
Local Transportation Zone Guidelines

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

~~LOS ANGELES COUNTY TRANSPORTATION COMMISSION~~

Transit Section

Effective April 1999 ~~February 26, 1986~~

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I. INTRODUCTION

The Los Angeles County ~~Transportation Commission~~ Metropolitan Transportation Authority's (MTA's ~~or Authority's~~) enabling legislation (AB 1246, 1976) requires the ~~Commission~~Authority to maximize the effectiveness of existing resources by giving priority to low cost transit improvements. In addition, AB 1246 declares that local communities should be given more responsibilities for designing and providing local transit services to improve the responsiveness of public transit to public needs, and specifically empowers ~~LACTC~~MTA to create local Transportation Zones (~~Zones~~) where the existing transit operator cannot otherwise provide adequate and responsive local transportation services in a cost effective manner.

These guidelines provide a mechanism for establishing and operating local Transportation Zones in Los Angeles County as provided for under Section §130259 of the Public Utilities Code.

Since the Zone applicant is a partner with the ~~LACTC~~MTA in demonstrating savings under the Zone concept, it is required that the applicant and ~~LACTC~~MTA shall work closely to ensure all requirements under the guidelines are satisfied. This Section provides background information in the following areas: Legislative Authority; Definition of a Zone; Purpose of a Zone; and Summary of the Application Process.

A. Legislative Authority

The ~~Commission~~MTA has broad latitude in establishing Zones as well as the method of governing a Zone. However, the law stresses the importance of involving the county, cities and other local public agencies in establishing local Transportation Zones. A summary of the legislative authority which addresses creation; funding authority; development of guidelines; and approval by affected jurisdictions is included as Appendix I.

B. Definition of a Zone

According to PUC §130003, a Transportation Zone means Cities or unincorporated areas which contain at least one economic center (or major trip generator) in which there is a large percentage of short- and medium-length transit trips. ~~The MTA will measure compliance with this requirement by requiring the Zone to demonstrate that more than one-half of all routes to be transferred to the zone have an average transit trip length (defined as passenger miles divided by boardings) of less than five miles. The Zone should compliment the regional service provided.~~ ~~LACTC~~MTA may establish Zones only in those areas where the ~~Commission~~Authority determines that the ~~SCRTD~~MTA and/or included municipal operators cannot otherwise provide adequate and responsive local transportation services in a cost-effective manner.

C. Purpose of a Transportation Zone

A local Transportation Zone provides local jurisdictions the option to establish transit service within a specific geographic area where it can be shown that adequate and responsive local transportation services can be provided in a more cost effective manner. By reducing the overall cost of providing transit service in the County, creation of a Zone can increase likelihood of continuing existing levels of service or increasing levels of service with no additional regional subsidies.

A local Transportation Zone can also provide cost-effective subregional transit service augmenting the regional network. This becomes especially critical as Federal operating subsidies are reduced.

A local Transportation Zone must be initiated by interested localities. By creating a local board to determine service structure and allocation, transit service could be made more responsive to local needs. By contracting for transit service through competitive bidding, a Zone may be able to reduce costs and provide more service under reduced subsidies than would otherwise be possible. Lastly, the Zone could bring more local funding support to transit services within the ~~he~~ Zone.

D. Summary of Application Process

Creation of a Transportation Zone should be considered by interested localities who are proposing to administer public transit service(s) operated by ~~SCRTD~~MTA and/or included municipal operators who ~~receive~~are fund~~ing~~ed from the~~y~~by ~~LAGTC~~MTA. A summary of the application process is highlighted in Table I.

The application process applies to both an initial zone application and any application to significantly modify a local Transportation Zone's geographic boundaries, or to transfer additional routes operated by an included municipal transit operator or the MTA. A request for zone expansion will address all requirements of a new zone applied to the expanded portion only.

TABLE I
TRANSPORTATION ZONE
SUMMARY OF APPLICATION PROCESS

- Notice to LACTG MTA of intention to file application by Cities/County indicating specific routes and services being requested for transfer to the Zone, as well as the specific proposed zone boundaries. The notice is in the form of a pre-application prepared by the Zone applicant.
- ~~Meeting with Applicant/LACTG to review process.~~
- Pre-application filed with LACTG MTA and circulated to existing ~~affected~~ operator(s) of the services requested for transfer ~~summarizing extent of service to be transferred.~~
- Meeting with Applicant, MTA and the existing operator(s) of the service to potentially be transferred to review process, including a general schedule with milestone check points to monitor progress.
- LACTG MTA approves/disapproves proceeding with full application and development of Operational and Financial Plan. MTA may specify that some routes are not to be transferred, that additional routes should be transferred, and/or indicate special requirements for some routes to transfer to ensure fullest integration with the regionally significant transit network.
- The Zone applicant must work with MTA, the existing operator(s) of the service to be potentially transferred and affected labor organizations to ensure compliance with requirements to make adequate provisions for employees as required under the Public Utilities Code, labor agreements, 13c and other applicable labor law.
- The Zone applicant is also to work with the MTA and the existing operator(s) of the services in question to specify what assets, staff, monitoring systems and agreements are expected to transfer to the Zone. The Zone must develop a transition plan element of the Operational and Financial Plan addressing the implications of Zone creation on the effective use of capital investments, assets and labor. It is desired that parties develop a mutually agreeable transition plan. If the parties cannot agree on a single transition plan, the Zone applicant should submit it's proposed transition plan, and existing operator(s) of the service will be invited to comment.
- The MTA will provide a list and description of anticipated or potential negative impacts from Zone implementation to the applicant addressing issues including potential negative impacts to employees, effective use of capital investments, and to passengers by fare, service or quality changes. The Zone will address how these potential negative impacts will be avoided or mitigated as part of the Operational and Financial Plan.
- Applicant prepares necessary documentation as required under Guidelines.
- Participating cities approve application, including the ~~(and Operational and Financial Plans).~~ The final application including the Operational and Financial Plan (with transition plan and mitigation plan elements included therein) are then submitted to the MTA.
- Commission Authority circulates application to the existing ~~affected~~ operator(s) of the services requested for transfer and other impacted parties (e.g., organized labor, standing advisory committees) for review and comment. ~~and negotiation over any differences between the affected operator and the Zone.~~
- The Commission Authority will hold a public hearing and receive public testimony in relation to the above submittals.
- Commission Authority approves or rejects the Zone application (approval requires eight votes) and makes the following determinations to approve:

- Cost savings are identified
 - No adverse impact to the overall public interest
 - No degradation of overall system efficiency and service
 - Compliance with all legal requirements related to Zone implementation.
- If the application is approved, the Zone begins operating services (e.g., all at once or by phasing in the transfer of services) phases-in service and LACTCMTA, the /Zone and existing operators of the service monitor the impacts of change.
 - (After a minimum of three years and after the MTA no longer has responsibility for service performance of routes transferred to the Zone under third party agreements (e.g., any court order), LACTCMTA approves/disapproves permanent funding (i.e., included operator status) of the Zone based upon, at minimum, criteria for determining whether or not a Zone is successful-Zone. -All location of formula funds will be based on available audited data and service implemented at a later date (and therefore audited data not yet available) will continue to receive credit under the Proposition A Discretionary formula.

II. GENERAL REQUIREMENTS

This Section addresses how to determine eligibility for establishment of a Zone as well as clarifying eligible use of applicable funding. This Section addresses: Entry Criteria; Local Contribution Requirements; Definition of Eligible Service; Methodology for Computing Cost Savings; Short-Term/Long-Term Funding; and Criteria for Determining Success.

A. Entry Criteria

In order to establish a local Transportation Zone, the Commission Authority must make a determination that the existing transit operator "cannot otherwise provide adequate and responsive local transportation service in a cost-effective manner" (Section §130261). The following factors will be considered by the Commission Authority in making such a determination:

1. Restructuring Existing Service - The Commission Authority will create Zones only where the local jurisdictions are proposing to restructure public transit funded by the LACTCMTA. 'Restructure' is defined as where the existing or modified service will be operated by contracted-to lower cost provider(s). 'Service funded by LACTCMTA' is defined as service which receives funding from MTA underfunded-to "Included" operator status as defined by under state law.

The applicant must demonstrate that the existing operator(s) is unable or unwilling to provide cost-effective service and that the Zone can demonstrate through contracting and/or restructuring that service can be provided more cost-effectively.

2. Common Transit Problems and Goals - A Zone appears most appropriate in areas where it can be demonstrated that local jurisdictions share similar transit problems and goals. The jurisdictions would initiate the request to form a Zone and they would indicate a willingness to form some type of a cooperative arrangement such as a Joint Powers Authority.

3. Commitment to Basic Level of Service - A clear plan for financing and operating the services provided within the Zone for the first three years must be available before the establishment of a Zone (the requirements of the plan are discussed further in Section III.C.). The Zone is responsible for providing adequate and responsive service within the Zone. Prior to becoming an included operator, the Zone will submit planned service changes not included in the initial Operational and Financial Plan to the MTA at least 90 days before implementation. Planned changes will not be implemented by the Zone if the MTA makes a formal declaration that planned changes are unacceptable.

The Zone applicant will also identify the process for coordinating connectivity with general public transit service provided by all other transit operators intersecting its services.

The Zone will also be required to meet regularly with the regional complimentary paratransit service provider and the MTA. The Zone will be responsible for any additional complimentary paratransit service costs due to expansion of services within a zone before becoming an included operator, and for complete compliance with the Americans with Disabilities Act.

4. Potential for Cost Savings - A key justification for the formation of a Zone is the potential for cost savings. The Financial Plan should show a 1525% cost savings by the end of the second year using in at least one of the following four measures ways:

- A minimum of 125% savings in Commission Authority subsidy per passenger; or
- A minimum of 125% total cost savings; or
- A minimum of 125%~ savings in cost per passenger; or
- A minimum of 125% savings in cost per vehicle service hour.

It should be noted that the annual average cost savings could be something less than 125% if a phased implementation was proposed by the Zone and approved by the MTA.

5. Size of the Zone - In order to effectively provide subregional service, Zones must be of sufficient size. To be considered for approval, a Zone must include:

a. A minimum of three contiguous communities (municipality or county); and/or

~~b.~~ A minimum of 50 square miles;

b. As a measure of economies of scale (related to PUC 130259C), any single Zone is limited in size to a maximum of 500 peak buses;

d. PUC 30637 mandates that no zone can be implemented which substantially diverts or reduces ridership or revenue of the system operated by the MTA. A substantial diversion or reduction would not occur if any single Zone application transfers not more than 20 percent of MTA systemwide bus ridership and/or revenue.

6. Propensity to Travel - The ~~Commission~~Authority is attempting to maximize the effective use of local, state and federal funds by promoting the most cost-effective ~~local~~intercommunity and regional transit service. As a result, a Zone's propensity to use transit should be clearly identifiable in the operating and financial plan. Indicators of the propensity to use transit would include:

- Identification of economic centers within the Zone (using SCAG's definitions under the Regional Transportation Plan)*;
- Population density per square mile;
- Population of senior citizens;
- Population of lower income residents; and
- Number of current transit trips as a percentage of total trips within the Zone.

