

Wednesday, January 9, 2008

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# MINUTES

San Fernando Valley Service Sector  
Governance Council

## Regular Meeting

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

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Called to Order at 6:30 P.M.

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Service Sector Representatives Present:

Coby King, Chair  
Kymberleigh Richards  
Joan H. Leonard  
Nury Martinez  
Jesus R. Ochoa  
Marsha Ramos

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Officers:

Richard Hunt, General Manager  
William Walker, Council Secretary



Metropolitan Transportation Authority

**Metro**<sup>™</sup>

1. Pledge of Allegiance

2. **APPROVED Minutes as corrected** of Regular Governance Council Meeting held December 6, 2007.

Correct misspelling of Representative Kymberleigh Richards' name on page 6.

3. RECEIVED Public Comment

Rick Rofman – Expressed dismay on change in LADOT DASH fare policy that eliminates use of Metro passes as valid DASH fare. He says the change in LADOT policy amounts to 43 percent fare increase for senior and disabled riders and said a change of this magnitude should have gone through a formal public hearing process.

Pat O'Connor – Gave 10 responses to Metro's 10 reasons to catch the bus.

Ray Lopez – Suggested a limited stop line to supplement Metro Local Line 165 service on Vanowen Street.

Daniel Guttman – Rode SCRTD bus service daily from 1977 to 1981 and has ridden Metro service daily since 2001. He suggests that Metro inform passengers to move to the rear of the bus using multilingual signage, Transit TV and the annunciator system. He complained about 3 minute red light delay on Orange Line at Tujunga and Chandler. Chair King suggested Daniel Guttman contact Los Angeles City Councilmember Wendy Greuel regarding this matter.

4. RECEIVED Chair's remarks – The (San Fernando) Valley Industry and Commerce Committee (SFVICC) appointed Representative Coby King as Chair of its Transportation Subcommittee. At its last meeting, Jennifer Cohen of Council Member Wendy Gruel's office and Raffi Hamparian of Metro Governmental Relations briefed the SFVICC Transportation Subcommittee on the Metro Long Range Transportation Plan. Chair King also mentioned that discussions regarding signal timing of the Orange Line between the City of Los Angeles Department of Transportation (LADOT), Los

Angeles City Councilmember Wendy Greuel and Metro San Fernando Valley Sector Staff continue.

5. RECEIVED oral **report** of Richard Hunt, General Manager.
- Reported that Metro will meet with Los Angeles City Council Member Wendy Greuel's office on Friday, February 8 to begin an analysis of the **Orange Line Signal Timing** and continue to remove impediments to service delivery on the Orange Line. He mentioned the loss of Vic LaFonte, departing UTU Chair and introduced Aaron Montgomery as the new Chair of the United Transportation Union (UTU) Local 1608.
  - Announced the San Fernando Valley Sector June 2008 Service Changes Public Hearing date of February 6 and an All Sector Service Changes Public Hearing for February 9, 10:00 a.m., at Metro Headquarters, 1 Gateway Plaza, Third Floor, Los Angeles. An overview of proposed service changes will be given at both hearings followed by public comment, which will be documented for the public record and considered by Representatives before a final decision upon service change proposals has been made. Mr. Hunt thanked Council representatives for suggesting the additional All Sector Hearing.
  - Reported that the **fare agreement between Metro and LADOT**, which allows use of Metro passes as base fare on LADOT DASH bus service expired on December 31, 2007. Metro passes are no longer honored on LADOT service. The EZ Pass is recognized by all regional transit operators and will continue to be accepted as valid fare payment.
  - The Metro Board will consider increasing the age required for a senior discount fare from 62 to 65 at the January Board Committee meetings.
  - Mentioned that changes in the **State budget** may have an impact on transportation funding and said that he will keep the Sector Governance Council informed of any information that may have an impact on how Metro is funded in future years.
  - Announced the beginning of a procurement process to acquire 260 45-foot composite buses to replace older buses in the fleet.
  - Monthly Key Performance Indicators
    - An increase in expenses related to **Worker's Compensation claims** has impacted the budget negatively.

- Bus accident rate is lower than the target and is one of the lowest systemwide.
- Complaints are below target.
- In-service on-time performance is below target because the manpower ratio (1.15) is still below its target (1.18) as well.
- Sector expenses are \$1 million over budget due to parts and materials going toward eradicating vandalism and overtime expenses for the ATU line item.
- Cost per revenue service hour is below budget because the combination of service hours delivered and expenses for delivering the service are in line.

RECEIVED Questions regarding oral report of Richard Hunt, General Manager

- Representative Richards congratulated Aaron Montgomery on his recent leadership appointment. She asked for a definition of high-capacity buses in regard to future procurement of 260 buses. Mr. Hunt said that high capacity can refer to 45-foot composite buses currently in service or other lightweight composite buses from other manufacturers with lighter weight, stronger materials, higher seat capacity and higher fuel efficiency.

6. RECEIVED report on Natural Gas Hedging Program by Chris Gallanes, Operations Performance Analysis Manager and Michael Smith, Assistant Treasurer.

