

MINUTES

San Fernando Valley Service Sector
Governance Council

Regular Meeting

Marvin Braude Constituent Service Center
6262 Van Nuys Boulevard
Van Nuys, CA 91401

Called to order at 6:50 p.m.

Service Sector Representatives present:

Kymberleigh Richards, Chair
Richard Arvizu
Coby King
Joan H. Leonard
Jesus R. Ochoa
Marsha Ramos
Mel Wilson

Officers:

Richard Hunt, General Manager
George Roqueni, Council Secretary



Metropolitan Transportation Authority

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Los Angeles County Metropolitan Transportation Authority
San Fernando Valley Service Sector Governance Council Regular Meeting

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1. Pledge of Allegiance
2. APPROVED **Minutes** of Regular Governance Council Meeting held November 1, 2006.
3. RECEIVED Public Comment from:
 - Malcolm Klugman – suggested that new Line 155, which he believes is too short, be combined with a portion of Line 183 from Burbank to Glendale and that the span of service be extended past 9:13 p.m. He commented that the Transit TV was too loud and the print too small. In addition, he recommended that the benches be moved to the northeast corner from the northwest side where buses no longer stop. He urged the Council and the Board to mandate no more fare increases.
 - Pat O'Connor – asked that the Line 394 bus stop at Lincoln and Empire be moved to Buena Vista and Empire to better serve the 3,000 employees at that location.
 - Rick Rofman – noted that elderly and disabled riders, who are encouraged to use the front seats, are being asked to wend their way through the crowd to exit from the rear of the coach.
 - Ray D. Lopez – recommended that the color designation of the east side Metro Gold Line be changed to yellow, that the Exposition Boulevard Line is identified with the color rose and the busway to Chatsworth be identified as the Indigo Line.
4. RECEIVED Chair's remarks.

Chair Richards announced that the reception, honoring John Catoe, will be held on January 5, 2007, 5:00 p.m. to 7:00 p.m. at the Traxx Restaurant in Union Station. The cost of the event is \$35 per person and reservations may be made through Diane Ponce.
5. RECEIVED Oral report from Richard Hunt, General Manager, who announced that Deputy CEO, John Catoe will be leaving Metro in January 2007 and has accepted a General Manager's position in Washington, DC. Those who have worked closely with him on a number of projects over the years are very sad about his departure and the loss of expertise and excellence this change represents. Carolyn Flowers, who is the Executive Officer for Operations, has been appointed interim Chief Operating Officer and will have responsibility for a portion of what Mr. Catoe handled. He touched upon the

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asphalt problems involving the east end of the Orange line and what measures were being taken to address them. This will be a 2 ½ week project beginning December 18, 2006. Mr. Hunt noted that the next Service Sector Council Meeting will be January 10, 2007 and the service change public hearing will be February 7, 2007. As requested by the Sector Council, reservations have been made for on the monthly Governance Council meeting to be held on Tuesday, February 13th at this meeting location. As a result of inquiry from various Service Sector Representatives, Mr. Hunt reviewed the capital program and reported that the Lankershim pedestrian tunnel remains in the construction capital program and continues to be a highly-rated priority. Service Sector Representatives will receive a draft Board report this month on the potential service changes slated for June 2007. His staff will be available for any questions and/or input, prior to its publication. Mr. Hunt emphasized the importance and value of public comments and suggestions and encouraged everyone to participate.

6. RECEIVED status of marketing and implementation of the December Service Change Shakeup by Michael Brewer, Service Development Manager. Mr. Brewer reviewed and presented the details for each service change and service improvements to be effective on December 17, 2006 for the San Fernando Valley. Representative King asked for the status of the Canoga Station Park and Ride. Mr. Hunt reported that everything is almost ready, the press event is scheduled for December 22nd and the changing of the exit to the Orange Line will be occurring this coming weekend. The plans call for opening the lot on December 17th. In addition, Mr. Hunt noted that when he reviewed the 10-year forecast, he felt it did not adequately address the expansion of the Orange Line so he has made a request to have the 10-year forecast modified. He is looking at higher capacity buses and more frequent service. Representative King asked the net effect of using articulated buses on Line 233 combined with a reduction in service hours and the peak time capacity. Mr. Hunt responded that there would be a 4% increase in capacity. Mr. Brewer provided additional details indicating that there would be slightly less frequency but more seats would be provided on a cumulative basis leading to approximately 150 more seats in capacity and more standing room.