7. Significant Adverse Impact to the Existing~~Affected~~ Operator(s) - Section III requires that an Operational and Financial Plan must be submitted. The plan must show mitigation of potential significant adverse impacts that are identified by the ~~MTA~~affected operator. Among the issues to be addressed are the proposed plan to avoid negative impacts in terms of effective use of the countywide investment in transit capital; to employees of the existing operator(s); to the net financial position of the existing operator(s); to passengers as a result of fare, service or schedule changes; and to passengers as a result of service quality changes (e.g., security, over-crowding, customer information). ~~LACTC~~MTA shall resolve any disputes on whether the impacts have been mitigated.

~~* LACTC staff will provide excerpts from the SCAG RTP for assistance in defining economic centers.~~

B. Local Contribution Requirement

A local commitment to contribute funding is also required. The ~~Commission~~Authority will fund up to 95% of the net operating budget (total costs less operating revenues – e.g., fares, advertising, concessions, interest) and the Zone would fund 5% of the total budget each year. Under any circumstances the Zone is not required to provide more than 25% of their members Local Return funds. In no case can the ~~Commission~~Authority contribution exceed the funding credit defined in Section II.G.

The 5% local contribution requirement can be satisfied by currently funded Proposition A Local Return projects if they are open to the general public, operated by the Zone, and are compatible with the proposed service. For example; where only express service is proposed by the Zone, the local contribution requirement could be satisfied either by applying 5% of local funds not currently committed to other projects or by incorporating a currently 100% locally funded express project whose operating costs total at least 5% of the proposed costs of the Zone. Another example where there is a restructuring of all types of service within the Zone, the existing locally funded Dial-A-Ride service could satisfy the 5% local contribution requirement as long as the service was open to the general public and operated by the Zone. It should be noted that capital projects funded with Local Return are not an eligible expense to satisfy the local contribution requirement (with the exception noted in II.E.3).

C. Definition of Eligible Service

Routes of regional significance are not generally eligible for transfer to a Zone. Figure 1 provides a map of routes deemed regionally significant. Table 2 lists the specific routes included in this map. The map and routes may be changed by the MTA from time to time, and the latest MTA adopted regionally significant route structure will be used by the MTA to determine eligible routes upon receipt of a pre-application. All other general public transit service types funded by the MTA are eligible for transfer to a zone. At MTA's discretion, certain routes of regional

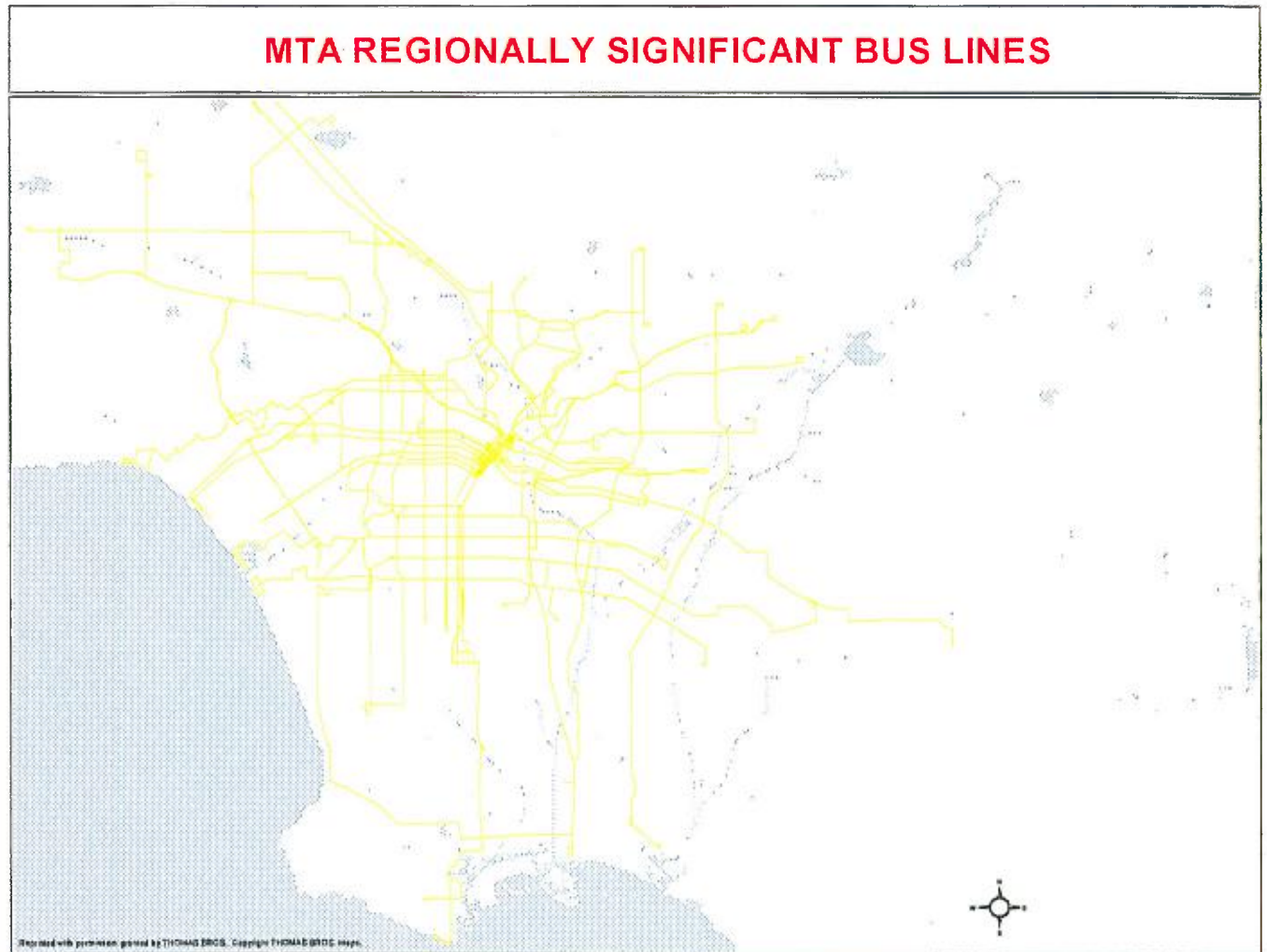
significance may be operated by a Zone provided adequate measures are taken to fully integrate the service, schedules, fares and public information with the regional transit system. While all types of service can be provided within a Zone,

One of the key aspects of establishing a Zone is determining what transit service is eligible for Commission Authority subsidies. The proposed Operational and Financial Plan must indicate that the existing service level on the regional system will be maintained either by the Zone or the existing operator carrier. However, any increased efficiencies retained by the Zone (through cost savings or re-scheduling) may be allocated by the Zone to any type of service open to the general public.

Figure 24 has been provided as a clarification of the type of services that can be transferred from an existing operator to the Zone. This will be used as a guide for the Commission Authority in determining the amount of service and related subsidy credit to be transferred to the Zone.

The Zone may also propose a more cost effective approach to complimentary paratransit services. This proposal may be accepted or rejected at the discretion of MTA without impacting other elements of the application. If accepted, the Zone would receive funding and share in cost savings related to these services in a manner consistent with funding for other services.

FIGURE 1
MTA REGIONALLY SIGNIFICANT BUS LINES



INSERT FIGURE 1 AND TABLE 2 FROM EXCEL FILE HERE

TABLE 2

LIST OF POTENTIAL REGIONALLY SIGNIFICANT TRANSIT ROUTES

- Criteria:
- 1- Routes that serve multiple sub-regions, (areas that have the potential for becoming zones.)
 - 2- Routes that have a large percentage of passengers that have relatively long trip length.
 - 3- Routes that have a relatively high percentage of transfer use, which indicates connectivity.
 - 4- Corridors that have been identified as potential Mtro Rapid Bus Lines.
 - 5- Routes that have relatively high ridership numbers.
 - 6- Routes that have existing or proposed limited stop service.

List of Potential Candidate Routes:

Existing Metro Rail Lines:

Red, Blue and Green

Rail Extension Corridors:

Pasadena LRT, Eastside, Mid-City, Valley East/West

Metro Rapid Bus Routes:

Corridor	Bus Lines	Corridor	Bus Lines
A. Chavez-E.1st-Pico-Venice	30 - 33 - 68 - 333	I. Garvey - City Terrace	70 - 71
B. E. Olympic - 7th - Wilshire	16 - 18 - 20 - 316 - 318 - 320	J. Santa Monica	4 - 304
C. Ventura - LA	424 - 425 - 522	K. Crenshaw - Vine	210 - 310
D. Roscoe - Vineland	152 - 418	L. Western	207 - 357
E. San Fernando	94 - 394	M. Vermont	304 - 354
F. Van Nuys-Westwood-LAX	233 - 420 - 561	N. King - Hawthorne	40 - 42 - 442
G. Colorado - Hollywood	1 - 180 - 181 - FTZ187	O. Pacific - Long Beach	60 - LBPT40
H. Atlantic - Los Robes	260 - 485	P. Florence	111 - 311

Existing Limited Stop Bus Lines:

Bus Lines	Line Name	Bus Lines	Line Name
302	Sunset Bl. Limited	345	Broadway Limited
304	Santa Monica Bl. Limited	354	Vermont Av. Limited
310	Crenshaw Bl. - Vine St. Limited	357	Western Av. Limited
311	Florence Ave. Limited	362	Telegraph Rd. - Pioneer Bl. Ltd.
316	West Third St. Limited	378/379	Huntington Dr. - Las Tunas Ltd.
318	Whittier Bl. - W Eighth St.	394	San Fernando Rd. Limited
320/322	Wilshire Bl.-San Vecente Bl. Ltd.	418	Roscoe Bl. - LA Limited
328	W. Olympic Bl. Limited	425	Ventura Bl. - LA Limited
333	Venice Bl.Limited	561	Van Nuys-Westwood-LAX Ltd.

