

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

MINUTES/PROCEEDINGS

Special Board Meeting
Board of Directors
Thursday, May 4, 1989
District Board Room
425 South Main Street
Los Angeles

Called to order at 9:15 a.m. by President Swanson

Directors Present:

Gordana Swanson, President
Marvin L. Holen, Vice President
Joseph S. Dunning
Jan Hall

Jeff Jenkins
Nick Patsaouras
Jay B. Price
Charles H. Storing

Directors Absent:

Larry Gonzalez
Jerold F. Milner

Kenneth R. Thomas

1. Considered Government Relations Committee recommendation to request the withdrawal of AB 2009.

General Manager Pegg and staff spoke to this item, and it was stated that the author, Assemblyman Polanco, has been notified of the Board's current position to request that this bill become a two-year bill. He has also been informed of today's pending action and has agreed to take the District's concerns under consideration as well as those of the cities in Los Angeles County. Director Storing mentioned that AB 2009 is being placed in the Suspense File. Staff responded that the bill has to be set at the Policy Committee in order to become a two-year bill. This must be done before May 12.

Sharon Neeley of the LACTC spoke on this issue, requesting the District to urge Assemblyman Polanco to withdraw this bill. She also distributed a paper entitled LACTC Comments on SCRTD Position on AB 2009 which elicited some discussion on the subjects of audits of te LACTC, the delay in the release of the Request For Proposal for additional lines to be operated by the San Gabriel Valley Transportation Zone, and other related issues.

William Forsythe of the Foothill Transit Zone also spoke, requesting the bill be withdrawn for three reasons: 1) the bill does not support local control of local issues, 2) the bill appears to be against the premise of local transit zones, and 3) the bill could have substantial negative impact upon the Foothill Transit Zone. When asked to elaborate on the last point Mr. Forsythe said that it appears that any zone, current or future, would have to fund 50% of its costs with local return funds. Currently, the zone is required to fund 5% of its local operating budget as are municipal operators.

Director Holen asked questions regarding the accounting techniques to be used to evaluate the performance of the zone, indicating it is intended that the District prepare a very careful line item budget as it would relate to the operations of the zone, both in terms of current actual costs and in terms of a pro forma cost giving effect to average age of buses, etc. During the ensuing discussion, Mr. Forsythe pointed out a difference of opinion regarding actual costs in the area of the costs of the parent company of the transit operator of the zone. Director Holen mentioned that as long as realistic management overhead costs are included in the pro forma budget, there should be no disputes.

In response to some of the statements made by Mr. Forsythe, General Manager Pegg commented on his understanding that the Foothill Transit Zone expects to use the bid price as paid as the fully allocated cost of receiving service as opposed to the carrier who is contracted with an underlying report of fully allocated cost for the purpose of making this comparison. Mr. Forsythe replied that he would be glad to use Section 15 fully allocated costs, if the District would prefer.

President Swanson inquired if the federal government paid for any part of the buses operated by the zone. The answer was negative, funding was obtained locally. Mrs. Swanson then asked if the commission paid any of the demonstration dollars for this project. To clarify her question, Mrs. Swanson asked if, in addition to the 25% local funds, the zone receives any funds from the LACTC. Mr. Forsythe responded that the first three years of operations are being funded entirely out of Proposition A discretionary funds, in terms of subsidy, in an amount equal to what the District would have received from Proposition A funds, STA and TDA funds to operate the service. The first three years of operation are not under the formula allocation for Proposition A funds.

In closing, President Swanson requested Mr. Forsythe to provide the District staff with all information regarding the zone's budget and procedures.

Director Hall made a motion to request Assemblyman Polanco to withdraw Assembly Bill 2009, which motion was seconded and discussion continued. Director Hall expressed her concern about the misunderstanding between the two staffs about how the reporting process works. She continued that the District needs to be fully committed to making sure that the local solution to this problem stays in place and that the formula for allocation of funds is one that gives an apples-to-apples comparison. She stressed this commitment needs to be reviewed quickly and suggested that LACTC and the District revisit this issue so that there is an understanding of the rules. Director Hall strongly recommended that staff be instructed to develop a formula which would accurately reflect our costs in the same areas as the zone costs.

Director Dunning commented that the discussion so far has centered on the accounting aspects of the bill. He asked about the portion of the bill designed to encourage the timely release of the cities' Proposition A funds. He asked if the Board wanted to address that portion of the bill separately. General Manager Pegg responded that the provision in the bill which would promote the more rapid use of Proposition A funds is the same provision which would require that 50% of the costs for future zones come from Local Return Proposition A funds.

Director Jenkins commented on his preference to see the resolution of the release of Proposition A Local Funds decided at the local level. Director Storing suggested the District should consider the viewpoint of the local cities who view this bill as offensive.

Director Dunning then offered a substitute motion requesting that AB 2009 be put into the suspense file. This motion did not receive a second.

The original motion to request the author to withdraw AB 2009 passed on a Roll Call vote as noted below:

Ayes:	Holen, Hall, Jenkins, Patsaouras, Storing, Swanson
Noes:	None
Abstain:	Dunning, Price
Absent:	Gonzalez, Milner, Thomas

In response to Director Hall's concern that the staff be instructed to develop the issues of concern regarding the evaluation of the zone's performance, General Manager Pegg commented there are already four substantial elements of comparison on the table for discussion. If they are all pursued and compared, they will create further substantial discussion. The District is trying to define those elements and go forward without the current lack of definition. Directors Jenkins and Holen commented on this suggestion, with Director Holen suggesting that a full, complete stand-alone budget be prepared for the service in question, including depreciation, etc. with a column for 'pro forma'. This will allow a comparison with zone costs for its skewed first, second and third year costs and with what it should cost the Zone for continuing operations.

2. Recessed to Closed Session at 10:05 a.m. to interview candidates for the position of Controller-Treasurer.

The Board returned to open session at 1:00 p.m. with all Directors responding to Roll Call except Directors Gonzalez, Milner and Thomas.

A report was made that the Board has directed the General Manager to enter into negotiations with a candidate for the position of Controller-Treasurer.

The Special Meeting adjourned at 1:02 p.m.

Helen M. Cole
District Secretary