7. RECEIVED oral report on Service Sector Motion by Director Antonovich from Project Lead, Christopher Gallanes, Administration and Financial Services Manager. Mr. Gallanes stated that the input from the service sectors will be presented to the MTA Board in February 2007 and will compare the original sector concept to the present situation by providing a profile of effectiveness

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measurements and resources. The recommendations received, thus far, from this sector include:

- Governance Council control over Tier 1 service and contract service;
- reassignment of a community relations officer to the sector office; and
- localized marketing efforts with the development of line brochures and specific system maps.

Additional input from the Governance Council at this meeting included:

- avoidance of fare increases;
- research to determine implementation of fare media;
- additional security; and
- individual customer service centers in each sector.

Representative Arvizu stated that public comment is valuable and has contributed to improved service. Representative King inquired as to whether or not an analysis was performed to consider the original goals and objectives of the Council, per the original charter, or is the mandate to review policies and what the sectors have been able to accomplish. Mr. Gallanes indicated that the report would attempt to include both.

Public Comment – Mr. Malcolm Klugman recommended that in evaluating performance, the MTA Board pass a resolution to avoid fare increases whenever possible. He also suggested that an interim customer service center be established in the San Fernando Valley while waiting for the refurbishment of the Lankershim Depot.

Mr. Hunt, General Manager, commented that Director Antonovich values the input from the sector councils. He noted that there is still time for this Council to make additional suggestions.

8. RECEIVED report regarding **10-Year Financial Forecast** by Michelle Caldwell, Deputy Executive Officer, Office of Management and Budget. She explained the purpose and process used in crafting the financial forecast and all of the assumptions used in its creation and how this forecast is synchronized with the annual budget. She concluded by noting that the farebox recovery ratio drops from 24% in FY2008 to 22% in FY12. She presented the history of recent financial presentations to the MTA Board. She indicated that Mr. Matsumoto plans to bring a proposed fare policy to the Board in January 2007 and she plans to bring the business planning parameters and a strategy to solve the structural deficit by adopting a farebox recovery ratio every year. It is believed that we need to achieve approximately a 37% farebox recovery ratio to

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solve the structural deficit. Representative Wilson asked if there is an overall increase in service with new capital improvements, new routes and additional capacity, and if it is anticipated that there will be an increase in ridership. Ms. Caldwell responded that the ridership increases in the 10-year forecast are very conservative at approximately 1% per year except for those years where new rail lines are added. Representative Wilson noted that one of the complaints he hears is that the Metro System does not go to enough locations especially the rail component. Ms. Caldwell responded that the increase in service is forecasted according to the plans provided by the service development department. A service reduction is built into the 10-year forecast for bus as a result of Metro Connections. While there will be a capacity increase, there will also be a decrease of about 400,000 service hours over 10 years. Mr. Wilson asked if the repair centers have additional capacity to provide repair work for other transit systems in the region as a source of additional revenue. Mr. Hunt responded that there is a very competitive market for repairs and our costs do not readily allow us to compete with others in providing this service. Ms. Caldwell noted that even though we have capacity, we do not have the personnel needed to provide this service. Representative King asked if FAP was controlled by statute. Ms. Caldwell responded that it can be changed by ten votes of the MTA Board. Representative King asked if the money distributed by FAP was based just on size, would this bring Metro additional revenue. Ms. Caldwell answered that this has not been evaluated, just based on size, but on a number of efficiency factors such as the longest trips, the most trips and/or the most money earned per passenger; different agencies benefit depending on which scenario is being examined. The difficulty is finding consensus among the various operators and no additional efforts are being made in this area. At present, the FAP formula brings Metro 70% of total available funds of approximately \$650 million.