Regionally Significant Local Lines

Bus Lines	Line Name	Bus Lin	Line Name	Bus Line	Line Name
	Sunset	70	Garvey		Western
	Santa Monica		Las Tunas - Huntington		Crenshaw
	Whittier - W. 6th	81	Figueroa	212	La Brea
	Wilshire	92/93	Glen Oaks - Brand	232	S. Sepulveda - PCH
	W. Olympic-York-Cypress		San Fernando	251/252	Soto
30/31	Pico - E. 1st	105	Vernon - La Cienega	260	Los Robles - Atlantic
	Venice	108	Slauson	266	Rosemead - Lakewood
40/42/442	King - Hawthorne - LAX		Florence	420	SFV - Hollywood - LA
	Broadway - Griffen	115	Manchester - Firestone		Ventura - LA
60	Long Beach - Pacific	163	Sherman Way - Hollywood	446/447	San Pedro-Carson-LA
66/67	W. 8th - E. Olympic	180/181	Pasadena-Glendale-Hollywood	550	W. Hollywood-San Pedro
68	W. Wash. - Chavez		Vermont		Van Nuys-Westwood-LAX

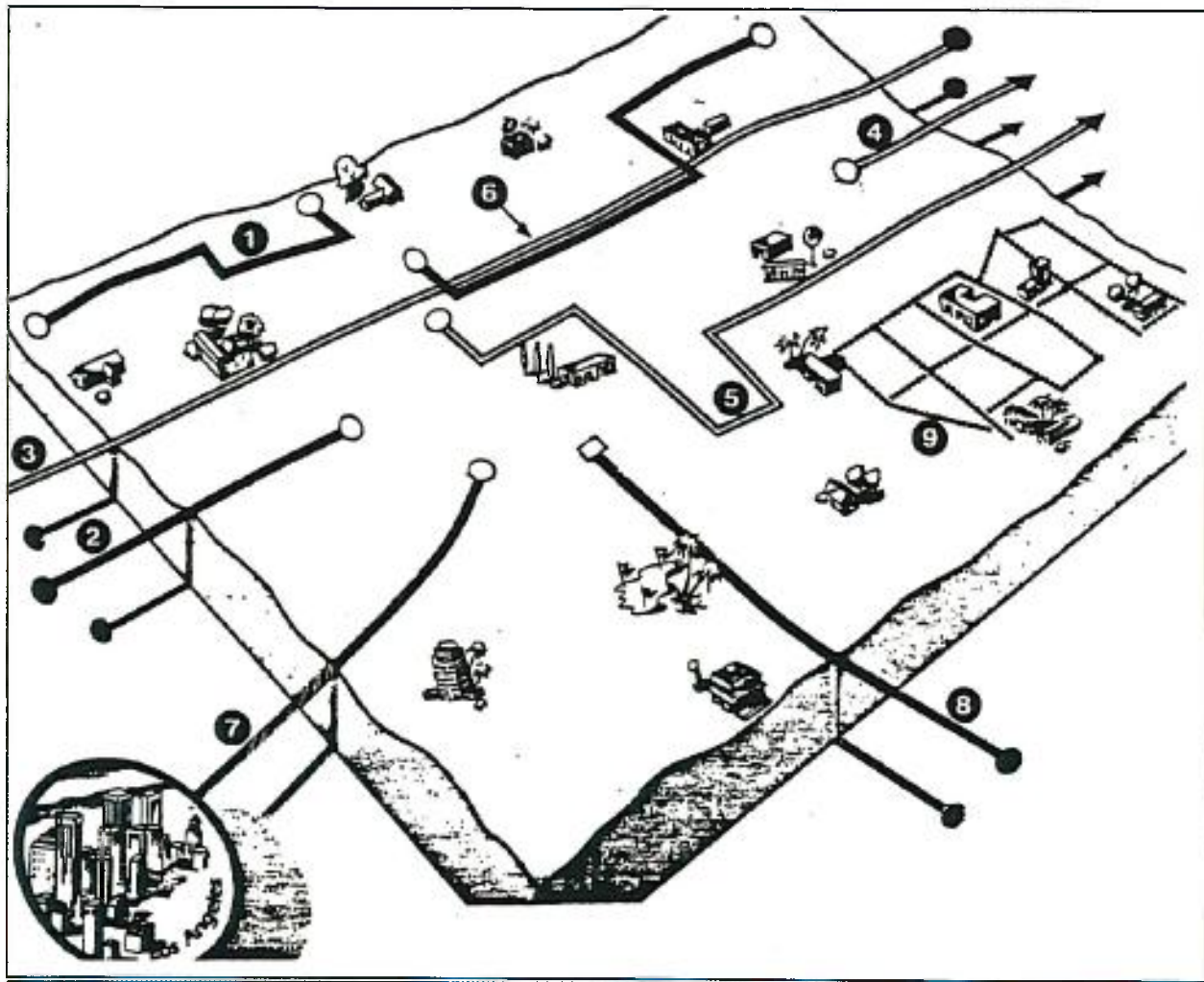
Lines that have a limited stop service.

D. Method For Computing Cost Savings

For purposes of cost comparison between the existing~~affected~~ operator(s) of the service to potentially be transferred and the local Transportation Zone applicant shall take into account the following:

1. Cost comparisons shall be based upon total operating costs considering both cost reduction potential of the existing operator(s) of the service and the added cost of the Zone operator;
 2. Capital costs shall be provided by the applicant, but listed separately from the operating costs. It is intended that the Zone and existing operator(s) of the service to be transferred will work together to make effective use of the existing countywide investment in transit capital assets;
 3. The applicant shall include all applicable administrative costs, including administrative, planning, and in direct costs, when computing total operating costs. If a Zone operates services in addition to those contained in the application, it must allocate costs incurred which benefit both services using a cost allocation plan reviewed by a Certified Public Accountant for reasonableness;
 4. The existing operator(s) of the service in question must submit a cost reduction plan which demonstrates effective reduction of direct and indirect costs as a result of Zone creation. One time cost impacts of the transition should be identified separately from ongoing annual savings;
 45. When reporting on the cost comparisons, ~~LACTC~~MTA shall note any difference in costs from the affected operator that are due to a difference in service quality (e.g., security, customer information system, ~~etc.~~);
 6. Costs must be compared for the same fiscal year among potential operators of the service both before and after Zone implementation.
 7. The MTA Board of Directors may obtain an independent expert opinion of cost reduction potential for the existing operator(s) and the costs of the Zone operator – both agencies must cooperate with any representative of the MTA in this matter.
- Any savings realized before the Zone becomes an included operator will~~ould~~ be shared equally (or as otherwise determined by the MTA Board of Directors) between the existing operator(s) of the service to be transferred and the Zone operator~~stay in the Zone and could be used to improve mobility of the Zone's residents.~~

Figure 2
Examples Of Service Types Within Transit Zones



EXAMPLE SERVICE TYPES	SERVICE ELIGIBLE FOR TRANSFERS TO ZONE
1. LINES ENTIRELY WITHIN ZONE	YES
2. LINES PREDOMINATELY WITHIN ZONE TO NEAREST MAJOR TRANSIT GENERATOR OUTSIDE ZONE	YES
3. LINES THAT TRAVEL THROUGH ZONES	NO, <u>UNLESS A SUPER MAJORITY OF TOTAL RIDERS BOTH BOARD AND ALIGHT WITHIN THE ZONE</u>
4. LINES PARTIALLY WITHIN ZONE	NO
5. LINES THAT HAVE CIRCULATORY "TAILS"	NO - ON REGIONAL SERVICE OUTSIDE OF ZONE YES - ON CIRCULATORY PORTION WITHIN ZONE
6. LINES DUPLICATING REGIONAL ROUTES	YES - CONTINGENT UPON COORDINATED ("DOVE-TAILING") SCHEDULES
7. EXPRESS LINES WITH CATCHMENT AREAS WITHIN ZONE TO MAJOR GENERATOR (DOWNTOWN LA)	YES
8. EXPRESS LINES SPECIAL SERVICES	CONTINGENT UPON ALL AGENCIES

OPERATING FROM OUTSIDE ZONE TO
GENERATOR WITHIN ZONE

9. DIAL-A-RIDE SERVICE PROVIDED
WITH REGIONAL SUBSIDIES

YES (GENERAL PUBLIC)

E. Eligible Costs

In order to protect public resources and maximize LACTCMTA funding for operating purposes, the following conditions shall be in force:

1. Total operating costs are eligible including planning, administrative, and indirect costs. Costs for leasing of fixed facilities and revenue vehicles are eligible only if existing capital assets are effectively used, but should be reported separately from operating costs.
2. Proposition A Discretionary ~~f~~Funds transferred may not be used to purchase or construct fixed facilities, or to purchase revenue vehicles, except as noted in (3) below. Zones may receive a mixture of funds including federal, state and local funds. The Zone must comply with requirements and restrictions placed on individual fund sources and types.
3. The following options are allowable for procurement of revenue vehicles if conditions cited in E.1. above are satisfied. LACTCMTA must pre-approve any contract which involves revenue vehicle procurement including lease of revenue vehicles:
 - a. Contractor to Zone Provides Revenue Vehicles - Under this option, the Zone specifies in the RFP that the contractor provides vehicles. A pro rata share (based upon UMTAFTA's policy for the average useful life of the revenue vehicles) is an eligible capital cost.
 - b. Zone Purchases Revenue Vehicles Using Local Return Funds - Under this option, the Zone procures the vehicles and retains ownership. In this option, the Local Return funds used to purchase revenue vehicles can be used to satisfy part or all of the local contribution requirement described in Section II.B in one or more years.
 - c. Zone Purchases Revenue Vehicles Using LACTCMTA Proposition A Discretionary Funds Transferred - Under this option, the Zone procures the vehicles and has the contractor maintain the vehicles. Using LACTCMTA pro rata share defined in Section a. above, the LACTCMTA funding credit can be used to procure revenue vehicles for the Zone in accordance with the rules governing the specific funds transferred. Disposition and ownership at the end of the three year period shall be clarified in the contract.
 - d. Zone Purchases Revenue Vehicles Using Federal UMTAFTA Section 5307 or Other Capital 3 Discretionary Funds - Under this option, LACTCMTA will work with the Zone and UMTA ~~appropriate federal and/or state agencies to~~ justify federal support using Section 5307 or other capital funds for purchase of revenue vehicles. UMTAFTA requires a 205% local match. LACTCMTA Discretionary funds can be used up to credit limit for this fund type. In order to speed up the procurement process, LACTCMTA may consider (at the applicant's request) a loan to finance the local share over and above the eligible funding credit limit.
 - e. If vehicle procurement (or other capital investments like facility upgrade) is already programmed by the MTA Board of Directors, with capital allocations planned for the area to be served by the Zone, MTA may, at its sole discretion, transfer an appropriate share of new equipment once purchased to the Zone. Likewise, MTA may transfer capital dollars programmed to benefit the riders to be served by the Zone to said Zone for capital investment. This potential should be explored prior to submission of the application and the Zone should clearly communicate the action requested.
4. Long Term (earliest potential change is the 4th Year of Zone operations) - If the Zone is determined to be a "success" by Commission Authority standards (see Section II.G.), the Zone can will be designated as an included operator by MTA Board approval and become eligible for Federal capital funds in accordance with the rules applicable to included municipal operators.

F. Short Term and Long Term Funding Mechanisms

When the authority was given to the CommissionMTA to create Zones, the law specified that federal and state funds could be used immediately. These funds (e.g., Federal Section 9, State TDA, and State STA funds, and some local funds) are allocated by the CommissionMTA through what is known as the 'Formula Allocation Procedure' (FAP). This formula is based upon distributing funds through the number of miles operated (50% weight) and fare unitspassengers carried (50% weight) by each of the eligible included operators. A percentage share is determined for each operator based upon the statistics mentioned above and funds are distributed according to that percentage. The formula process is intended to be updated and approved by the CommissionMTA every two years.

The Formula Allocation Procedure is based upon audited operating statistics in accordance with Federal reporting practices. It is impossible to include a Zone in the Formula Allocation Procedure without any audited operating statistics. As a result, the funding mechanism for the Zone will occur in two phases: Proposition A Discretionary-fAvailable funds (which may include federal, state and local monies which are allocated to the existing operator(s) of the services to be transferred) will be used in place of formula funds for at least the first three years operation of a local Transportation Zone. An CommissionMTA funding credit will be calculated based upon the approach outlined below, number of service hours to be transferred from the existing operator to the Zone. The Zone operator will report miles operated, passenger fare revenues and the base cash fare to the MTA in a manner consistent with FAP requirements. MTA will claim credit for Zone operations under the FAP until such time as the Zone becomes an included operator.