Mr. Gallanes gave an overview of how Metro has budgeted fuel expenses both before and after the Natural Gas Hedging Program, discussed how fuel budgeting has occurred in recent history, and how the hedging contract helps Metro manage its fuel usage.

Mr. Smith said the Hedging Program uses a counterbalancing transaction to lock in the rates Metro pays for gas. The actual rates paid continue to float but the hedge offsets the change in the prices. The program began in June 2007 when rates were locked in for an 18 month period spanning January 2008 to June 2009. The program was designed to increase budget certainty, not necessarily intended to reduce cost. Improving budget certainty facilitates more effective utilization of budget resources. The cost for 95 percent of compressed natural gas (CNG) can be hedged with certainty.

A commodity swap allows Metro to lock in a fixed cost. The swap is a financial instrument resulting in payments being exchanged between Metro

and the provider, and does not have an impact upon the purchase or delivery of natural gas from The Gas Company, Metro's natural gas provider.

Once the fixed rate is established, subsequent changes in market pricing result in offset of a gain or loss to the hedge. The offset is allocated to each of the operating divisions as a part of their CNG cost. Hedging benefits the budgeting process by locking in 95 percent of the cost prior to development of the budget. Planned therms are hedged in 6 competitively bid transactions spread over a 12 month period to achieve a dollar cost averaging effect. A hedging consultant helps run the bidding process and advises Metro on various matters.

Hedge performance in the first quarter of FY 2008 resulted in a favorable variance of \$269,000 comprised of a favorable rate variance that added \$469,000 less in unfavorable basis grants. CNG had an unfavorable \$431,000 variance caused by increased therms usage over the quarter.

All hedging has been completed for FY 2008 and 2009. Delivered cost is comparable to the cost of the budget which includes a 10 cent per therm charge that appears on the invoice from the gas company related to transportation and other State-mandated charges. The first hedging transaction for FY 2010 will occur at the end of January 2008.

Because of a need to immediately award bids to have a binding commitment from the provider, a bench was established of 6 prequalified firms. Hedges are currently established with three firms. Next steps for the program include soliciting a new hedge consultant for a contract term beginning March 2008, soliciting hedges for FY 2010, administering monthly settlements and monitoring performance of the program.

RECEIVED Questions regarding report on Natural Gas Hedging Program

Representative Martinez asked who the current hedging consultant is. Mr. Smith said that MacDonald Partners, based in San Francisco is the current hedge consultant. MacDonald Partners has experience with natural gas hedging and municipal finance.

Representative Richards asked if service cuts could be avoided due to positive variance on fuel costs, considering both revenue service hours and fuel costs are operational. Mr. Hunt said that fuel estimates would make fuel costs and the budgeting of fuel costs more predictable and within reason and that the intent of hedging was not to gain money but to protect Metro from losing money.

Representative King asked why 95 percent was chosen as the hedge amount. Mr. Smith said that Metro does not want to over-hedge. 90 to 95 percent hedging of budgeted fuel expenses allows for this flexibility. Representative King asked the worst case risks involved in hedging. Mr. Smith said one of the risks might include a counter party failing to perform. A minimal credit rating criteria and collateral is required for contracts that exceed \$25 million. Firms are also monitored quarterly.

7. Service Sector Representatives Closing Remarks.

Representative Martinez asked for a report regarding a lack of restroom and drinking water facilities at the Metrolink Sylmar San Fernando Metro Terminal as reported by transit union officials. Mr. Hunt said Division Transportation Manager Gary Spivack and his management team researched the complaint. Mr. Hunt reported that 2 restrooms are available at the Sylmar Terminal. The 2 portable restrooms are now cleaned three times a week rather than two times. Stops and Zones staff members have arranged to replace one of the portable units.

Representative Martinez asked if there is a plan to construct a permanent restroom and water fountain facility in place of the temporary facilities. Mr. Hunt said that the capital plan for the sector does include a request for an additional permanent restroom structure on the northern part of the Sylmar Terminal. A permanent structure does exist at the southern portion of the terminal. The permanent structure proposal is experiencing a funding shortfall of about \$100 million and may not happen this fiscal year.

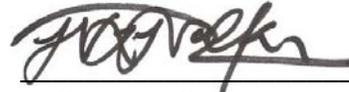
Representative Leonard said that the shuttle service provider that operated service between the Gold Line station and the Rose Bowl was plagued by 90 minute service delays and with more passengers than its deployed service could handle. She wanted to relay this information to the City of Pasadena and the shuttle service provider. She hopes that it can be fixed to prevent a loss of ridership for future Rose Bowl and Rose Parade events.

Representative Richards said she would relay this information to Pasadena ARTS.

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Representative Ramos thanked staff for responding to a petition she received from riders of Metro Local Line 92.

ADJOURNED at 7:19 P.M.

A handwritten signature in black ink, appearing to read "W. Walker", written over a horizontal line.

Prepared by: William Walker  
Council Secretary