9. RECEIVED Report on **FY08 Budget Kickoff and Schedule** by Michelle Caldwell, Deputy Executive Officer, Office of Management and Budget. Ms. Caldwell explained the entire budget process, who participates and the timetable to bring it to completion. She noted that the input from the sectors is a significant component of the process. After review by everyone involved, the budget is presented to the MTA Board in May 2007.

Representative King noted that when the service sectors were created, the intent was to have the sectors competing with each other, to effect cost savings and then use the savings to further promote the improvement of the particular sector. It appears that this was never realized. Mr. King asked for clarification of the policy and whether or not it will be effectuated. Ms.

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Caldwell responded that one of the Chief Executive Officer's goals for the next three years is to turn over the service sector budget to each sector to achieve savings to reinvest in their own sector. She and Mr. Christopher Gallanes have been charged with finding a methodology to accomplish this. Ms. Caldwell noted one of the challenges is how to effectively divide the cost for Worker's Compensation, which is not as direct as bus operator and maintenance wages, and fuel. Mr. Hunt noted that there has been a significant decrease in Workers' Compensation injuries but the costs have remained level.

Representative Wilson asked how much money and time have been spent on fuel research which is a major component of the Sector's budget. Mr. Hunt responded that there is a unit, working on alternative fuel measures, which include the use of hydrogen, electric power, and electric battery buses. Another aspect being explored is how fuel is being purchased. Representative Wilson asked how many dollars are being dedicated to alternative fuel research and if we have involved other fuel users in this effort, perhaps using a consortium approach. Mr. Hunt explained that the budget this year of \$6.5 million has been applied to programs underway with the Vehicle Technology Department and with the Advanced Transit Vehicle Consortium. Ms. Caldwell noted that the budget for fuel consumption costs is \$43 million per year.

Chair Richards asked if it is reasonable to expect the Sector to predict and propose changes for future fiscal years with the current involvement in Metro Connections and the upcoming service changes. Ms. Caldwell responded that proposed service changes are viewed as targets to be considered by those evaluating and preparing the forecast.

10. RECEIVED and FILED status report on the **structural deficit** by Terry Matsumoto, Executive Officer, Finance. He presented an overview with all the elements involved in the structural deficit and highlighted the following:
 - deficit is \$1.8 billion with no reserves;
 - 545 positions have been reduced since FY04;
 - efforts to increase ridership in last 2 years have been successful;
 - non safety-related capital maintenance programs have been deferred;
 - pursuing joint developments to raise revenue;
 - reduction in bus expenses are due to improved efficiencies; and
 - MTA Board control of fare revenue.

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Representative Wilson asked about the relationship of the growth in capital expenditures component as it relates to the growth of the operating expenditures. Mr. Matsumoto responded that maintenance system capital has been very steady at about \$200 million a year. Over the same time frame, since 1996, operating expenses have grown from about \$ 700-800 million to slightly over \$1.1 billion in the most recent budget and that increase was attributed primarily to the opening of major transit capital projects which included the Red Line, Gold Line, Orange Line and Rapids. Mr. Wilson also asked if the recent bond measure, approved by voters, will provide an infusion of capital. Mr. Matsumoto responded that \$4 billion, out of the \$20 billion bond measure, is allocated to transit capital and most of that money is for new capital projects. Mr. Wilson asked if the changes in Congress will realize additional funding from the Federal government. Mr. Matsumoto responded by stating it is hoped that the new Congress will make transit a higher priority. Representative Wilson asked if there were long-range plans for fuel-efficient vehicles to replace fossil fuels. Mr. Matsumoto responded that there have been efforts, but most of the focus has been on air-quality issues, as compared to fuel efficiency. Mr. Hunt then reported that Metro is looking at electric buses and partnering with AQMD to put in the first battery-powered, forty-foot transit bus in the state. And, as recently as last week, testing was being performed on a fuel mix of 30% hydrogen with 70% CNG with the anticipated benefit of huge energy efficiency.