~~Based upon the date of pre-application, the Commission will calculate the amount of Commission subsidy per service hour (TDA, STA, Section 9, and Proposition A Discretionary funds) to be credited to the Zone. See the formula in Table 2 which will be used for the first three years of Zone Guidelines.~~ Any difference in the credit transferred to the Zone and the amount expended by the Zone utilized can be carried over for two years, consistent with policies for included operators.

1. Funding Principles

The funding approach follows several basic principles:

- Every effort will be made to ensure that no rider group loses transit service or resources as the result of Zone creation. The existing operator(s) are not to lose revenues and funding in excess of potential cost savings from the transfer of services and assets to a Zone. A Zone should receive at least the funding required to operate the services transferred;
- Costs and subsidies are to be based on budgets and analysis for the fiscal year in question (i.e., the year to be funded) directly related to the services transferred (i.e., fare reduction and/or service expansion are to be funded out of shared savings or local contributions, and are not part of base subsidy requirement calculations);
- While initial funding marks are based on budgeted data for both existing and Zone operators (similar to funding marks for included operators), when actual financial results are determined through fiscal audit, the parties will recalculate the funding credit using actual results and transferring or crediting appropriate subsidy amounts;
- Analysis focuses on the specific services, assets and agreements (e.g., security) to be transferred and holds the service profile constant for determination of subsidy levels throughout the period prior to the Zone becoming an included operator (service expansion is to be funded out of cost savings);
- Likewise, operating revenues (e.g., fares, advertising, concessions, interest) should be determined for the existing services and expanded by the existing operator average rate of growth for both parties throughout the demonstration period for subsidy calculation purposes (e.g., increases in ridership and other operating revenue can be used by the Zone to fund service improvements, decreases in fares or other operating revenues are to be funded out of savings or local contributions);
- Careful consideration is required in reviewing costs and revenues (e.g., What reasonable costs could be saved by the existing operator through route and asset transfer? What service base will be used throughout the demonstration period to compare existing and Zone operator costs as both service profiles change over time?); and
- Special issues need also be addressed (e.g., lower cost approach to complimentary paratransit services, participation in regional security services, one time transition costs).

2. Short Term Funding Methodology

The short term funding methodology is detailed below, and an example application provided in Table 3.

a. Calculate Maximum MTA Subsidy Available from service transfer by existing operator:

- Determine reasonable cost savings potential of existing operator(s), considering both direct and indirect costs, as a result of transfer of services, assets and agreements;
- Subtract operating revenues of the services to be transferred (e.g., passenger fares, advertising revenue, interest income, concessions);
- Yields maximum subsidy available as a result of zone creation; and
- By establishing this maximum amount of subsidy transfer the existing operator(s) is held harmless in the service transfer (i.e., avoids a financial loss as a result of the transfer).

b. Determine MTA Subsidy Requirement for Zone Operator:

- Determine reasonable direct and indirect zone operator costs related to services, assets and agreements transferred (applying unit costs to base comparable service level);
- Subtract operating revenue (use same number as existing operator(s) to normalize for fare, advertising and investment policies);
- Multiply result by 0.95 (reflecting requirement that MTA maximum subsidy is a zone is 95% of the net operating budget – eligible costs less operating revenue);
- Yields MTA subsidy requirement for zone operator; and
- Add Local Return subsidy (5% of total budget amount) in accordance with rules set forth in Section II.B) to determine total Zone resources.

c. Determine Final MTA Subsidy Credit for Zone Operator:

- If the MTA subsidy requirement (step b above) is greater than maximum subsidy available (step a), then the MTA subsidy credit is the amount calculated in step a; and
- If the MTA subsidy requirement (step b) is less than the maximum subsidy available (step a), then the MTA subsidy credit is the subsidy requirement (step b) plus one-half the difference between the maximum subsidy available (step a) and the requirement (step b). The existing operator(s) retains the other half of the difference, which is the net subsidy savings as a result of Zone creation.

d. Adjust Subsidy Level to Reflect Actual Financial Results:

- After fiscal yearend, using audited cost results, the subsidy amount transferred or credited to the zone is to be modified as required to reflect actual unit costs applied to the comparable base service package.

e. Subsequent Year Subsidies Are Calculated Off the Initial Transfer of Base Service Levels:

- New unit costs are applied to the comparable base service package established previously for both the existing and Zone operators;
- If the transfer is phased, a comparable base service level must be determined for each phase of service transfer;
- Operating revenues for both parties are increased by the average rate of growth for these revenues of the existing operator (operating revenue increases through ridership gains and/or enterprise efforts remain within the zone; fare or other operating revenue reductions are to be funded out of savings or other subsidies); and

- This subsidy allocation methodology applies to the Zone operator until such time as it becomes an included operator.

TABLE 2H

Example of Formula for Credit - Short Term Funding
INSERT EXCEL FILE HERE

TABLE 3
Example of Formula for Credit - Short Term Funding

1. GENERAL PRINCIPLES

- a. All costs reflect FY99 budgeted amounts.
- b. The cost savings model was developed by KPMG Peat Marwick to address cost savings potential from divestiture

2. COST SAVINGS POTENTIAL FOR MTA

Direct Costs	Unit Cost	Units	Cost
Hours	\$37.980	1,116,102	\$42,389,546
Miles	\$1.590	15,734,198	\$25,017,374
Peak Vehicles	\$24,009,000	362	\$8,691,258
Passengers	\$0.023	52,113,352	\$1,198,607
subtotal			\$77,296,786
Overhead Costs			
Direct Support	\$77,296,786	0.1338	\$10,342,310
Indirect support	\$2,108,000	1	\$2,108,000
Other Savings			
Security Contract	\$2,459,000	1	\$2,459,000
TOTAL COST SAVINGS POTENTIAL			\$92,206,096
Operating Revenue			
Fares			\$41,456,403
Advertising			\$1,170,000
Interest			\$3,054,000
TOTAL OPERATING REVENUE			\$45,680,403
MAXIMUM SUBSIDY AVAILABLE			\$46,525,693

3. EXAMPLE ZONE SUBSIDY REQUIREMENTS

Total Operating Cost	Unit Cost	Units	
Hours	\$80.00	1,116,102	\$89,288,144
Operating Revenue			
Fares			\$41,456,403
Advertising			\$1,170,000
Interest			\$3,054,000
Total Operating Revenue			\$45,680,403
MAXIMUM MTA SUBSIDY ALLOWANCE			\$41,427,354
Proposition A Local Return Funding	5.00%	\$89,288,144	\$4,464,407

4. MTA SUBSIDY CREDIT FOR ZONE

Maximum MTA subsidy allowance to Zone	\$41,427,354
MTA cost savings sharing with Zone	\$2,549,169
Total MTA Subsidy Credit to Zone	\$43,976,523
Zone Surplus for Improvement	\$4,833,190
MTA Gain for Improvement	\$2,549,169

A. First Year

Step 1:

$$\begin{array}{lcl} \text{A.} & \frac{\text{Total Operator Commission Subsidy}}{\text{Total Operator Express Service Hours}} & = \text{Operators subsidy per Hour-express-service} \\ \text{B.} & \frac{\text{Total Operator Commission Subsidy}}{\text{Total Operator Local Service Hours}} & = \text{Operators subsidy per Hour-local-service} \end{array}$$

Step 2:

Operator subsidy per express-service-hour	×	# Express-hours transferred to the zone	=	Credit of Commission operating funds transferred from current operator Prop A Discretionary Allocation
	+		=	
Operator subsidy per local-service-hour	×	# Local-hours transferred to the zone		

B. Second and Third Year

Commission Credit x Proposition A Sales Tax Growth each year.

EXAMPLE:

- Operator subsidy from LACTC per local service hour* = \$45.50
- Operator subsidy from LACTC per express service hour* = \$61.67
- Annual VSHs transferred from existing operator to Zone = 98,768
- Zone funding credit transferred from existing operator =
 - 1. 98,768 local service VSH x \$45.50 = \$4,718,600
 - express VSH x \$61.67 = \$0
 - First year credit = \$4,718,600
 - 2. Second year = \$4,718,600 x 1.05 (Estimated Prop. A Sales Tax Growth)
 - 3. Third year = \$4,954,530 x 1.05 (Prop. A Sales Tax Growth)

NOTE:

* Includes operator STA, TDA, Section 9 and Prop A Discretionary Funds allocated to local and express services.

G. Criteria for Determining Success

The ~~Commission~~MTA shall use, at minimum, the following four criteria for defining a successful Zone. Each of the following criteria must be met (Note: analysis will be done in the ~~third~~ year in which all requirements for included operator status have been deemed to be met~~of operation~~ based upon the ~~concluded~~~~first two~~ years of data and an estimation of ~~third-year~~ data in the year under consideration). No Zone is to be designated an included operator until it has demonstrated at least three years of successful operation and MTA no longer has responsibility for service performance of routes transferred to the zone under third party agreements (e.g., any court order). The MTA will consider, at minimum, the following four criteria when considering the success of a Zone:

1. The Zone has demonstrated cost savings (which can be measured in one of four ways defined under Section II.A.) and savings are verified by an independent auditor. If the Zone demonstrates a ~~125%~~ or greater savings then this criterion shall be satisfied. If the Zone demonstrates a ~~105-1424%~~ savings, then conditions may be placed on the Zone in order to "pass" on this criterion. If the Zone demonstrates less than a ~~105%~~ savings, this criterion shall not be satisfied.
2. There is demonstrated public support for the Zone expressed through ridership, public reception, and support of local governments in the Zone. A public hearing shall be held by ~~LACTC~~MTA.
3. The overall system impacts have not worsened (e.g. ~~i.e.~~, regional coordination is maintained, no systemwide degradation of service has occurred to the existing operator(s) or elsewhere in the County as a result of Zone creation). Success of this criterion shall be measured in two ways: A) verification that the transfer agreement required in Section III.C. has been implemented, the Zone accepts MTA passes and tokens, and no fares are higher than those of the MTA for comparable services; and B) the ~~existing~~affected operator's performance (as measured by the TPM Program and other approaches deemed appropriate by the MTA)~~as measured by the TPM program~~ has not been significantly impacted, and will not be significantly impacted when the Zone claims funds under the FAP.
4. The likelihood of continued successful operation by the Zone under the ~~LACTC~~MTA rules governing included transit operators (i.e., Transit Performance Measurement Program, Formula Allocation Procedure, Short Range Transit Plan). Success under this criterion shall be measured as follows:
 - a. Assurance that the Zone will submit a Short Range Transit Plan in accordance with ~~LACTC~~MTA Guidelines and regionally significant service coordination requirements, if any regionally significant routes are transferred to the Zone;
 - b. Assurance that state and federal reporting requirements have been satisfied (e.g., TDA, ~~and Section 15~~National Transit Database forms, Tri-ennial Performance Audit and general compliance requirements of FTA and Caltrans); ~~and~~
 - c. Demonstrated ability to continue operations (with reasonable impact on service and fares) under the adopted countywide policies and programs impacting included operators and the ability to operate within FAP and other included operator funding~~TPM program; and~~
 - d. Assurance that other included operators will not incur significant negative impacts to service or MTA funding levels as a result of granting the Zone included operator status.

