

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

MINUTES/PROCEEDINGS

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

December 3, 1987

Called to order at 10:04 a.m.

Directors Present:

Jan Hall, President	Nick Patsaouras
Carmen A. Estrada, Vice-President	Jay B. Price
John F. Day	Charles H. Storing
Joseph S. Dunning	Gordana Swanson
Marvin L. Holen	Kenneth R. Thomas
Erwin N. Jones	

At the request of the Vice-President, Agenda Item No. 2 was considered first.

2. Considered the General Manager's report recommending rejection of all bids submitted for contract no. A740, Ventilation Equipment, and readvertisement of the Request For Bids.

General Manager Dyer reported that, upon evaluation, all bids received have defects that are not curable and are subject to protest. Members of the Board questioned the approach that will be taken in the revised specifications, the differences in the equipment offered by the bidders, net size and capacity of the fans, etc. The General Manager also mentioned that the Urban Mass Transportation Administration (UMTA) has been reluctant to authorize and approve award of a contract of this nature in the face of one or more protests.

Director Day made a motion to reject all bids, which motion was seconded and discussion ensued.

Director Thomas voiced his concerns about the change of staff recommendation in the face of confrontation or conflict. Staff responded that the change resulted from additional information made available by the vendors. Director Patsouras offered a word of caution that the District not set such a strict view of dimension, sizes, etc, that other vendors on other bids can use that strict interpretation against the District in the future.

Mr. Charles Treat, representing Flakt, Canada, appeared before the Board thanking the District for the courtesy and cooperation extended to his firm. He also stated his disagreement with the decision that his firm's bid was non-responsive.

Mr. Jim Gibbs, representing TLT Babcock, spoke indicating a written protest has been submitted regarding the non-responsive determination by staff in regard to TLT Babcock's bid.

On a call for the question, the motion passed on a voice vote with Director Patsouras voting against the motion and Directors Hall and Swanson absent for the vote.

1. Considered General Manager's report regarding Fiscal Year 1988 budget deficit reduction options.

In response to a comment from the Board concerning a staff recommendation, General Manager Dyer recommended a two to three tier type of action. He recommended an 18-month program which included setting a date for a public hearing on fare levels and service changes, and he indicated staff could recommend any number of the combinations of actions contained in the report.

Director Holen raised some concerns regarding the actual shortfall. After comments by the Controller-Treasurer, it was stated that the actual shortfall is \$5 million, not the \$8.2 million mentioned in the report if one assumes the LACTC agrees to make up the \$3.2 million that was vetoed from the State budget. It was also stated that the \$5 million would be a \$10 million figure annualized. Director Holen continued by asking about funds being held by the Los Angeles County Transportation Commission (LACTC) that might be available for operation of the District. He stated that if those funds exist, the Board and the public should know the funds are available and the ability to meet our expected expenditures can be met by the LACTC. The General Manager explained that the LACTC takes a specific number of dollars "off the top" of the funding allocations; this amounts to about \$6-8 million year. After this, the balance is allocated. District receiving about 87%.

(President Hall arrived at this point in the meeting.)

In response to questions concerning accumulation of the "skimmed" funds, staff responded that the LACTC has a reserve account and most of those funds are earmarked for the San Gabriel Valley Transit Zone. Staff further commented that there are no funds available at the LACTC because the reserve fund has been used for Dial-A-Ride, etc. The only funds available would be a swap of farebox revenue for Local Proposition A funds. Staff indicated there are uncommitted local Proposition A funds; \$72 million accumulated by the City of Los Angeles, \$34 million by the small cities, and \$12 million by the County of Los Angeles.

General Manager Dyer commented that when the District proposed the swap of farebox revenues for local Proposition A funds earlier in the year, the rate proposed was about 60¢ on the dollar.

In conclusion on this subject, Director Holen stated that, in effect, the solution to the District's shortfall problem for Fiscal Year 1988 is simply a matter of policy by the LACTC. He continued that a policy change would be a win/win situation, with the District and the riding public avoiding a fare increase and service cuts.

Director Storing commented on the financial impact of the San Gabriel Valley Transit Zone on the District. The staff estimate of \$3.5 million in annual losses is conservative. This amount in loss is certain, but the District will also suffer from a reduction in the discretionary pool of money as well.

Director Estrada stated her desire to see the fare increase and service cut issue removed from the Board's agenda for the next four to six weeks. She cautioned that the Board should not set a public hearing unless it has been absolutely determined that the Board intends to raise fares and cut service. She indicated that Director Holen's comments will require some follow-up actions.

Director Patsouras questioned the possibility of obtaining funds from the Metro Rail Project for the District's operating shortfall. The staff indicating that the funds are legally required to be segregated, and metro rail funds cannot be used for bus operations.

(Director Swanson entered the meeting at this point.)

Director Dunning spoke about the efforts in the past to obtain the LACTC's approval to swap farebox revenues for Local Proposition A funds. He concluded that it was with personal displeasure that he advocated an increase in fares.

