



FINANCE AND BUDGET COMMITTEE
MAY 20, 2004

SUBJECT: CONSENT DECREE LOAD FACTOR COMPLIANCE

ACTION: AUTHORIZE EXPENDITURES IN THE FY05 BUDGET FOR BUS SERVICE EXPANSION TO SUPPORT CONSENT DECREE COMPLIANCE

RECOMMENDATION

1. Incorporate the addition of 208,250 revenue service hours at a total cost of \$11.3 million into the FY05 budget for bus service expansion for Consent Decree load factor compliance and use \$11.3 million of the \$18.2 million fund balance reserved for Proposition A Discretionary Incentive Program..
2. Increase the FY05 budgeted full-time equivalent positions by 119 Bus Operators, 12 Service Attendants and 4 Transit Operations Supervisors for bus service expansion.

ISSUE

The January 12, 2004 Final Order from the Special Master required the addition of 290,000 annual in-service hours by December 2004 for Consent Decree load factor compliance. Pursuant to this Order, the Board of Directors is requested to authorize the expenditure of \$11.3 million in FY05 to fund bus service expansion.

POLICY IMPLICATIONS

Authorization of the recommended expenditures is consistent with Board direction to comply with several key elements of the Special Master's Order, specifically, the requirement to expand service by 290,000 annual in-service hours by December 2004. Funding of this expansion of bus service activities could result in a reduction of funds available for other projects and programs. More specifically, the staff recommendation will impact funds that are currently available to recipients of the Proposition A Discretionary Incentive Program although the staff recommendation leaves the basic Proposition A Discretionary Incentive Program intact by using part of the reserved funds from the program, so that a critical obligation with regionwide impacts can be addressed.

The Los Angeles County Transportation Commission (LACTC) originally created the Proposition A Discretionary Incentive Program in 1985 to substitute for State Transportation Development Act (TDA) Article 4.5 funding. The State intended that TDA Article 4.5

funding be used for intra-community public transportation services. However, at the time, the LACTC decided to provide Los Angeles County cities and other eligible recipients more flexible and direct funding from Proposition A Discretionary and redistribute TDA Article 4.5 funding to the MTA and the Municipal Operators through TDA Article 4. This swap became the Incentive Program, which was implemented to address the State's objective for TDA Article 4.5 by (1) encouraging coordinated paratransit systems regionwide; and (2) establishing performance standards to promote the effectiveness of participating systems as a condition for receiving funds.

OPTIONS

The Board of Directors may choose not to approve the recommended expenditure, or may choose to fund the expenditure in a manner different from staff's recommendation. These options are not recommended, as this would impact the ability to provide the service expansion required in the recent Consent Decree Order in a manner consistent with meeting agency priorities. Staff's recommended use of Proposition A Discretionary Incentive Program fund balance is the best option, as it would use funds that are available and have no scheduled near or long-term commitment.

Other options for funding the consent decree service have impacts on future programs and projects, such as, programming ROW Lease Revenues (programmed for Bus Facilities Projects in the 10-year plan), reducing the Bus Rebuild Program (could result in compromised bus reliability), or using the Proposition C 40% Discretionary fund balance (programmed to rail rehabilitation projects in the 10-year plan.) These options are not recommended based on their long-range negative impacts.

FINANCIAL IMPACT

The financial impact of this proposal is to increase the FY05 budget by \$11.3 million and 135 FTE's. Since these expenditures and revenues are not currently included in the FY05 proposed budget, this action will incorporate the additional funds into the FY05 budget.

The proposed funding source is the Incentive Program reserved fund balance of \$18.2 million. The Incentive program is funded with Proposition A Discretionary funds and is budgeted to spend \$11.3 million in FY05. This action will reduce the Incentive Program fund balance to \$6.3 million.

Subsequent years funding for the consent decree service is currently estimated to be \$18.2 million beginning in FY06. Funding for these costs will be evaluated during the revision to the 10-year plan to be prepared during August 2004.

BACKGROUND

On January 12, 2004, the Special Master issued a Final Order directing MTA to undertake a significant service expansion by December 2004 to meet the 1.20 and 1.25 Load Factor targets in the Consent Decree. On February 2, 2004, the Board of Directors directed staff to comply with the service expansion requirements of the Order, while submitting an appeal to

Federal Court regarding the requirement to purchase and operate 145 additional buses during peak periods.

To meet the service expansion requirements of the Order, staff has developed a service plan that would expand bus service by 333,500 annualized revenue hours. This is the equivalent of the 290,000 annual in-service hours required by the Special Master's Order, the difference being layover time, terminal changes (interline time), etc. A total of 83,000 revenue hours (for the full year) of bus service would be added in June 2004, with an additional 125,250 revenue hours (for half of FY05) operated between December 2004 and June 2005. For FY06 the additional hours will total 333,500 revenue hours. Operation of the additional bus service requires an increase of 119 bus operators, 12 service attendants and 4 Transit Operations Supervisors above FY05 budgeted levels at a cost of \$11.3 million. Other operational support functions are able to incorporate this service expansion within budgeted levels.

The increase in bus service associated with this service expansion will be focused on adding capacity during peak service hours, as well as midday and weekend periods on approximately 70 bus routes with the highest daily ridership.

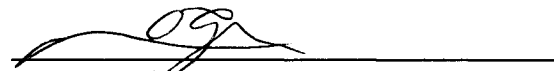
NEXT STEPS

Upon Board approval, the FY05 Budget will be amended to include funding for bus service expansion and increase the number of FTEs by 135. The first increment of expanded bus service will begin operation in June 2004, with the remainder provided in December 2004.

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