~~LACTC~~MTA will periodically evaluate the operation of the Zone as measured against the success criteria and the TPM program. If the Zone is found to be not meeting the criteria, the ~~Commission~~Authority may require steps to bring the Zone into conformance with the criteria.

III. APPLICATION REQUIREMENTS

This Section clarifies necessary submittals and who is responsible for what. Specifically, this Section addresses: agency responsibilities; pre-application requirements; and application requirements.

A. Agency Responsibilities

Creation of a Zone is a complex undertaking and it should be clear what responsibilities are to be assumed when undertaking the application process.

1. Zone Applicant - The applicant representative is responsible for submitting all documentation, including the pre-application, and the application (and appropriate attachments including Operational and Financial Plans with transition plan and mitigation plan elements) described elsewhere in the Guidelines. In addition, the applicant must coordinate with the LACTCMTA and the existing operator(s) of the service proposed for transfer. The applicant will cooperate with any MTA appointed expert to review costs and/or plans. The following conditions would apply.

All cities and/or county agree to support the Zone for a minimum of one year once service has been initiated. After one year, should a city wish to withdraw from the Zone, the following conditions would apply:

- City(s) withdrawing from the Zone shall provide a minimum 120 day notice; and
- City(s) shall acknowledge that SCRTD/LACTCMTA and the existing operator(s) are not required to provide replacement service.

2. Existing Operator(s) - The existing operator(s), who's service will be replaced by the Zone, shall have the following responsibilities:

~~The operator shall supply cost data and operational data for the affected service;~~

The operator(s) shall review the pre-application and application for significant impact and provide a list of same; and

- The operator(s) shall supply cost data and operational data for the specific services to be transferred including a cost reduction plan;

- The operator(s) shall coordinate with the applicant in development of a transfer agreement, and reimbursement for acceptance of MTA passes and tokens, as summarized in Section III.C.2.;

- The operator(s) will work with the applicant to identify the proposed transfer of capital, staff, agreements and systems; and

- The operator(s) will cooperate with any MTA appointed expert to review costs and plans.

~~All of these requirements shall occur in a timely manner.~~

3. LACTCMTA - The Commission Authority staff shall be available to assist for assistance to the applicant and existing operator(s) of the service proposed for transfer; to determine compliance with the Guidelines; to establish the general schedule for proceeding; to review and circulate the pre-application and application to the existing affected operator(s) of the service in question; to ensure compliance with legal requirements; as well as to co-ordinate unresolved issues between the existing affected operator(s) and the applicant. Issues that cannot be resolved at the staff level will be resolved by the Commission MTA Board of Directors. In addition, the Commission Authority will make any decision to establish a Zone in accordance with steps described in Section IV. Finally, the MTA Board of Directors will also make any decision regarding included operator status.

B. Pre-Application Requirements

A pre-application is required which would identify existing services proposed by the applicant to be transferred to the Zone (see Appendix II). The proposed changes in service will be reviewed for consistency with the Guidelines and impacts on existing operator(s) before the applicant proceeds with the formal application and preparation of the Operational and Financial Plan.

LACTCMTA will circulate the proposed pre-application to existingaffected operator(s) of the service proposed for transfer for review and comment. If there are significant differences between the Zone and the existingaffected operator(s) on what constitutes eligible service (defined in Section II.C.), the LACTCMTA ~~shall notify the applicant to not proceed with the application until LACTC~~ Board of Directors resolves the differences. The MTA will formally respond to the Zone and the existing operator(s) indicating the specific services under consideration for transfer. The MTA will also provide a list of potential negative impacts to be addressed by the Zone applicant.

C. Application Requirements

The application for creating a local Transportation Zone is shown in Appendix III. The information leading to justification in submitting an application which must be attached to the application is summarized below.

1. Operational Plan

- Description of proposed Zone (include: map; square mileage of Zone; list of jurisdictions);
- Description of current transit service (including: map of existing service; headways; span of service; vehicle service hours; number of vehicles; number of lift equipped vehicles; number of passengers; clear identification of any regionally significant routes requested for transfer);
- Description of any unmet transit needs;
- Description of the proposed service, including: map (showing restructured service including, service to be deleted, service to be rerouted and new service); operating characteristics (headways, span of service; summarize service hour plan -- identify VSH's which will be administered by the Zone, service which will be deleted, and service which will be restructured; note any data justifying propensity to travel (Criterion #6, Section II.);
- Specific proposal for fully integrating regionally significant services to be operated by the Zone, if any are included in the service package, including fares, schedules, public information and marketing;
- The Operational Plan must demonstrate that the capacity of the proposed system will be adequate to carry the actual ridership using the current operator services. In this instance, capacity is defined as the number of available seats in conjunction with the operator's adopted standing load policy. In the event that the existing operator(s) adopted vehicle load policy changes over time, the Zone must demonstrate compliance with future year performance standards as well;
- The Operational Plan must have attached, a formal transfer agreement between the applicant and regional carrier for fixed-route and general public operation. It is intended that the transfer agreement will spell out how to best coordinate service between the two entities. The nNeed for transfer agreements for E&H Dial-A-Ride will be considered on a case-by-case basis. At a minimum, the transfer agreement must include the following:
 - a. Applicant is required to identify coordinated transfer locations within the service area. There should be at least one transfer location along each line of the regional

carrier serving the Zone. Where possible, transfer locations should be located so as to serve multiple lines.

b. Applicant assures that shared bus stops will be used at transfer location(s) unless specified otherwise due to space or safety constraints.

c. Applicant assures that schedules will be created to minimize wait time between feeder service and regional carrier.

d. Where pulse point transfer locations are identified, the applicant assures that the following amenities will be provided: bus benches; bus shelters; and special bus stop signs to explain regional transfer routing opportunities.

e. Assurance that applicant will provide customer information service (through contract) either through the Zone operator or regional carrier. At a minimum, the applicant assures the regional carrier that transfer locations will be provided to customers over telephone and on applicable marketing information. Regional carrier agrees to reciprocal provision.

f. Assurance that the applicant and regional carrier will accept interagency transfers. Note: The approved fare tariff schedule must be finalized 14 days prior to commencement of service.

g. No closed door bus stop policy for regional service will be allowed.

- The Operational Plan must also include an agreement to accept MTA passes and tokens with reimbursement;
- The Operational Plan must include a description of the transition plan from existing to proposed service, including specifics on regarding capital assets, employees, systems, and agreements to be transferred; and
- The Operational Plan must also provide a specific plan for mitigating potential significant negative impacts to the existing operator(s), employees, countywide riders, and/or other operators consistent with the list provided by the MTA.

2. Financial Plan

The plan should include a description of the following:

- Existing transit costs within the Zone (breakout costs for service to be administered by the Zone as described above);
- Identification of 125% cost savings in accordance with the criteria summarized in Section II.A., Criterion #4;
- Summary of proposed fares, including inter-operator fare agreements (note that fares charged by the Zone cannot exceed those charged by the MTA for comparable services);
- Proposed budget; and
- Identification of fund sources, including local contribution.

Refinements and revisions to the above Plan are probable as service moves to implementation. Significant expansion and/or significant changes in types of service, or inclusion of new service areas could require at the readoption process. Any service change not included in the initial plan will be submitted to MTA at least 90 days prior to

implementation for review. If MTA makes a finding that planned changes are not acceptable, the Zone will not implement the planned changes.

3. Assurances and Understandings

The Zone agrees to provide the following assurances and understandings:

- That the Zone will assume all responsibilities for compliance with applicable state laws (including CEQA requirements regarding projects to be funded in part or in whole with MTA subsidies~~Proposition A funds~~);
- The Zone will establish its own air quality policies and work directly with SCAG and SCAQMD to ensure that its plans and actions are consistent with regional air quality requirements; and
- That the Zone will comply with all applicable federal, state and local requirements as to affirmative action, fair labor practices, transit accessibility, safety, ~~and~~ public health, and other relevant requirements;
- That the Zone will utilize the State Controller's Uniform System of Accounts and Records to accommodate uses and disbursements of MTA subsidies~~Proposition A funds~~;
- The Zone agrees to comply with the reporting requirements currently required by other ~~Commission~~MTA funded transit operators (including: financial and performance audits, Transit Performance Measurement data; and a Short Range Transit Plan).
- Documentation of consultation with the ~~existing~~affected operator(s) of the service proposed for transfer and/or the ~~MTA regional carrier~~ (documentation shall include approval letter from the regional carrier of formal transfer agreement required under Section III.C. and reimbursement for acceptance of passes and tokens. If ~~an~~ approval letter cannot be secured then the LACTCMTA Board of Directors shall resolve the dispute shall negotiate with applicant and regional carrier prior to submittal of application. ~~Unresolved issues of service coordination after LACTC staff negotiation attempts will be resolved by the Commission~~ as required by PUC §130262. Both applicant and existing operator(s)~~regional carrier~~ will abide by LACTCMTA determination.)
- Description of a local review process appropriate for the geographic size of the Zone (including public hearing(s) and/or other means of communication). It should be noted that the required number of public hearings should be commensurate with the size of the Zone. Consequently, discussion with ~~Commission~~MTA staff prior to embarking on the local review process will be necessary.
- Certification that the Administrative Structure and Operational/Financial Plan has been approved by the jurisdictions within the Zone.

IV. OPTIONS FOR ADMINISTERING A ZONE

The affected jurisdictions would propose the administrative structure used. There are numerous options for administering a transportation Zone and ~~Commission~~Authority approval of the administrative structure is necessary. Regardless of the administrative structure chosen, the operation of service must be performed by an entity with a lower cost structure than the existing operator(s) of the service.~~contracted to private or public operators through a competitive selection process rather than competitive bidding based solely on costs. Contracting out service instead of operating service directly encourages lower cost through competition and avoids additional administrative cost. The Zone will determine criteria for accepting a responsive bid.~~ There are two options that best facilitate an efficient operation: a Joint Powers Authority (JPA) or a Public Transit Authority.

Joint Powers Agreement - One structure to administer a Transportation Zone would be a Joint Powers Authority (JPA). A Joint Powers Agreement would specify the authority that would administer the Zone. The formation of a JPA is initiated by the cities and it is this local commitment that is necessary for the success of the Zone. Under a JPA, cities may enter into cooperative agreements for the purpose of exercising any power (service) common to the contracting parties. The intent of the JPA is to allow local governments opportunities to exercise cost efficient management techniques while at the same time preserving local discretion and territorial boundaries.

The JPA could consist of an elected official from each of the cities/or county within the Zone. Or, if the Zone was composed of a large number of cities, the JPA could appoint representatives to a transit authority (see below). Additionally, a technical advisory committee could be created in the by-laws that could consist of staff from the cities, representatives from ~~SCRTD~~MTA and the existing operator(s) of the service proposed for transfer, and private service organizations. This would insure coordination between the Zone and the rest of the region and would insure that the needs of the transit dependent were being met.

Public Transit Authority - There are instances where a JPA cannot be set-up. For example, the Zone can propose an alternative administrative structure for areas that are subsets of a city (i.e., the San Fernando Valley) or a group of cities that are willing to make a financial commitment but it is not feasible to create a JPA. The members of the board could be one elected official or an appointee from each of the areas within the Zone.

