



Metro

Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

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OPERATIONS COMMITTEE

APRIL 19, 2007

SUBJECT: FY08 BUS SYSTEM SUPPORT REPLACEMENT FOR NON- REVENUE VEHICLES

ACTION: ESTABLISH LIFE-OF-PROJECT BUDGET

RECOMMENDATION

Establish a life-of-project budget for FY08 Bus System Support Replacement Non-Revenue Vehicles CP #208007, in the amount of \$10,846,844 and include the project in the FY08 capital program budget.

RATIONALE

Metro's non-revenue vehicles and equipment are to be replaced per the policy set forth in General Policy-16 (GEN-16) as follows: sedans and light duty vehicles are replaced at six years or 100,000 miles and medium to heavy duty trucks are replaced at six years or 150,000 miles.

In the past four years, the capital budget for non-revenue vehicle replacement and acquisition has been reduced and the replacement schedule has not been adhered to. As a result, Metro has kept the vehicles longer than planned and their associated maintenance cost has escalated. Metro has invested labor and material into non-revenue vehicles that far exceed the value of the equipment. At this point, when the vehicles are salvaged, Metro will not realize a positive lifecycle investment.

The replacement cycle specified in GEN-16 provides a cost effective capital investment that equates to an operating cost, which when amortized, is an efficient use of operating funds and equipment lifecycle. Areas that are negatively impacted are parts cost, labor hours, overtime consumption and an increase in unplanned repairs due to breakdowns. This directly affects the overall reliability of the non-revenue fleet.

FINANCIAL IMPACT

The funding for CP#208007 will be included in the FY08 proposed budget in cost center 3434 Non-Revenue vehicles. This capital project was approved by the Capital Executive Investment Committee and is proposed to be funded in the FY08 capital program with local funds. A detailed financial plan is included in Attachment A.

ALTERNATIVES CONSIDERED

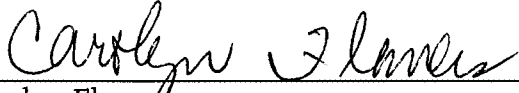
The alternative is to continue using this equipment and burden the cost of the repairs and replacements of the major components to the Non-Revenue Department's operating budget. This alternative is not recommended.

This approach is costly and will directly result in the increasing financial demand to Non-Revenue's operating budget. The Non-Revenue department has some vehicles that are eight years-plus in age and the Agency is investing two to three times their value on an annual basis to keep them active. Operating funds will have to be increased to correctly support these higher costs.

ATTACHMENTS

A. Funding/Expenditure Plan

Prepared by: Harold Torres, Assistant Equipment Maintenance Manager



Carolyn Flowers
Interim Chief Operations Officer



Roger Snoble
Chief Executive Officer

ATTACHMENT A

**CP 208007 FY08 Bus system Support Replacement Non-Revenue Vehicles
Funding/Expenditure Plan**

	Inception to Date	FY08 Forecast	FY09 Forecast	Total	% of Total
Use of Funds					
Project Administration	0	56,897	28,449	85,346	0.79%
Vehicles/Equipment	0	10,196,823	536,675	10,733,498	98.96%
Advertisement	0	2,000	-	2,000	0.02%
Tools	0	15,000	5,000	20,000	0.18%
Services	0	5,000	1,000	6,000	0.06%
Total Project Cost	0	10,275,720	571,124	10,846,844	100.00%
Source of Funds					
State & Local	0	10,275,720	571,124	10,846,844	100%
Total Project Funding	0	10,275,720	571,124	10,846,844	100%