use activities. He also mentioned a previous General Manager's recommendation that the District Board try to schedule meetings with some of the newly appointed Boards within the City. He concluded by commenting that anytime Metro Rail is discussed before a policy body, the Board members should be requested to participate.

Director Holden indicated that he had hoped that the General Manager would present a report on the disposition of the Olympic tokens during his report. President Patsouras indicated that subject would be discussed under New Business.

Director Special Items (Cont'd.)

6. Continued

Director Holden then commented on a previous Board action concerning a negotiated contract with the General Manager for an additional three-year period. He commented that this contract has caused a lot of negative feedback and he made a motion to refer the matter of the General Manager's contract to the Executive Committee for the purpose of review. This motion was seconded.

Director Holden then commented on the pension plan amendment in the contract. He indicated that we are here to build the Metro Rail system and nothing that we do should negate that prime responsibility. After further discussion, on a call for the question, the motion failed on a Roll Call vote as noted below:

Ayes:	Estrada, Holden, Swanson
Noes:	Emerson, Hall, Holen, Lewis, Price, Storing, Patsaouras
Abstain:	Day
Absent:	None

EQUIPMENT & MAINTENANCE COMMITTEE REPORT

7. Received status report on funding commitments for proposed procurement and testing of 30 methanol-fueled buses and authorized the General Manager to amend the Transportation Improvement Program to reflect a proposed procurement or funding of 100-foot buses and 30 methanol powered buses.

UNANIMOUS

AD HOC COMMITTEE ON ACCESSIBLE TRANSPORTATION

8. "Received and Filed" report on Accessible Service Program.

UNANIMOUS

ADVANCE PLANNING COMMITTEE REPORT (Items 9-10)

9. Approved report on the General Manager's request to the Los Angeles County Transportation Commission for amendment of the FY 1985 Transportation Improvement Program (TIP) to include the District's Management Information System project described in the 1985-89 Short Range Transportation Plan and directed that the the request for funding of the full \$6.3 million for management information system project be taken before the RTD/LACTC Coordinating Committee.

UNANIMOUS

10. Approved authorization of the General Manager to accept a contract with the Los Angeles County Transportation Commission for patronage analyses on the Century Freeway in an amount not to exceed \$50,000; form of contract subject to approval of the General Counsel.

Advance Planning Committee Report (Cont'd.)

10. Continued

Director Lewis asked why the District would want to be responsible for patronage forecasts for the Commission. Staff responded that part of the work to be done under this contract would be to merge our bus service with the Century Freeway project. Director Lewis commented that he would not support this item. He believes the District is being drawn in and will be held accountable at some future date because of this type of involvement without any policy involvement. Upon inquiry, staff responded that this is the type of operations planning work that must be undertaken if the District is to operate the line in the future. Director Emerson commented that when this issue came before the Board in the past, it was left undecided as to the role the District would assume in the light rail program.

CARRIED, with Director Lewis voting against the motion on a Roll Call vote.

GOVERNMENT RELATIONS COMMITTEE REPORT

11. Consider adoption of State Legislative Program for 1985.

Adopted State Legislative Program for 1985 as attached to the report as Policy Items No. 1, 2, 3, 4 and 7.

UNANIMOUS

On a Roll Call vote, proposed Policy Item No. 5 did not pass.

Government Relations Committee Report (Cont'd.)

11. Continued

On a motion by Director Price, seconded and carried as noted below on a Roll Call vote, proposed Policy No. 6 was carried over for one month until a report on the proposed justification for this increase in transit related crime fines is available.

Ayes:	Emerson, Estrada, Holden, Holen, Price, Swanson
Noes:	Day, Hall, Lewis, Storing, Patsaouras
Abstain:	None
Absent:	None

RAPID TRANSIT COMMITTEE REPORT (Items 12-14)

12. Adopted Clarifications of Findings, which findings were previously adopted on November 10, 1983 in connection with the adoption and certification of the EIR on the Metro Rail Project.

UNANIMOUS

13. Approved revision of Second Annual Work Program (AWP) and amendment of contract with Metro Rail Transit Consultants (MRTC) for continuing engineering services for the Metro Rail Project; form of documents subject to approval of the General Counsel.

