

Wednesday, March 29, 2006 4:00 P.M.

MINUTES

Los Angeles County Metropolitan Transportation Authority

Service Sector Governance Councils
Annual Meet and Confer
Metro Headquarters Building
One Gateway Plaza, Los Angeles, CA
90012
Board Room, 3rd Floor
Called to Order at 4:12 p.m.

Roger Snoble, Chief Executive Officer
John B. Catoe, Jr., Deputy Chief Executive Officer

Sector Representatives Present:

San Fernando Valley

Coby King, Chair
Kymberleigh Richards, Vice Chair
Richard Arvizu
Todd Campbell
Joan H. Leonard
Ara Najarian

Gateway Cities

Wally Shidler, Vice Chair
Cheri Kelley
Jo Ann Eros-Delgado
Owen Newcomer
Samuel Peña

South Bay

Terisa Price, Chair
John McTaggart, Vice Chair
Margaret Hudson
Devon Deming

Westside/Central

Peter Capone-Newton, Chair
Carol Gross
Anny Semonco
Jerard Wright
Glenn Rosten

San Gabriel Valley

Bruce Heard, Chair
Harry Baldwin
Emile Bayle
Bart Doyle
Henry Lopez



Los Angeles County
Metropolitan Transportation Authority

Metro

- 1) **APPROVED Minutes from June 22, 2004** Governance Council Meet and Confer.
- 2) **APPROVED Minutes from May 23, 2005** Governance Council Meet and Confer.
- 3) **RECEIVED Chief Executive Officer's Remarks.**
 - Welcome and Introductions – Sector Representatives, staff, and audience members introduced themselves.
 - Update on FY07 Proposed Budget:

Mr. Snoble mentioned that the agency has been operating under a structural deficit for many years, and that revenues from fare and advertising are not sufficient to cover services provided. For the past 9.5 years, Consent Decree-related mandates, including services prescribed by the Special Master, have inhibited the agency's ability to operate effectively.

Although the FY07 financial forecast included a structural deficit of \$145 million, the amount that was reported to the Special Master was approximately \$125 million. The agency has been able to reduce the current structural deficit to \$112 million by cutting back on some services for which there is no immediate need (e.g., consulting, engineering and architectural services) and using remaining Prop C reserves and the general reserve account. Mr. Snoble reported that there will be \$119 million in the Prop C 40% reserve account by the end of 2007, and \$61 million is still available in general reserves.

In FY08 the agency will face a \$150 million projected deficit. \$50 million is available in reserves to cover this amount. The agency will not be able to pay its bills and one-time revenues have been depleted. Long range planning will also be compromised. As a result, the agency will need to make significant changes in FY07, such as adjusting levels of service or restructuring fares.

Mr. Snoble reported that the agency is currently in labor negotiations. While operators and mechanics have received above-average pay and benefits during the last two negotiations, over time, wages have not increased with inflation.

There are signs that mechanics are becoming more difficult to recruit. Mr. Snoble noted that the agency is down approximately 260 operator positions. He stated that even if operator wages increase, there is no guarantee that these vacancies will be filled.

There are 220 days left until the Consent Decree expires. Hopefully the courts will give the agency jurisdiction at that time to allow us to adjust service levels and make a fare change.

Mr. Snoble commended the Sectors for their hard work in making meaningful changes to mitigate the impact of the deficit. He stated that the agency's costs have only increased modestly over the past few years even when adjusting for inflation and absorbing rising fuel costs. Ridership has also increased.

➤ Long Range Transportation Plan:

Brad McAllester, Long Range Planning department, stated that if we examine the Long Range Transportation Plan (LRTP) in terms of the deficit being solved, it is more feasible. Acquisition of Indian gaming funds as well as possible bond funds would bolster the agency's financial situation.

Mr. McAllester provided an overview of plan development. This includes updating the 2001 Long Range Plan, extending the planning horizon to 2030, building on the 2001 Constrained Plan, updating the financial forecast, and providing an opportunity to add projects to the Constrained (funded) Plan or Strategic (unfunded) Plan. Transportation modeling analysis will include a countywide systems analysis, new corridor analysis, and examination of recommended 2006 plan. County-wide system measures include mobility, cost-effectiveness, air quality index, and access. Corridor measures include corridor need in the present and project performance in the future.