Director Thomas expressed his views that a fare increase and service reductions is abhorrent and counter-productive to the District. He expressed his support for the swap of farebox revenues, indicating that this is the most feasible alternative before the Board. He also suggested the Board proceed with the setting of a public hearing, as a practical matter. With regard to Fiscal Year 1989, he urged the District to take a hard look at the expenditures. He concluded by making a motion to set a public hearing to consider fare increases and service reductions, which motion was seconded by Director Price.

Director Jones spoke in support of the motion, indicating that the District had requested the LACTC's approval of the farebox revenue swap several months ago. He also requested a specific staff recommendation. He concluded that he will support the public hearing motion only if eight (8) Directors are willing to vote for a fare increase.

President Hall offered her views on the motion, indicating that the Board will raise some needless concerns for the public if the Board members are not interested in giving serious consideration to a fare increase. She stated that she would not support the motion to set a public hearing unless the Board is willing to increase the fares. With regard to the farebox revenue swap, President Hall reminded the Board that the LACTC has rejected this request in the past; therefore, we should anticipate their reaction to a second request. She concluded by stating that the Board and the riding public can expect a significant increase in fares if the decision is delayed because the District's revenue sources are decreasing.

Director Patsaouras spoke about other non-traditional sources of revenue, namely, the development of the District's Van Nuys property. General Manager Dyer indicated that the developer must request a zoning change from the Los Angeles City Council. While this project would generate approximately \$300,000 in income for the District, it is not feasible to expect this income in Fiscal Year 1988.

Director Estrada asked Director Thomas to withdraw his motion. She suggested the President appoint an Ad Hoc Committee to more fully develop the options and alternatives available and to go back to the current budget in an attempt to decrease the expenditures. She suggested there be strong private sector participation.

Director Swanson commented that the District has held the fares constant for three years. She suggested that the Board look for other innovative ways to cover the projected shortfall. She requested the Corridor Directors write to their cities requesting the cities to urge the LACTC to allow the farebox revenue swap. She also stated her preference for the institution of a service charge for passes.

Director Storing supported Director Swanson's suggestion to contact the cities, stating that the LACTC is a body of elected officials and political pressure should be brought to bear on them.

General Manager Dyer advised the Board that the passing on to the public of a surcharge or service charge on passes would require a public hearing.

Director Estrada made a substitute motion that the staff and Board pursue the farebox trade-off with the LACTC, and that staff return to the Board at the December 17 meeting with responses to matters raised regarding joint development, capital funds, etc., and to make a specific recommendation for the FY 1988 shortfall, and that the Controller review the existing budget and come back with recommendations on how the existing budget can be shrunk and how some expenditures can be eliminated during the next six months. This substitute motion was seconded, with discussion continuing.

Director Holen spoke indicating he would support a fare increase at the beginning of the Fiscal Year; however, to respond to a shortfall by raising fares is not a good solution. He went on to state that the District does not have a reserve; the LACTC has forced the District to avoid a fiscal reserve and the shortfall we are now discussing is less than 1% of the operating budget for the year. Director Holen supported the suggestion that the smaller cities be contacted regarding the swap of farebox revenue for local Proposition A funds.

Director Swanson suggested that the LACTC be asked for a variance or a waiver of their policy regarding the farebox dollar swap.

On a call for the question, the substitute motion by Director Estrada was unanimously approved.

Director Holen stated that the action just taken by the Board was limited to the remainder of Fiscal Year 1988. The General Manager's recommendations about the next fiscal year should be brought to the Board in the near future.

3. Considered the General Manager's recommendation to execute a contract for a five-year period commencing December 1, 1987, with HCM Claims Management, Corporation, Parsippany, New Jersey, under RFP No. 87-22, covering public liability/property damage claims administration services for a total estimated cost of \$9,556,612 for the first two-year period; form of contract subject to approval of General Counsel.

Director Jones made a motion to accept the staff recommendation, which motion was seconded and followed by discussion.

Director Day indicated he would vote against the motion because he was not convinced a claims administration service was the most advantageous for the District. Upon inquiry by Director Swanson, General Manager Dyer indicated that the current contractor providing this service was not interested in continuing the contractual relationship with the District.

Staff responded to concerns raised by the Directors that sixty percent of the cost of the claims administration service is the employment of the staff, the remainder is the cost of the system necessary to control the administration. To perform this service in-house would require a one-year lead time.

Discussion also centered around the claims "tail" from the contract period just expiring. Staff indicated that negotiations are under way with Leonard J. Russo.

A request was made to separate the question, but on advice of counsel, the motion as made by Director Jones was not separated and was approved on a Roll Call vote as noted below:

Ayes:	Dunning, Estrada, Hall, Holen, Jones, Patsaouras, Price
Noes:	Day, Storing, Swanson
Abstain:	Thomas

4. Received and filed the report on the San Gabriel Valley Transit Zone Revised Final Application.

UNANIMOUS

5. The Board did not recess to Closed Session.

Public Comment

Mr. Peter Baxter addressed the Board on the subject of the resignation of the General Manager.

Meeting adjourned at 12:34 p.m.



Helen M. Bolen
District Secretary