V. LACTCMTA APPROVAL PROCESS

The following is a summary of the approval process for creation of a Transportation Zone:

A. Staff Review

Staff will review the application and attachments described in Section III for conformance with the Guidelines.

B. LACTCMTA Public Hearing

The Commission Authority will hold a public hearing and receive public testimony in relation to the above submittals.

C. CommissionMTA Findings

The CommissionMTA Board of Directors will review the above steps and a Zone will be created only if with eight votes the MTA makes the following findings:

- The current transit operator cannot otherwise provide adequate and responsive local transportation services in a cost-effective manner pursuant to PUC 130261; and
- All of the municipalities and/or county within the Zone have approved the Operating and Financial Plan for the provision of transit service within the Zone (PUC 130259);
- Local Transportation Zones, the regional operator and municipal operators do not compete or unnecessarily duplicate services, but assist each other to provide the maximum level of transit service to the general public at the lowest cost (PUC 130262);
- The geographical shape of the Zone reflects jurisdictions with similar transit problems and goals (PUC 130259(c));
- The Zone size reflects the economies of scale of transit systems (PUC 130259(c));
- The Zone configuration and services reflect established and projected subregional patterns of travel (PUC 130259(c));
- The Zone contains at least one major trip generator and a large percentage of short and medium length trips (PUC 130003);
- The local Transportation Zone is coordinated with the regional transit operator and other carriers (PUC 130003);
- No new routes or route extensions are planned by the Zone which compete with or divert patronage from a route of the MTA or an existing included municipal operator (PUC 99280 and 99221);
- Adequate provision has been made for all MTA employees who are or may be displaced, or whose wages, hours, place or conditions of employment are or may be adversely affected by Zone implementation (PUC 30754, Article 51 of the MTA and UTU labor agreement); and
- The Zone does not substantially divert or reduce the patronage or revenues of the system operated by the MTA (PUC 30637).

D. LACTCMTA Action

Based upon findings of C, above, the Commission Authority would approve with eight votes:

- Creation of the Zone;

- Administrative structure of the Zone;
- Transfer of assets, employees, agreements and systems to the Zone, as may be appropriate;
- Establish an initial funding level for the Zone ~~for three years~~; and
- Direct staff to prepare a contract with the Zone.

E. Contract

A contract will be the contracting document between the ~~Commission~~Authority and the Zone. The contract will be used until such time as the Zone becomes an included operator~~for the first three years~~ (though the financial plan and MTA subsidy calculation will be renewed annually). After the Zone becomes an 'operator' under the Formula Allocation Procedures, a contract will no longer be necessary. The contract will include the following provisions: creation, definitions; general provisions; conditions; description of services; assurances; administrative structure; powers of authority; funding (and payments); reporting requirements; ~~LACTC~~MTA monitoring; and cancellation.

F. Monitoring

~~LACTC~~MTA will periodically and formally advise the Zone of how service is doing, at minimum measured against:

- Success Criteria;
- Transit Performance Measurement Program; and
- Regional service, fare and other policies.

G. Final Determination

After at least three years and once the Zone has satisfied all criteria related to becoming an included operator~~During year three of operation~~, the ~~LACTC~~MTA will make a final determination regarding continued operation, including:

- ~~LACTC~~MTA review of report on results of Success Criteria Analysis;
- MTA determination that the MTA is no longer responsible for service performance of routes transferred to the Zone under third party agreements (e.g., any court order);
- Regionally significant routes will continue with extra-ordinary coordination (e.g., service, schedules, fares, customer information) with the regionally significant network as demonstrated by formal agreement on these lines between the Zone and the MTA if any are transferred to the Zone;
- The Zone will continue to accept transfers from all other MTA funded general public operators, and accept MTA passes and tokens for reimbursement as indicated by formal agreements; and
- Hold Public hearing(s) to affirm public support.

H. Failure to Meet Success Criteria

If the success criteria described in Section II.G. are not satisfied, the ~~Commission~~Authority may, at its discretion, withdraw funding from the Zone, or may allow the Zone to continue operation on an interim basis. Should funding be withdrawn from the Zone, ~~LACTC~~MTA will transfer the funding back to the existing regional operator(s) of the service prior to zone creation and work

with the Zone and the existing regional operator(s) to provide a minimum level of service. The level of service shall not be less than the minimum service criteria described in MTA comprehensive service policies ~~in the Proposition A Discretionary Guidelines.~~

APPENDIX I

LEGISLATIVE AUTHORITY

CREATION OF ZONE

Section §130261: The Los Angeles County ~~Transportation Commission~~ Metropolitan Transportation Authority may establish local Transportation Zones only in those areas where the ~~Commission~~ Authority determines by eight affirmative votes of the voting members, that the ~~MTA or Southern California Rapid Transit District or~~ the included municipal operator(s) cannot otherwise provide adequate and responsive local transportation services in a cost effective manner.

Section §130003: As used in this division "local Transportation Zones" means cities or unincorporated areas which contain at least one economic center or major trip generator in which there is a large percentage of short- and medium-length transit trips. The local Transportation Zones shall be coordinated with the MTA and other included ~~regional transit~~ operatorions as appropriate relative to consumer need and efficient operations.

FUNDING AUTHORITY

Section §99285(f): Eight affirmative votes of the voting members, or designated alternates, shall be required in order to establish or change the criteria for admitting new included municipal operators for eligibility for funds allocated under Article 4 (see Section (e) for Federal Funds).

DEVELOPMENT OF GUIDELINES

Section §130259:

- c. In adopting the guidelines, the ~~Commission~~ Authority shall take into account, among other things, the geographical shape of the proposed zone, (~~i.e.g.,~~ is it contiguous and appropriate size, ~~etc.~~) economies of scale of transit systems, and established and projected subregional patterns of travel.
- d. The guidelines shall provide for a method of governing each local Transportation Zone; shall provide for the establishment of multicounty zones; and shall authorize each board, under specified conditions, to provide transit service itself, through a joint powers agreement or any other cooperative arrangement, or by contract with a public transit operator or a private common carrier.

Section §130262: The ~~Commission~~ Authority shall require full cooperation and coordination between the regional operator, the municipal operators, and the local Transportation Zones in such matters as schedules, routes and exchange of transfers. The ~~Commission~~ Authority is also empowered under this Section to "ensure that regional operators, municipal operators, and local Transportation Zones do not compete or unnecessarily duplicate services, but assist each other to provide the maximum level of transit service to the general public at the lowest possible cost."

APPROVAL BY AFFECTED JURISDICTIONS

Section §130259(b): It is particularly important that the County, Cities, and other local entities be involved in establishing local Transportation Zones.

Section §130263: The Los Angeles County ~~Transportation Commission~~ Metropolitan Transportation Authority shall not reduce, by order or by reducing funding, the size of the service areas under the jurisdiction of presently existing included municipal operators, the level of services they provide, or the scope of their operations, without first consulting with the operators and securing the approval of the municipalities within which they operate.



APPENDIX II

LAGTCMTA PRE-APPLICATION TRANSPORTATION ZONE

1 Date:	2 Contact person: Name, title, phone no.
3 Name of jurisdictions within zone:	
4 Name of operators within zone:	
5 Map(s) enclosed showing: Cities/county within Zone; Zone boundary; existing service; service to transferred Zone; and service to be restructured (if applicable). <u>Regionally significant routes to be specifically identified.</u>	
6 List by Line # of VSHs for routes to be transferred to Zone:	

Line #	Annual VSHs to be Transferred	Annual Weekend VSHs to be Transferred	Service Type DAR; Express; or Local Service <u>or</u> <u>Regionally</u> <u>Significant</u>

7 Proposed Date of Service
Implementation:

Note below if phasing different for lines.

Line #	Scheduled Date of Transfer
--------	----------------------------

APPENDIX III

LACTCMTA TRANSPORTATION ZONE APPLICATION

1 Date:	2 Contact person: Name, title, phone no.
3 Proposed zone date:	
4 Name of jurisdictions within zone:	
5 Name of transit operators currently in zone:	
6 Square miles within zone:	
7 Operation & financial plan attached (Section VII)? <u>Transition plan, mitigation plan and transfer of assets, employees, agreements and systems, if any, all included?</u>	
8 If yes to #7, has all affected jurisdictions listed in #4 endorsed it?	
9 Attached copy of each jurisdictional approval of #7	
10 Has Section IV (Criteria #4) been satisfied? ___ If yes, list reference page number in operational & financial plan. _____	
11 List reference page # of proposed administrative structure _____	
12 Has 25% Prop A Local Return Commitment been identified? List Page # reference _____	
13 List reference page # for summary of consultation efforts with Affected transit operator. _____	
14 Will new service be accessible?	
15 Does applicant agree to contract for service through a competitive Selection process?	
16 Does applicant agree to comply with Section IX Assurances and Understandings?	
17 Does the Plan include one economic center? List Reference Page.	
18 List the reference page for number of transit trips (to #17 above)	

as a percentage of the total transit trips within the zone:

