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**OPERATIONS COMMITTEE
FEBRUARY 19, 2004****SUBJECT: BUS SERVICE SECTOR AUDIT****ACTION: RECEIVE AND FILE****RECOMMENDATION**

Receive and file staff's response concerning the Bureau of State Audit's report, "It is Too Early to Predict Service Sector Success, but Opportunities for Improved Analysis and Communication Exist" which was published by the California State Auditor in December 2003.

ISSUE

At the January 2004 Finance and Budget Committee meeting, Director Antonovich entered a motion requesting that staff report back to the Board concerning the results of the report on the bus service sectors that was issued by Bureau of State Audit.

BACKGROUND

In 2002, the MTA was in the process of reorganizing its bus operation-management structure to implement five regional, semi-independent service sectors in San Fernando Valley, San Gabriel Valley, Gateway Cities, South Bay, and Westside/Central Los Angeles.

On August 14, 2002, a formal audit of the MTA's service-sector proposal was requested by California State Senators Richard Alarcon, Gloria Romero and Richard Polanco. The legislators were particularly interested in reviewing the MTA's proposal to decentralize bus operations in the Los Angeles region, and its effect on the MTA's current management structure, job composition, and services.

The scope of the audit and objectives was to provide independently developed and verified information relative to the MTA's service sector proposal. It included, but was not limited to:

- Review and evaluation of the laws, rules, and regulations relevant to the issues.

- Review and assessment of the MTA’s fiscal projections or cost-benefit analysis on the service sector proposal to determine whether the proposal would reduce or add costs.
- Examination of the role of the service sectors’ governing boards, and to identify the effect of implementing the service sector proposal before putting the governing boards in place.
- Determination of the effect of the service-sector proposal on the MTA’s management structure, job composition, and labor contracts. To the extent possible, it requested a determination of the number of jobs created or lost.
- Review of the MTA’s management structure as of October 2001 or before the MTA made changes to implement the service sector proposal; and determination of how the MTA plans to remove positions and maintain the same service.
- Review of the potential for overlapping services in those areas where municipalities provide transit services, such as San Gabriel Valley.
- Determination of the effect that the service sector proposal will have on the paratransit funding mechanism.
- Identification of any significant issues that may affect the affordability, reliability, and safe delivery of bus service under the service-sector proposal.

DISCUSSION:

The report from the Bureau of State Audits acknowledged that Service Sectors were still relatively new and that their review of the sector implementation and operations generally did not find negative effects associated with MTA’s decentralization of bus operations. Their review found the following:

- The MTA did not perform any cost-benefit analyses or fiscal projections, nor did it fully consider alternatives to sectors before implementing them.
- Despite the MTA’s limited analysis, we generally did not find negative effects associated with the MTA’s decentralization of bus operations.
- The MTA lacks a way to determine cost savings and ridership data accurately at the sector level.
- The MTA could provide better training to governance councils in two areas that limit their ability to make service changes: MTA’s consent decree and union contracts.
- Weaknesses in the methods the MTA uses to advertise governance council meetings could cause it to miss opportunities to use these meetings effectively as a means of improving community input into bus operations and tailoring services to local needs

The California State Auditor recommendations to the MTA are as follows:

- The MTA should ensure that it plans for future projects adequately by conducting sufficient analysis. Specifically, the MTA should consider conducting cost-benefit analyses, fiscal projections, and analyses of alternatives when implementing major changes or programs.
- To ensure that the sectors have the tools they need to manage their performance, the MTA should continue its efforts to track all costs associated with Sector operations and to

identify the actual savings generated. Further, the MTA should continue its efforts to improve its computation of boarding data.

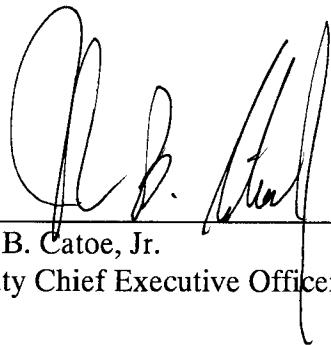
- To alleviate concerns and prevent conflicts between the governance councils and the MTA, the MTA needs to clearly define and communicate to the governance councils all the information they need to accomplish their goals, including information on limitations related the MTA's problems in calculating actual sector savings, as well as information on the consent decree and union contracts.
- To ensure that bus riders have access to information on governance councils and sectors, the MTA should ensure that it uses appropriate and sufficient means of communicating this information. For example, the MTA should consider adding information about bus routes and their corresponding sectors to its service sector and bus route Web pages, and it should also consider adding information about its governance council meetings to these Web pages. Further, it should consider regularly advertising the meetings in newspapers.
- Finally, the MTA should continue its planned efforts to focus on eliminating duplicative routes to the extent possible. Specifically, the MTA should allow stakeholders, such as municipal transit operators, to participate directly in the planning process.

NEXT STEPS

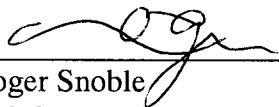
In a letter to the State Auditor dated December 5, 2003, CEO Roger Snoble responded to the State Auditor that MTA is committed to the community-based service concept and the MTA will continue measures to improve the effectiveness of community input into delivery and quality of our services. The recommendations of the State Auditors are aligned with the MTA's objectives to facilitate community-based bus services. The following are action plans in response to the audit recommendations:

- Operations managed to implement the sectors by reducing expenses in other areas. The cost of bus operations continues to be appropriated by the Board through the annual budget process.
- Performance continues to be monitored to ensure that there is no detrimental impact subsequent to implementation of bus service sectors.
- A cost-per hour model exists for overall operations. To fully measure the costs at the sector level, chargeback methodologies are being finalized to allocate centralized operations costs to the sectors in FY05. Technology and infrastructure improvements are being implemented that will improve accuracy in passenger counting.
- The sectors and MTA Communications Department will work to more widely publicize governance council meetings. Public hearings already have a process for broader notification.

Prepared by: Carolyn Flowers, Executive Officer, Operations



John B. Catoe, Jr.
Deputy Chief Executive Officer



Roger Snoble
Chief Executive Officer