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TO: Board of Directors

FROM: Julian Burke

**SUBJECT: REPORT ON SUBREGIONAL GOVERNANCE OF MTA
BUS SERVICES**

On January 14, 1998 the Board approved a motion by Directors Fasana and Oropeza directing the CEO to prepare a plan for divestiture of MTA bus services into subregionally-governed bus service providers, or zones.

As a first step in that process we engaged Booz-Allen & Hamilton, Inc, KMPG Peat Marwick LLP and Riordan & McKenzie to study the operational, financial and legal issues of subregional divestiture. A summary report covering these three areas has been prepared by Booz-Allen and is attached.

I have concluded that, given the very substantial body of information which is necessary in order to make informed decisions on any divestiture plan, a briefing on the enclosed report should be scheduled in the early part of July. Board Research Services will be contacting you regarding a specific date and time for such a briefing.

At the request of Directors Fasana and Oropeza, the next step will be a presentation at the July 20 Planning & Programming Committee. If there are any questions on the Booz-Allen report, please let me know.

Attachment