UNANIMOUS

Rapid Transit Committee Report (Cont'd.)

14. Authorized the General Manager to execute and file the necessary documents for the Fund Transfer Agreement that provides Article XIX and TP & D Guideway funds (CalTrans) in the amount of \$72.7 million for the Metro Rail Project; form of documents subject to approval of the General Counsel.

UNANIMOUS

PERSONNEL COMMITTEE REPORT

15. Upon recommendation of the Personnel Committee, carried over to the November 8, 1984 Board Meeting the item concerning renewal of non-contract medical and dental insurance contracts to allow the staff to complete a short form "Request For Proposal" process.

UNANIMOUS

Mr. Robert Hopkins, representing United Health Plan appeared before the Board asking the District to consider allowing his organization an opportunity to provide health maintenance organization type of service to the District.

FINANCE & JOINT DEVELOPMENT COMMITTEE REPORT (Items 16-18)

16. Approved Requisition No. 4-7100-089 and authorization of the General Manager to exercise an option for an additional one-year period with Lloyds Bank of California, Los Angeles, covering banking services at an estimated cost of \$300,000; form of option subject to approval of the General Counsel.

UNANIMOUS

17. "Received and Filed" report on Benefit Assessment Policy Task Force.

UNANIMOUS

18. Authorized the General Manager to submit the District's FY 1985 Section 9 grant application and execute with the Urban Mass Transportation Administration all related documents for federal funding in the amount of \$103,500,728 for Operating Assistance, the Metro Rail Project and miscellaneous equipment and facilities.

UNANIMOUS

CONSENT CALENDAR (Items 19-26)

19. Approved Requisition No. 4-0990-63 and authorized the General Manager to amend an existing contract with Fleming and Associates, La Canada, covering administration of additional transferred Bierly claims through September 30, 1984, increasing the total cost by an additional \$20,000 to a total cost not to exceed \$70,000; form of contract amendment subject to approval of the General Counsel.

UNANIMOUS

Consent Calendar (Cont'd.)

20. Authorized the General Manager to execute a contract with Deloitte, Haskins & Sells, San Francisco, under RFP No. 078430 covering consulting services to conduct a technical review of the TRANSMIS-II project at a total cost of \$97,000; form of contract subject to approval of the General Counsel.

UNANIMOUS

Director Emerson asked what the District intended to do with the results of the review. Staff responded that the review is intended to determine if the full potential is being realized from the project and perhaps to discover better ways of obtaining information currently available with existing software.

21. Approved Requisition No. 4-3399-139 and authorized the General Manager to amend an existing contract with Time Sharing Application and Consulting Services, Sherman Oaks, covering software program to provide report writing capability in connection with the vehicle Maintenance System (VMS), increasing the total cost by an additional \$58,240 to a total cost of \$73,240; form of contract amendment subject to approval of the General Counsel.

UNANIMOUS

Director Swanson asked why the original contract was increased by such a large percentage. Mr. Dyer responded that the software being purchased was not foreseen as being needed at the time of the original contract.

Consent Calendar (Cont'd.)

22. Authorized the General Manager to execute contracts with the lowest responsible bidders under Bid No. 8-8413 covering miscellaneous bearings for a one-year period, with an option for one additional year at the election of the District:
- a. Bearings, Inc., Pico Rivera, covering Group 1 for an estimated annual cost of \$4,060;
 - b. Bearing Sales Company, Los Angeles, covering Group 2 for an estimated annual cost of \$61,840;
 - c. Flxible Corporation, Los Angeles, covering Group 3 for an estimated annual cost of \$3,430;
 - d. Kaman Bearings and Supply, Los Angeles, covering Group 4 for an estimated annual cost of \$43,140;
 - e. M.A.N. Truck & Bus Company, Statesville, North Carolina, covering Group 5 for an estimated annual cost of \$1,335;
 - f. Muncie Reclamation & Supply, Muncie, Indiana, covering Group 6 for an estimated annual cost of \$99,850;
 - g. Southern California Motor Parts, Los Angeles, covering Group 7 for an estimated annual cost of \$194,320;

form of contracts subject to approval of the General Counsel.