Mr. McAllester reviewed the plan development schedule. Performance analysis and update of financial assumptions will be conducted in April, preliminary LRTP recommendations will be completed in May, the draft LRTP will be presented in July, a 45-day public review will be conducted in August/mid-September, and final LRTP Board action based on public comments will occur in October.

Representative Doyle inquired about the possibility of a Call for Projects.

Mr. Snoble responded that much of the structural deficit is in the enterprise fund. He mentioned that there could be another Call for Projects in the next few years and that the criteria for this are still being established. The agency is considering taking state money that has not been allocated and putting that into the new Call for Projects.

Representative Baldwin asked when a fare restructuring would occur.

Mr. Snoble responded that it may occur in 2007.

Representative Wright asked if the structural deficit includes costs associated with possible extension of the Consent Decree.

Mr. Snoble responded that the agency would never agree to extending the Consent Decree.

Representative Richards mentioned that in terms of the pool of state funding, STA can be applied to operations. She asked if staff has looked into a change that might allow the use of other funds.

Mr. Snoble stated that the agency uses TDA funds and other categories of funds. The agency will obtain additional STA funding through Prop 42. He mentioned that the agency will benefit from the reinstatement of Prop 42.

Representative Shidler inquired about the impact of fuel costs on fare structure.

Mr. Snoble responded that this is included in the overall fare structure. He added that rising fuel prices are a fact of life and are part of operating costs. Over the long run, the agency is aiming for more productive service, implementing a fare change, and getting more people in seats rather than trimming back too much service.

Representative Gross noted that the agency runs a risk of losing passengers to lower-fare municipal operators if a fare change is implemented.

Mr. Snoble stated that the agency is examining ways to take fares out of the Formula Allocation Process (FAP) equation. He added that the agency receives a lower overall subsidy than the munis, and as a result, must charge higher fares. The only new source of revenue for the agency is from the farebox. A countywide fare structure would be beneficial, and changing the FAP is a step in this direction.

Representative King asked if the honor-based farebox collection system currently used on rail represents the most appropriate approach. He inquired about progress of the countywide pass system.

Mr. Snoble responded that all rail lines use the honor system and that this is the best approach. Sweeps are conducted periodically, and many passengers carry a legitimate pass. While it is possible to install a barrier system on the Red Line, it may be costly. One viable alternative is increased police presence at the stations. Regarding countywide passes, more of these are being sold all the time. The agency is examining ways to simplify the fare structure and implement a possible exclusive countywide pass.

Representative Newcomer asked if the bus operator seniority system is an obstacle to attracting candidates.

Mr. Snoble stated that the Business Development Operating Facility (BDOF) hiring progression is a cost-saving system in which operators are hired full-time at a lower pay rate and then move up to part-time status at a higher rate before reaching full-time status at the top rate. One disincentive of this system is that some operators may be unexpectedly bumped to other Sectors. In addition, 7 of 10 prospective drivers don't pass the physical or psychological exam.

Mr. Snoble reported that Labor is currently \$4.4 million under budget. In terms of total Sector budget, two Sectors are currently well under budget while three are over budget. Collectively, the Sectors are \$481,000 under budget. He stated that MTA staff meets with Sector General Managers on a monthly basis to review the budget and scorecards, which track operating costs per hour, mechanic costs, fuel costs, etc. Operator wages, reduced capital program, and disparities in services among the Sectors continue to be an issue.

4) RECEIVED Deputy Chief Executive Officer's Remarks.

➤ FY07 Proposed Budget Targets for Metro Operations – See Item #5.