Mr. Wilson inquired as to what percentage of revenue comes from joint development and what is anticipated for the future. Mr. Matsumoto responded that approximately \$500,000 out of a \$3 billion budget comes from joint development. The expectation is that Mr. Roger Moliere, who recently joined Metro and is in charge of development, will realize increased revenue using a new approach.

Representative King asked if fare avoidance was contributing to lost income and if there were options, other than fare increases, which could reduce the deficit. Mr. Matsumoto responded that there is the perception that fare avoidance is a problem. The fare collection on buses was approximately \$125-130 million cash, and the bus operator was the immediate collection enforcer. Those revenues from prepaid passes were collected but were thought to be extremely discounted. What might be lost on the rail system is the potential revenue of those passengers who might otherwise have paid cash. The rail system revenue is approximately \$20 million and other revenue comes from prepaid passes. Representative King asked what the other options to solve the structural deficit are. Mr. Matsumoto responded that at the MTA Board's discretion they could defer capital projects and those funds could be used for operations. One of the factors that caused the Consent Decree was the

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unreliable bus fleet which was well beyond its useful life and presented a maintenance nightmare. Through the late 1990's the Board and the CEO made a concerted effort to bring the fleet from one of the oldest in the nation to one of the newest. Of the \$200 million annual cash flow for operating capital items, replenishment of the bus fleet (to keep the fleet age in the range of six years) is an \$85 million item which is being deferred and will ultimately cost in operating maintenance. Representative King asked what non-operating sources of operating revenue are available. Mr. Matsumoto stated that advertising is the largest single source of revenue. Representative King inquired if there was a source of federal or state funding for operations. Mr. Matsumoto responded that for the most part, funding from federal sources is available for capital improvements. State funding from TDA, which represents one-quarter cent state sales tax, is allocated to each of the counties based on the amount of sales tax collected. Additional funding is provided by State Transit Assistance (STA) which comes from the sales tax on gasoline representing a windfall this year of over \$100 million. Representative King asked if our deficit is in line with that of other agencies, locally and those from around the country. Mr. Matsumoto responded that other major agencies balance their service to their revenues and fare subsidies. The statistic identified as fare recovery ratio, consists of total fare revenue divided by total operating cost. New York City, for example, is in the range of 60%, Washington Metro is over 50%, Chicago is 40% and for FY07 Metro is about 24%. Representative Leonard asked if Metro fares, relative to other cities, are lower. Mr. Matsumoto responded that they are and by comparison that of New York City is \$2.00, and Chicago is \$1.75. Representative King noted that Metro's fares are very low and if there are no monies from extra operating sources, it would appear that there would be a need to reduce service and/or increase fares or some combination of both. To achieve the same ratio as is found in other major cities, a 100 to 150% increase is necessary.

Representative Leonard commented that every time the subject of fare increases is broached, it becomes a losing public relations battle. She suggested that senior passengers with more income than most of the indigent population be provided a reduced fare only when they satisfy a means test. Those seniors who are considered indigent would continue to receive a reduced fare and those with greater disposable income would pay a higher fare. Representative Leonard believes that using this approach to improve revenues would be more successful than dealing with the aggressive lobbying of the Bus Riders Union (BRU). Representative King indicated that means testing would be complicated and should be avoided unless those requesting a reduced senior fare would proffer a Medi-cal card as evidence of indigence. He then asked the difference between rail and bus fare recovery. Mr. Matsumoto responded that fare recovery was higher on bus than it is on rail. In providing

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some fare history, Mr. Matsumoto reported that in 1982 the cost of a senior pass was \$22. Today, the cost for a student pass is \$20. If fare recovery could be increased to 40% there would be no need for further discussion.