UNANIMOUS

Consent Calendar (Cont'd.)

23. Approved Requisition Nos. 4-3314-6822 and 4-3314-6823 and authorized the General Manager to exercise options covering air suspension bellow assemblies for one additional year with:

a. Grumman Flxible Distribution Center, Compton, at an estimated cost of \$61,850; and

b. Hausman Bus Sales, South Gate, at an estimated cost of \$23,250;

form of options subject to approval of the General Counsel.

UNANIMOUS

24. Approved Requisition No. 4-3600-37 and authorized the General Manager to exercise an option for an additional nine-month period with Josten's, Minneapolis, Minnesota, covering Safety Award Program items at an estimated cost of \$50,000; form of option subject to approval of the General Counsel.

UNANIMOUS

25. "Received and Filed" Report Calendar - October 4 through October 18, 1984.

UNANIMOUS

Consent Calendar (Cont'd.)

26. a. Approved Minutes of Regular Meetings held September 27, 1984 and October 11, 1984;
- b. Ratified temporary route diversions as filed with the Secretary;
- c. Ratified bus stop zone changes as filed with the Secretary;
- d. "Received and Filed" Purchasing Agent's Report of Sales Orders - Third Quarter, 1984.

UNANIMOUS

GENERAL ITEMS

27. New Business

Director Hall made a motion to direct staff to start evaluating what the District's role should be in the light rail program and what we should accomplish early on to protect our role. This motion was seconded and carried unanimously.

Director Emerson reported that he had received an invitation from the California Energy Commission sponsored press conference on November 1, 1984 at the Golden Gate Bridge where a new M.A.N. methanol powered bus will be formally inaugurated.

General Items (Cont'd.)

27. Continued

General Manager Dyer reported on the Olympic token sales. A copy of the report is filed with the Secretary. The Olympic token program resulted in gross sales of \$2,756,783 with expenditures of \$2,209,048, for a net profit of \$547,735. The retail experience during the last week at the Olympic Memorabilia sale resulted in the sale of approximately 5500 sets. Mr. Dyer indicated that a marketing plan for the sale of the remainder of the sets would have cost hundreds of thousands of dollars. Based on this assessment a decision was made to participate in the auction phase of the Olympic Memorabilia sale with a minimum price of \$3 per set. Mr. Dyer concluded that the decision to participate in the auction resulted in the overall token program resulting in a net profit rather than a net loss situation.

Director Swanson stated that she recalled the discussion at the last Board meeting, which was to prepare an extensive marketing plan for the coins and to dispose of the coins. The discussion concerning price centered around a price of \$12 per set. There was no discussion concerning an auction. She indicated the Board needs to take some serious action on this matter, and she suggested that the buyer be requested to donate the tokens to a public social agency to be dispensed to the needy. Upon inquiry, the District Secretary reported that the motion made at the October 11th Board meeting did not include a price. The discussion centered around a \$12 price, but language concerning the price was not included in the motion. Director Holden indicated that it would not be unreasonable to rescind the action on the basis of a gift of public funds if the transaction has not been completed. He so moved, which motion was seconded.

General Items (Cont'd.)

27. Continued

Director Estrada asked for a legal opinion concerning the gift of public funds aspect of the motion. Mr. Powers replied that he did not believe it was a gift of public funds. There was a benefit to the District even though the tokens were discounted in order to receive an immediate return to the District. There was discussion concerning the minimum price which was established by the auctioneer at \$75. Staff had authorized a minimum price of \$72. Director Holen asked for an elaboration on how this price was established in view of the discussion held by the Board at the last meeting.