➤ Operational Efficiencies:

Mr. Catoe reported that the bus operating environment is not the same as it was four years ago. Vehicle Revenue Service Hours have increased 1.4% and ridership has increased 4.7%. The MTA is one of the most productive transit agencies in the U.S., second only to New York City's system. Vehicle Accidents have decreased 10.3%, and Worker's Compensation (WC) claims have decreased 23.6%. Mr. Catoe noted that employees are working smarter and managing the system in a more cost-efficient way. He attributes much of the agency's improvements over the last few years to the Sectors. Overall public perception of the agency is positive and complaints have dipped 16.3%. Revenues are up 4.7%, farebox collections have increased 8.9% and vehicle service hour rate has increased only 1.75% for bus.

➤ Consent Decree:

Rod Goldman, Transit Operations, stated that he is hopeful the agency will be able to move on after the Consent Decree expires October 29. He announced that Special Master Donald Bliss has resigned to take an ambassadorship and is moving to Canada. Staff is working with a new Special Master, who will examine the agency's overall compliance with the Consent Decree.

Mr. Goldman stated that the Councils will be updated on the latest Consent Decree developments. The agency will need to submit something in the next two weeks. He reported that two recent orders will impact the FY07 budget. One order was on past service changes. Changes taking place since 2003 are being reviewed. Service will be restored on some lines which were cut several years ago (e.g., Line 720). The new service plan also involves expansion of the Rapid bus system, including a slight extension to the span of service. Five routes going into service to meet the new requirements include Sepulveda, North San Fernando Valley, Reseda, Long Beach and Lankershim. Metro was ordered to operate Rapid buses in a certain way but is allowed to exempt some lines if they are meeting the overcrowding threshold.

Representative Najarian asked if staff has made any attempts to ensure that the Bus Rider's Union (BRU) is not adversarial to the changes as October approaches.

Mr. Goldman responded that staff meets with the BRU on occasion. However, the nature of the relationship with the BRU is not one in which there is a great deal of agreement.

Representative Richards asked about the possibility of having to re-visit old issues up until the last minute.

Mr. Goldman responded that there is a strong possibility this may happen. Some issues staff thought were decided several years ago have re-surfaced.

➤ Update on Labor Negotiations:

Mr. Catoe noted that this is his first time leading the labor negotiations. He has met with the Board several times regarding labor issues, and staff is attempting to discuss issues of interest rather than adopt a position-based negotiating strategy. The unions want an increase in operator wages. Staff is discussing how to attract and retain professional employees.

Mr. Catoe reported that staff underwent four days of training with the facilitator about the negotiations process. He stated that one benefit of interest-based negotiations is being able to talk about different options. The agency only has 2% in the budget for this negotiation. More management ability may be needed with regard to schedules. In the area of safety, changes are needed regarding how to handle accidents. Mr. Catoe indicated that nearly 90% of accidents are caused by 10-12% of employees.

He stated that management's target is to resolve outstanding labor issues before June 30. It is important to have a financially sustainable contract. The last strike cost the agency \$140 million. Official negotiations will begin sometime next week.

5) **DISCUSSED FY07 Budget Approval Process.**

Michelle Caldwell, Office of Management and Budget, reported that the budget approval process started last fall and coincided with the implementation of service changes. She stated that staff obtained the Councils' input on the budget and incorporated it into the budget system. The budget book is being prepared and will be distributed this April.

A special Board budget workshop will be held Monday, May 8, and a public hearing will take place at the May 17 Finance and Budget Committee. The budget will be adopted at the May 25 Regular Board meeting, and implementation is scheduled for June.

Mr. Snoble mentioned that planning studies can be included in the budget book, but will require Board approval.

Representative Price stated that last year, the Sectors requested that they be provided an opportunity to review the budget before it is approved.

Mr. Snoble stated that this year, we had a budget planning document where everything was entered prior to being put into BIAS. The Sectors should be able to look at the planning documents.

Representative Price pointed out that the Sectors need ample time to review the Sector budget in order to make informed decisions. She requested that a tentative timeline be developed which includes approval of the budget by the Governance Councils prior to going forward to the Board.

Alex Clifford, Gateway Cities Service Sector General Manager, commented that the Gateway Cities Sector provides an update of the budget on a monthly basis. Key components of the budget are presented at each meeting. In addition, Councils have a major role in the budget when they determine the amount of service to put on the street.