Proposed Local Transportation Zone Guidelines

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

Effective April 1999

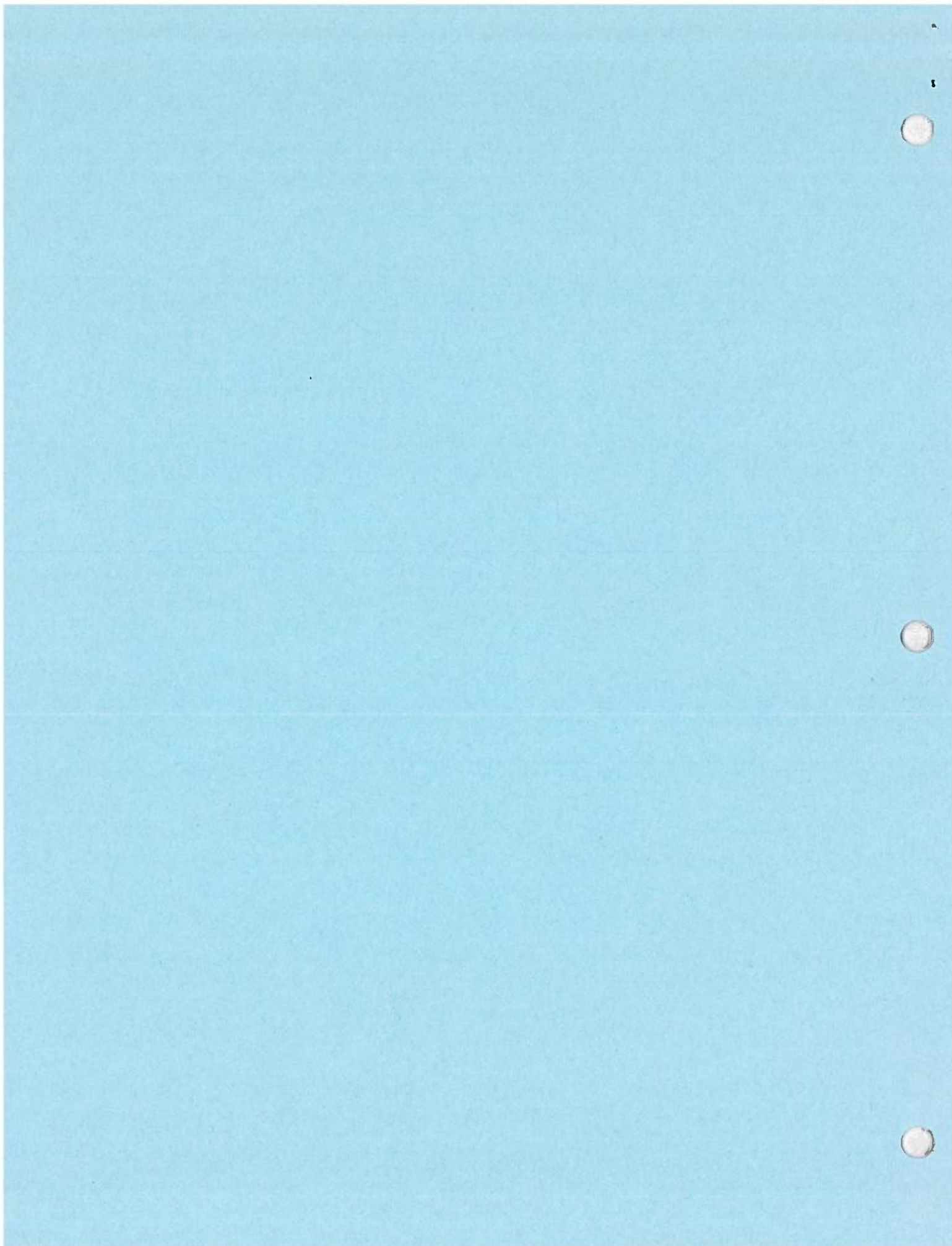


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- III. Application

I. INTRODUCTION

The Los Angeles County Metropolitan Transportation Authority's (MTA's or Authority's) enabling legislation (AB 1246, 1976) requires the Authority to maximize the effectiveness of existing resources by giving priority to low cost transit improvements. In addition, AB 1246 declares that local communities should be given more responsibilities for designing and providing local transit services to improve the responsiveness of public transit to public needs, and specifically empowers MTA to create local Transportation Zones (Zones) where the existing transit operator cannot otherwise provide adequate and responsive local transportation services in a cost effective manner.

These guidelines provide a mechanism for establishing and operating local Transportation Zones in Los Angeles County as provided for under Section §130259 of the Public Utilities Code.

Since the Zone applicant is a partner with the MTA in demonstrating savings under the Zone concept, it is required that the applicant and MTA shall work closely to ensure all requirements under the guidelines are satisfied. This Section provides background information in the following areas: Legislative Authority; Definition of a Zone; Purpose of a Zone; and Summary of the Application Process.

A. Legislative Authority

The MTA has broad latitude in establishing Zones as well as the method of governing a Zone. However, the law stresses the importance of involving the county, cities and other local public agencies in establishing local Transportation Zones. A summary of the legislative authority which addresses creation; funding authority; development of guidelines; and approval by affected jurisdictions is included as Appendix I.

B. Definition of a Zone

According to PUC §130003, a Transportation Zone means Cities or unincorporated areas which contain at least one economic center (or major trip generator) in which there is a large percentage of short- and medium-length transit trips. The MTA will measure compliance with this requirement by requiring the Zone to demonstrate that more than one-half of all routes to be transferred to the zone have an average transit trip length (defined as passenger miles divided by boardings) of less than five miles. The Zone should compliment the regional service provided. MTA may establish Zones only in those areas where the Authority determines that the MTA and/or included municipal operators cannot otherwise provide adequate and responsive local transportation services in a cost-effective manner.

C. Purpose of a Transportation Zone

A local Transportation Zone provides local jurisdictions the option to establish transit service within a specific geographic area where it can be shown that adequate and responsive local transportation services can be provided in a more cost effective manner. By reducing the overall cost of providing transit service in the County, creation of a Zone can increase likelihood of continuing existing levels of service or increasing levels of service with no additional regional subsidies.

A local Transportation Zone can also provide cost-effective subregional transit service augmenting the regional network. This becomes especially critical as Federal operating subsidies are reduced.

A local Transportation Zone must be initiated by interested localities. By creating a local board to determine service structure and allocation, transit service could be made more responsive to local needs. By contracting for transit service through competitive bidding, a Zone may be able to reduce costs and provide more service under reduced subsidies than would otherwise be

possible. Lastly, the Zone could bring more local funding support to transit services within the Zone.

D. Summary of Application Process

Creation of a Transportation Zone should be considered by interested localities who are proposing to administer public transit service(s) operated by MTA and/or included municipal operators who receive funding from the MTA. A summary of the application process is highlighted in Table 1.

The application process applies to both an initial zone application and any application to significantly modify a local Transportation Zone's geographic boundaries, or to transfer additional routes operated by an included municipal transit operator or the MTA. A request for zone expansion will address all requirements of a new zone applied to the expanded portion only.

II. GENERAL REQUIREMENTS

This Section addresses how to determine eligibility for establishment of a Zone as well as clarifying eligible use of applicable funding. This Section addresses: Entry Criteria; Local Contribution Requirements; Definition of Eligible Service; Methodology for Computing Cost Savings; Short-Term/Long-Term Funding; and Criteria for Determining Success.

A. Entry Criteria

In order to establish a local Transportation Zone, the Authority must make a determination that the existing transit operator "cannot otherwise provide adequate and responsive local transportation service in a cost-effective manner" (Section §130261). The following factors will be considered by the Authority in making such a determination:

1. Restructuring Existing Service - The Authority will create Zones only where the local jurisdictions are proposing to restructure public transit funded by the MTA. 'Restructure' is defined as where the existing or modified service will be operated by lower cost provider(s). 'Service funded by MTA' is defined as service which receives funding from MTA under "Included" operator status as defined by state law.

The applicant must demonstrate that the existing operator(s) is unable or unwilling to provide cost-effective service and that the Zone can demonstrate through contracting and/or restructuring that service can be provided more cost-effectively.

2. Common Transit Problems and Goals - A Zone appears most appropriate in areas where it can be demonstrated that local jurisdictions share similar transit problems and goals. The jurisdictions would initiate the request to form a Zone and they would indicate a willingness to form some type of a cooperative arrangement such as a Joint Powers Authority.

3. Commitment to Basic Level of Service - A clear plan for financing and operating the services provided within the Zone for the first three years must be available before the establishment of a Zone (the requirements of the plan are discussed further in Section III.C.). The Zone is responsible for providing adequate and responsive service within the Zone. Prior to becoming an included operator, the Zone will submit planned service changes not included in the initial Operational and Financial Plan to the MTA at least 90 days before implementation. Planned changes will not be implemented by the Zone if the MTA makes a formal declaration that planned changes are unacceptable.

The Zone applicant will also identify the process for coordinating connectivity with general public transit service provided by all other transit operators intersecting its services.

TABLE 1
(Page 1 of 2)

LOCAL TRANSPORTATION ZONE

SUMMARY OF APPLICATION PROCESS

- Notice to MTA of intention to file application by Cities/County indicating specific routes and services being requested for transfer to the Zone, as well as the specific proposed zone boundaries. The notice is in the form of a pre-application prepared by the Zone applicant.
- Pre-application filed with MTA and circulated to existing operator(s) of the services requested for transfer.
- Meeting with Applicant, MTA and the existing operator(s) of the service to potentially be transferred to review process, including a general schedule with milestone check points to monitor progress.
- MTA approves/disapproves proceeding with full application and development of Operational and Financial Plan. MTA may specify that some routes are not to be transferred, that additional routes should be transferred, and/or indicate special requirements for some routes to transfer to ensure fullest integration with the regionally significant transit network.
- The Zone applicant must work with MTA, the existing operator(s) of the service to be potentially transferred and affected labor organizations to ensure compliance with requirements to make adequate provisions for employees as required under the Public Utilities Code, labor agreements, 13c and other applicable labor law.
- The Zone applicant is also to work with the MTA and the existing operator(s) of the services in question to specify what assets, staff, monitoring systems and agreements are expected to transfer to the Zone. The Zone must develop a transition plan element of the Operational and Financial Plan addressing the implications of Zone creation on the effective use of capital investments, assets and labor. It is desired that parties develop a mutually agreeable transition plan. If the parties cannot agree on a single transition plan, the Zone applicant should submit it's proposed transition plan, and existing operator(s) of the service will be invited to comment.
- The MTA will provide a list and description of anticipated or potential negative impacts from Zone implementation to the applicant addressing issues including potential negative impacts to employees, effective use of capital investments, and to passengers by fare, service or quality changes. The Zone will address how these potential negative impacts will be avoided or mitigated as part of the Operational and Financial Plan.
- Applicant prepares necessary documentation as required under Guidelines.
- Participating cities approve application, including the Operational and Financial Plans. The final application including the Operational and Financial Plan (with transition plan and mitigation plan elements included therein) are then submitted to the MTA.
- Authority circulates application to the existing operator(s) of the services requested for transfer and other impacted parties (e.g., organized labor, standing advisory committees) for review and comment.
- The Authority will hold a public hearing and receive public testimony in relation to the above submittals.

TABLE 1
(Page 2 of 2)

LOCAL TRANSPORTATION ZONE

SUMMARY OF APPLICATION PROCESS

- Authority approves or rejects the Zone application (approval requires eight votes) and makes the following determinations to approve:
 - Cost savings are identified
 - No adverse impact to the overall public interest
 - No degradation of overall system efficiency and service
 - Compliance with all legal requirements related to Zone implementation.
- If the application is approved, the Zone begins operating services (e.g., all at once or by phasing in the transfer of services) and MTA, the Zone and existing operators of the service monitor the impacts of change.
- After a minimum of three years and after the MTA no longer has responsibility for service performance of routes transferred to the Zone under third party agreements (e.g., any court order), MTA approves/disapproves permanent funding (i.e., included operator status) of the Zone based upon, at minimum, criteria for determining whether or not a Zone is successful.

The Zone will also be required to meet regularly with the regional complimentary paratransit service provider and the MTA. The Zone will be responsible for any additional complimentary paratransit service costs due to expansion of services within a zone before becoming an included operator, and for complete compliance with the Americans with Disabilities Act.

4. Potential for Cost Savings - A key justification for the formation of a Zone is the potential for cost savings. The Financial Plan should show a 15% cost savings by the end of the second year using at least one of the following four measures:

- A minimum of 15% savings in Authority subsidy per passenger; or
- A minimum of 15% total cost savings; or
- A minimum of 15% savings in cost per passenger; or
- A minimum of 15% savings in cost per vehicle service hour.

It should be noted that the annual average cost savings could be something less than 15% if a phased implementation was proposed by the Zone and approved by the MTA.

5. Size of the Zone - In order to effectively provide subregional service, Zones must be of sufficient size. To be considered for approval, a Zone must include:

- a. A minimum of three contiguous communities (municipality or county); and/or minimum of 50 square miles;
- b. As a measure of economies of scale (related to PUC 130259C), any single Zone is limited in size to a maximum of 500 peak buses;
- c. PUC 30637 mandates that no zone can be implemented which substantially diverts or reduces ridership or revenue of the system operated by the MTA. A substantial diversion or reduction would not occur if any single Zone application transfers not more than 20 percent of MTA systemwide bus ridership and/or revenue.