Representative King suggested that his preference would be to have the state contribute operating funds to the largest transit agencies rather than increase fares but does not anticipate support from either the legislature, governor or the voters. He also indicated that it is unlikely that there would be a parcel tax to support the MTA in this state but feels that transit should be subsidized; but if this is not possible, then it is necessary to balance the books in some manner. Mr. Matsumoto indicated that there is a subsidy from local sales taxes which provides the majority of 75% of operating expenses from Propositions A and C revenues. Representative Arvizu asked what efforts have been made to increase ridership in the last five years. Mr. Matsumoto replied that there was a 9% increase in this year over the prior year.

Mr. Richard Hunt noted that there has been a significant increase in ridership in the last two years for a variety of reasons. Fuel prices have played a significant role. He noted that in the San Fernando Valley there has been at least a 12% increase in ridership over the last 18 months particularly with the opening of the Orange Line. Representative King asked what impact the Rapid system has had on ridership. Mr. Hunt responded that there are now 15 Rapid lines in the system and even though there has been some migration from local service to the Rapid lines, overall there appears to be a 10% increase in ridership by new customers. What is evident from the Rapid lines is that riders want to move more quickly. Additional Rapid Lines are being considered in the next six months: eventually, there are plans for 28 to 29 Rapid Lines for the entire system.

Chair Richards noted that, in years past, the Orange County Transportation Authority had the policy of applying the senior discount during weekday off peak periods and on weekends. During peak hours, the senior pass was valid for a discount on the full cash fare in that amount which was identified as the cash value of the senior fare during off peak hours. Chair Richards asked if this might be recommended in terms of fare restructuring. Mr. Matsumoto indicated that this approach has entered the discussions but cited implementation as an issue. Chair Richards asked what impact Prop 1A will have on deficit reduction efforts. Mr. Matsumoto indicated that this will not affect the deficit in the near term.

Public Comment:

Bart Reed – Executive Director, Transit Coalition addressed Representative Arvizu's question about what happens when there are more riders on the bus.

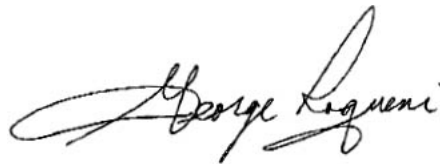
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He explained that even when buses are filled to capacity, the fare recovery rate is so low, by comparison to other major metropolitan systems, that the deficit could not be bridged by just adding more capacity. He believes that the average fare recovery rate needs to be raised to about 80 cents from its present level of 59 cents per passenger. In addition, he believes that the MTA Board of Directors does not understand the financial realities and cited the recent Board motion to install fare gates. Fare evasion is thought to be about 2.5% or \$3 million annually, as presented by the Sheriff's Department and validated by the MTA staff. Mr. Reed claims that the MTA Board is considering spending \$50 to 150 million in capital expenditures to secure the rail stations in order to capture the \$3 million in lost revenue through fare evasion.

11. Service Sector Representatives Closing Remarks:

- Representative Joan Leonard talked about connecting the county issues to the city issues when the relocation of a bench is recommended by the public and suggested that a recommendation from this Sector Council might be the approach to use to make these changes. Mr. Hunt volunteered to contact Stops and Zones to coordinate this request for the relocation of benches, as recommended by a member of the public, Malcolm Klugman, from a location where the buses no longer stop, with the City and will report back in 30 days.
- Representative Coby King thanked the staff, both presenters and those who arranged the meeting, and noted that the presentations were truly informative and very helpful.
- Representative Jesus Ochoa thanked the staff for a year of excellent support and help.
- Representative Marsha Ramos noted that she found the presentations on the structural deficit and 10-year forecast particularly helpful to her as a new member of the Council.

Meeting was adjourned at 9:10 p.m.



Prepared by: George Roqueni
Council Secretary