Representative Price noted that the way in which the budget is reported differs amongst the Sectors. She asked if it is possible to establish a more streamlined approach across the Sectors involving more than just providing updates.

Mr. Catoe responded that the Sectors can approach reporting of the budget in a way that is best suited to each individual Sector rather than having executive staff dictate a process.

Representative King suggested providing separate workshops to allow the Councils to better understand the budget and recommend options. While this may be difficult to implement at the staff level, it is essential.

Mr. Snoble stated that the planning process plays an integral role, and encouraged Sector Representatives to refer to various planning documents which establish new projects added each budget year. Staff can provide the Sectors with the opportunity to create their own wishlists.

Representative Price asked if Sectors that operate under or over budget are rewarded or punished.

Mr. Snoble responded that the dollar amounts under budget are not substantial. He stated that the agency needs to focus on its structural deficit first before it can begin rewarding the Sectors.

6) **DISCUSSED Governance Council role in Capital Project Development.**

Richard Hunt, San Fernando Valley Service Sector General Manager, reported that staff is examining ways to allow Sectors to provide increased input on capital development. He clarified that it is necessary to separate operating needs from capital operating needs.

Maintaining assets is a high priority, and over the years, funding has been reduced for various capital projects. Staff is requesting that the Councils provide input to their respective General Managers as quickly as possible after the budget year starts regarding bus requirements.

Representative Newton asked for clarification on the capital component of the Metro Connections project.

Mr. Hunt responded that the Metro Connections capital program has not yet been funded. He stated that it is one of the many programs competing for resources.

Mr. Snoble stated that it is necessary to review the overall capital program, including maintenance and operating facilities. The agency continues to defer maintenance of facilities, some of which are deteriorating.

Representative McTaggart asked if there is a published list of capital projects that the Sectors can review.

Mr. Snoble responded affirmatively.

Representative Price emphasized the importance of reducing deadhead on lines which operate outside the geographical boundaries of the Sectors. She asked if it is possible to site bus facilities so that buses can operate closer to their Sectors of origin.

Mr. Snoble responded that acquisition of land for bus divisions is expensive. In addition, bus facilities are not well-received in most neighborhoods. The agency is focusing on improving existing facilities.

Mr. Catoe added that the process of locating a site, drafting an EIR, and waiting for project approval by cities may be a time-consuming one. The agency has not received any offers from the cities to build a bus facility. While it is possible to build in an industrial area, the review process is lengthy. Mr. Catoe noted that if staff does not take action soon, every bus facility in the system will be over capacity. He reported that the availability of land at Division 9 (San Gabriel Valley Sector) has made it possible to build a new transportation building and maintenance facility at that site.

Representative Peña inquired about the status of Division 12 and South Park.

Mr. Snoble responded that the South Park facility will be sold to the City of L.A. Mr. Catoe added that there is a school next to the South Park facility, and that it is not feasible to expand at that location.

Representative King expressed concern about the Councils' difficulty obtaining solid ridership data.

Mr. Snoble stated that the agency does not have adequate staff to review all the data. He indicated that ATMS is doing well and that the tools are in place to track farebox information on a route-by-route basis, but there aren't enough resources to utilize these tools.

Representative Shidler mentioned that the Gateway Cities Sector controls only 23% of service within the Sector. Most of the Gateway Cities Sector's lines are controlled by another Sector.

Mr. Snoble stated that the Metro Connections project will give staff a better sense of the specific areas controlled by various Sectors in order to achieve greater operational efficiencies.

Representative Gross remarked that that the Sectors need to work together on, and assume some responsibility for, these types of issues. Mr. Catoe added that it is also important to coordinate with the municipal operators.

7) **DISCUSSED Metro Connections.**

Mr. Goldman stated that two major goals of the Metro Connections project are to increase ridership and improve system efficiency. Staff is in the process of designing the network, building the framework for route structures, and analyzing travel patterns. A consulting team is assisting with these activities. The agency is coordinating with LADOT to examine downtown service and find ways to relate Metro Connections to DASH service. Metro Connections workshops will be scheduled in April and early May to share ideas and proposals and obtain feedback from the Sectors. Staff hopes to have a network structure developed by June or July. Mr. Goldman reported that \$175 million of capital is needed to carry out the project, and that this amount is not yet funded. Phased implementation will begin June 2007.