Mr. Fortuno responded that the first five days of the sale was a retail activity and the price of the token sets was established at \$12 and a case price of \$10 per set. The second part of the sale was the auction process. Based on discussions in early September, it appeared that the market would yield about \$3.85 per set. During the past few weeks that price began to diminish. As we approached the auction, the market price appeared to be about \$2 per set and that was the original staff recommended price. Mr. Dyer increased the minimum price to \$3 per set. Director Holen asked if thought had been given to development of a marketing program. Mr. Fortuno indicated that during the same period of time, staff had contacted consulates and foreign visitor agencies and could not determine a market on a foreign basis, nor could a market be determined on a national basis. He concluded that he could not recommend to the General Manager that the District invest any more funds to sell the token sets on a consumer basis. Director Holen asked if any consideration was given to the return of the tokens in the farebox. Mr. Fortuno indicated that an assessment had been made and it was determined that approximately 1.5 billion tokens would have to come through the farebox before the District would lose money, and it would be difficult to achieve even a small percentage of that number.

General Items (Cont'd.)

27. Continued

Director Hall asked about the purchase cost of the tokens and staff responded they were 15-cents each. Upon inquiry, it was stated that the tokens are valid for fare today, but the contract with MarketCom indicates a cutoff date of December 31, 1984. Director Hall then asked what was the District's ability to rescind the action. General Counsel Powers indicated that the buyer bought the tokens in good faith and in the worst case scenario, the District would face a breach of contract charge. Whether that charge would prevail would depend on the issue of apparent authority. Director Hall then asked if the District could now take action that the tokens would no longer be valid in the farebox. Mr. Powers indicated that during the sale it was stated that the tokens were still valid as fare.

After further discussion, it was stated that on the total program the District made a net profit of 27%.

Upon inquiry, Mr. Scatchard stated that the total number of tokens sold during the auction represent 1.7% of the total fares expected to be taken in within the next eight months, and he recommended against a cutoff date because of the negative public relations impact on the Olympic program.

Director Swanson again stated that she felt the Board's direction was very clear to the staff and that direction had been totally ignored. Director Holden expressed his shock at hearing that staff had been discussing with potential buyers the possibility of selling the tokens at \$2 or \$3 per set without sharing that information with the Board. As the tokens are presented for payment of fare, the profit of 27% begins to erode. He indicated that the spirit of his motion is to discontinue the delivery of the tokens to the buyer until the question of constitutionality of the gift of public funds issue is clear.

General Items (Cont.d)

27. Continued

Director Hall said that a business decision was made, and it cannot be second-guessed or proven. It was not a bad business decision, but she indicated her original concern was about the tokens being used for fare, but she does not now believe this will happen.

Director Lewis spoke about the fallacy of intrinsic value. For the buyer to make a profit, he would have to sell the sets at \$4, which is the price of a monthly pass for student and senior citizens. The remainder of the monthly pass riders pay \$20 and get unlimited rides. Only the regular fare cash riders would be the market for the tokens. This group represents about 30-35% of our total ridership. Mr. Dyer indicated that there was no after-market demand for the tokens. After further discussion, Director Estrada said that the issue was whether or not the Board authorized the action taken by staff and she indicated that she does not believe the Board gave that authority.

Director Holden restated his motion asking the General Counsel to take sufficient time to research and determine if the action can be rescinded and to determine if this is a gift of public funds. In order for the motion to be stated more clearly, the second was withdrawn. Director Holden then made a motion to instruct staff to withhold delivery of the coins until such time as it can be determined if the transaction is legal and not in violation of the Constitution, with a report back to the Board. This motion was seconded by Director Day.

General Items (Cont.d)

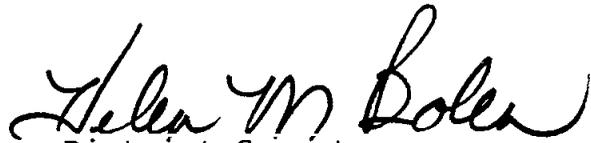
27. Continued

On a Roll Call vote, the motion failed as noted below:

Ayes:	Day, Emerson, Estrada, Holden, Swanson
Noes:	Hall, Lewis, Price, Storing, Patsaouras
Abstain:	Holen
Absent:	None

At 4:30 p.m., the Board recessed to Closed Session to consider a report on labor matters. The Board returned from Closed Session at 4:30 p.m. No report was made of matters discussed in Closed Session.

Adjourned at 4:30 p.m.


District Secretary