8) **DISCUSSED FAP and MOSIP.**

Mr. Snoble stated that he met with the municipal operators this morning and discussed ways to diminish the two-year lag. Staff is looking at creating a general bond pot with one formula for filling it and one formula for emptying it. A portion of Prop C 40% funds would go into the pot but the exact amount is not known. He indicated that fares should not be included. The agency will meet again with various cities in the coming weeks.

Representative King asked which cities were represented at the meeting, and what issues were debated.

Mr. Snoble responded that cities attending the meeting included Long Beach, Santa Monica, and Montebello. The agency contended that it should receive more of the funding, while the municipal operators should receive less.

Representative Gross inquired about ways to adequately compare the various operators given that some have long bus lines that travel through congested areas while others primarily operate lines that do not go into high-traffic areas.

Mr. Snoble responded that because different operators have different average speeds and trip lengths, analyzing passenger miles is the best way to compare operators. He added that it is also important to come to an agreement with the municipal operators on fare structures.

9) **DISCUSSED Communications and Community Outreach issues.**

Matt Raymond, Chief Communications Officer, indicated that Communications staff has been meeting with Sectors more regularly to discuss individual issues relevant to each Sector. The agency is focusing on community outreach and providing community teams to service the needs of all the Sectors. Point persons have been identified for each Sector to handle signage, community service, and other issues. Mr. Raymond announced that copies of "In the Public Eye," a recap of outreach activities, will be distributed to all Sector Representatives on a regular basis.

Representative Heard stated that the Sectors desperately need on-site marketing and community relations staff who are familiar with each local area. Community teams that are based in Downtown are not as effective.

Mr. Raymond stated that community relations staff are needed in all geographical areas. The community teams provide both personalized services as well as the necessary resources to meet the Sectors' needs.

Mr. Snoble stated that it may be possible to request that the Board consider adding back on-site community relations staff at each Sector.

Representative Price commented that the Sectors are not spending the marketing and advertising budgets allocated for each Sector.

Mr. Raymond stated that the agency set aside \$25,000 per Sector to be used at the discretion of the Council (with some restrictions), and that only \$1,250 has been expended.

Representative Capone-Newton stated that more transparency in advertising is needed. For example, he indicated that Gold Line Express service is not necessarily significantly faster for many riders. He added that explaining the intricacies of the system to riders is important.

10) **DISCUSSED Councils' report to the Board of Directors, April 27, 2006.**

Mr. Snoble announced that the Chair of the Board will need to approve the tentative date for the Councils' presentations before proceeding. Staff mentioned that the presentations will most likely be postponed to late April or early May because of scheduling conflicts.

Representative Price requested an opportunity to meet with the Board at a workshop or retreat.

Mr. Snoble stated that this is not feasible at the moment. Staff is attempting to coordinate with the Board to discuss labor negotiations and budget issues. He indicated he will need to schedule a meeting with the five Sector Chairs to discuss the annual presentations to the Board. The first week of May would work but it may be best to meet sooner. Mr. Snoble reminded the Councils that they will report to the Operations Committee before delivering the presentations at the full Board meeting.

Representative King noted that last year the annual Sector presentations did not occur until July or August. He stated that April may be too early.

Mr. Snoble responded that it is a good idea to complete the presentations before the budget is approved.

11) **Final Remarks** – Representative King, on behalf of all the Sectors, expressed his appreciation for the opportunity to meet with the Deputy CEO and CEO for several hours. He stated that he is grateful that downtown staff takes the time to attend the Sector meetings.

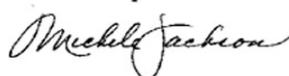
12) **Public Comment** – none.

ADJOURNED at 6:36 p.m.

Prepared by:



Michele Chau
Recording Secretary



Michele Jackson
Board Secretary