6. Propensity to Travel - The Authority is attempting to maximize the effective use of local, state and federal funds by promoting the most cost-effective local and regional transit service. As a result, a Zone's propensity to use transit should be clearly identifiable in the operating and financial plan. Indicators of the propensity to use transit would include:

- Identification of economic centers within the Zone (using SCAG's definitions under the Regional Transportation Plan);
- Population density per square mile;
- Population of senior citizens;
- Population of lower income residents; and
- Number of current transit trips as a percentage of total trips within the Zone.

7. Significant Adverse Impact to the Existing Operator(s) - Section III requires that an Operational and Financial Plan must be submitted. The plan must show mitigation of potential significant adverse impacts that are identified by the MTA. Among the issues to be addressed are the proposed plan to avoid negative impacts in terms of effective use of the countywide investment in transit capital; to employees of the existing operator(s); to the net financial position of the existing operator(s); to passengers as a result of fare, service or schedule changes; and to passengers as a result of service quality changes (e.g., security, overcrowding, customer information). MTA shall resolve any disputes on whether the impacts have been mitigated.

B. Local Contribution Requirement

A local commitment to contribute funding is also required. The Authority will fund up to 95% of the net operating budget (total costs less operating revenues – e.g., fares, advertising, concessions, interest) and the Zone would fund 5% of the total budget each year. Under any circumstances the Zone is not required to provide more than 25% of their members Local Return funds. In no case can the Authority contribution exceed the funding credit defined in Section II.G.

The 5% local contribution requirement can be satisfied by currently funded Proposition A Local Return projects if they are open to the general public, operated by the Zone, and are compatible with the proposed service. For example; where only express service is proposed by the Zone, the local contribution requirement could be satisfied either by applying 5% of local funds not currently committed to other projects or by incorporating a currently 100% locally funded express project whose operating costs total at least 5% of the proposed costs of the Zone. Another example where there is a restructuring of all types of service within the Zone, the existing locally funded Dial-A-Ride service could satisfy the 5% local contribution requirement as long as the service was open to the general public and operated by the Zone. It should be noted that capital projects funded with Local Return are not an eligible expense to satisfy the local contribution requirement (with the exception noted in II.E.3).

C. Definition of Eligible Service

Routes of regional significance are not generally eligible for transfer to a Zone. Figure 1 provides a map of routes deemed regionally significant. Table 2 lists the specific routes included in this map. The map and routes may be changed by the MTA from time to time, and the latest MTA adopted regionally significant route structure will be used by the MTA to determine eligible routes upon receipt of a pre-application. All other general public transit service types funded by the MTA are eligible for transfer to a zone. At MTA's discretion, certain routes of regional significance may be operated by a Zone provided adequate measures are taken to fully integrate the service, schedules, fares and public information with the regional transit system.

One of the key aspects of establishing a Zone is determining what transit service is eligible for Authority subsidies. The proposed Operational and Financial Plan must indicate that the existing service level on the regional system will be maintained either by the Zone or the existing operator. However, increased efficiencies retained by the Zone (through cost savings or rescheduling) may be allocated by the Zone to any type of service open to the general public.

Figure 2 has been provided as a clarification of the type of services that can be transferred from an existing operator to the Zone. This will be used as a guide for the Authority in determining the amount of service and related subsidy credit to be transferred to the Zone.

The Zone may also propose a more cost effective approach to complimentary paratransit services. This proposal may be accepted or rejected at the discretion of MTA without impacting other elements of the application. If accepted, the Zone would receive funding and share in cost savings related to these services in a manner consistent with funding for other services.

FIGURE 1
MTA REGIONALLY SIGNIFICANT BUS LINES

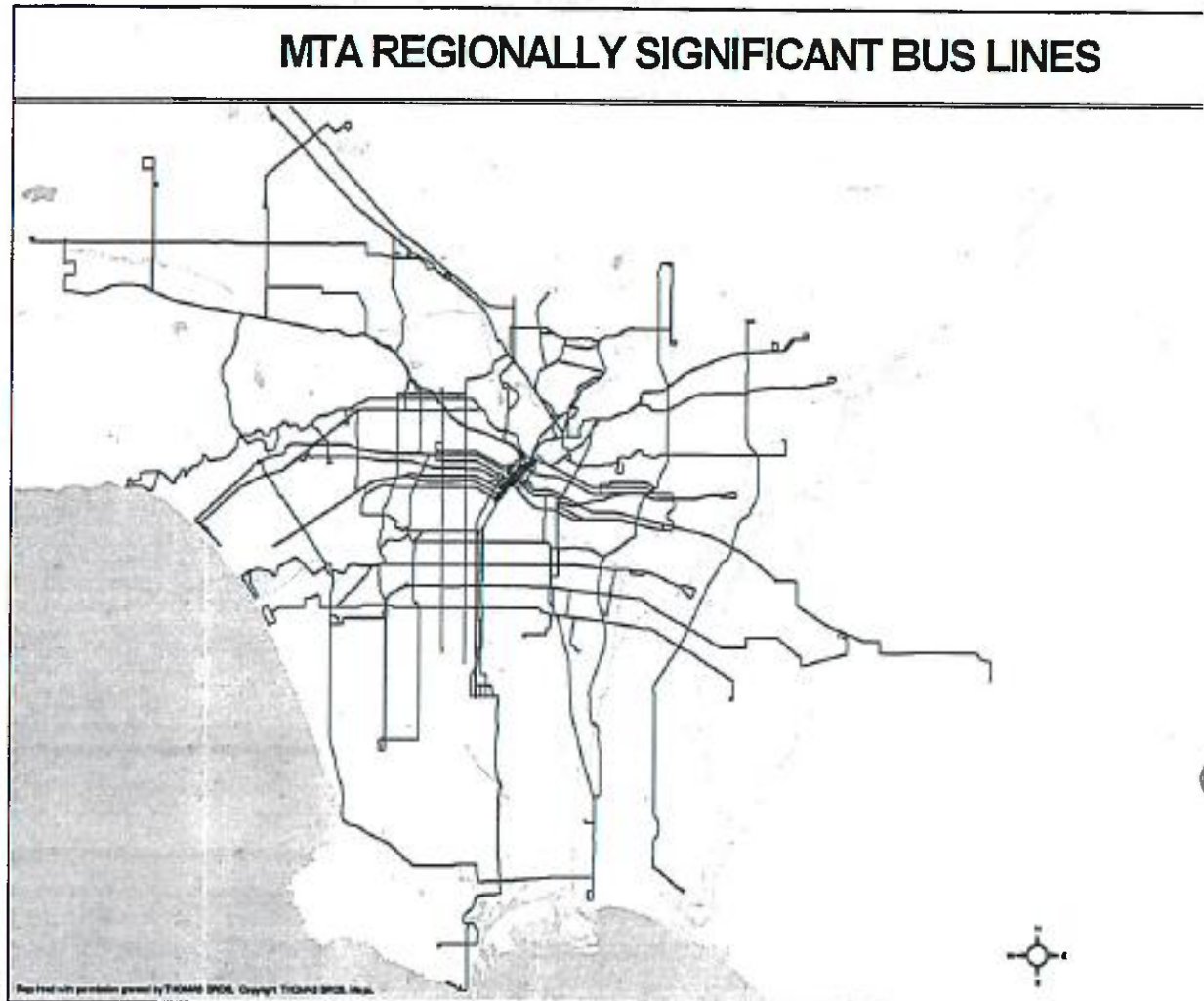


TABLE 2
LIST OF POTENTIAL REGIONALLY SIGNIFICANT TRANSIT ROUTES

- Criteria:
- 1- Routes that serve multiple sub-regions, (areas that have the potential for becoming zones.)
 - 2- Routes that have a large percentage of passengers that have relatively long trip length.
 - 3- Routes that have a relatively high percentage of transfer use, which indicates connectivity.
 - 4- Corridors that have been identified as potential Metro Rapid Bus Lines.
 - 5- Routes that have relatively high ridership numbers.
 - 6- Routes that have existing or proposed limited stop service.

List of Potential Candidate Routes:

Existing Metro Rail Lines:
Red, Blue and Green

Rail Extension Corridors:
Pasadena LRT, Eastside, Mid-City, Valley East/West

Metro Rapid Bus Routes:

Corridor	Bus Lines	Corridor	Bus Lines
A. Chavez-E.1st-Pico-Venice	30 - 33 - 68 - 333	I. Garvey - City Terrace	70 - 71
B. E. Olympic - 7th - Wilshire	16 - 18 - 20 - 316 - 318 - 320	J. Santa Monica	4 - 304
C. Ventura - LA	424 - 425 - 522	K. Crenshaw - Vine	210 - 310
D. Roscoe - Vineland	152 - 418	L. Western	207 - 357
E. San Fernando	94 - 394	M. Vermont	304 - 354
F. Van Nuys-Westwood-LAX	233 - 420 - 561	N. King - Hawthorne	40 - 42 - 442
G Colorado - Hollywood	1 - 180 - 181 - FTZ187	O. Pacific - Long Beach	60 - LBPT40
H. Atlantic - Los Robes	260 - 485	P. Florence	111 - 311

Existing Limited Stop Bus Lines:

Bus Lines	Line Name	Bus Lines	Line Name
302	Sunset Bl. Limited	345	Broadway Limited
304	Santa Monica Bl. Limited	354	Vermont Av. Limited
310	Crenshaw Bl. - Vine St. Limited	357	Western Av. Limited
311	Florence Ave. Limited	362	Telegraph Rd. - Pioneer Bl. Ltd.
316	West Third St. Limited	378/379	Huntington Dr. - Las Tunas Ltd.
318	Whittier Bl. - W Eighth St.	394	San Fernando Rd. Limited
320/322	Wilshire Bl.-San Vicente Bl. Ltd.	418	Roscoe Bl. - LA Limited
328	W. Olympic Bl. Limited	425	Ventura Bl. - LA Limited
333	Venice Bl. Limited	561	Van Nuys-Westwood-LAX Ltd.

Regionally Significant Local Lines

Bus Lines	Line Name	Bus Lin	Line Name	Bus Line	Line Name
24	Sunset	70	Garvey	207	Western
18/470	Santa Monica	87/93	Las Tunas - Huntington	210	Crenshaw
20/21	Whittier - W. 6th	81	Figueroa	212	La Brea
20/32/34	Wilshire	92/93	Glen Oaks - Brand	232	S. Sepulveda - PCH
30/31	W. Olympic-York-Cypress	105	San Fernando	251/252	Soto
30/31	Pico - E. 1st	108	Vernon - La Cienega	260	Los Robles - Atlantic
40/42/442	Venice	108	Slauson	266	Rosemead - Lakewood
40/42/442	King - Hawthorne - LAX	115	Florence	420	SFV - Hollywood - LA
60/67	Broadway - Griffen	163	Manchester - Firestone	424/522	Ventura - LA
60	Long Beach - Pacific	180/181	Sherman Way - Hollywood	446/447	San Pedro-Carson-LA
66/67	W. 8th - E. Olympic	207	Pasadena-Glendale-Hollywood	550	W. Hollywood-San Pedro
68	W. Wash. - Chavez	207	Vermont	561	Van Nuys-Westwood-LAX

Lines that have a limited stop service.

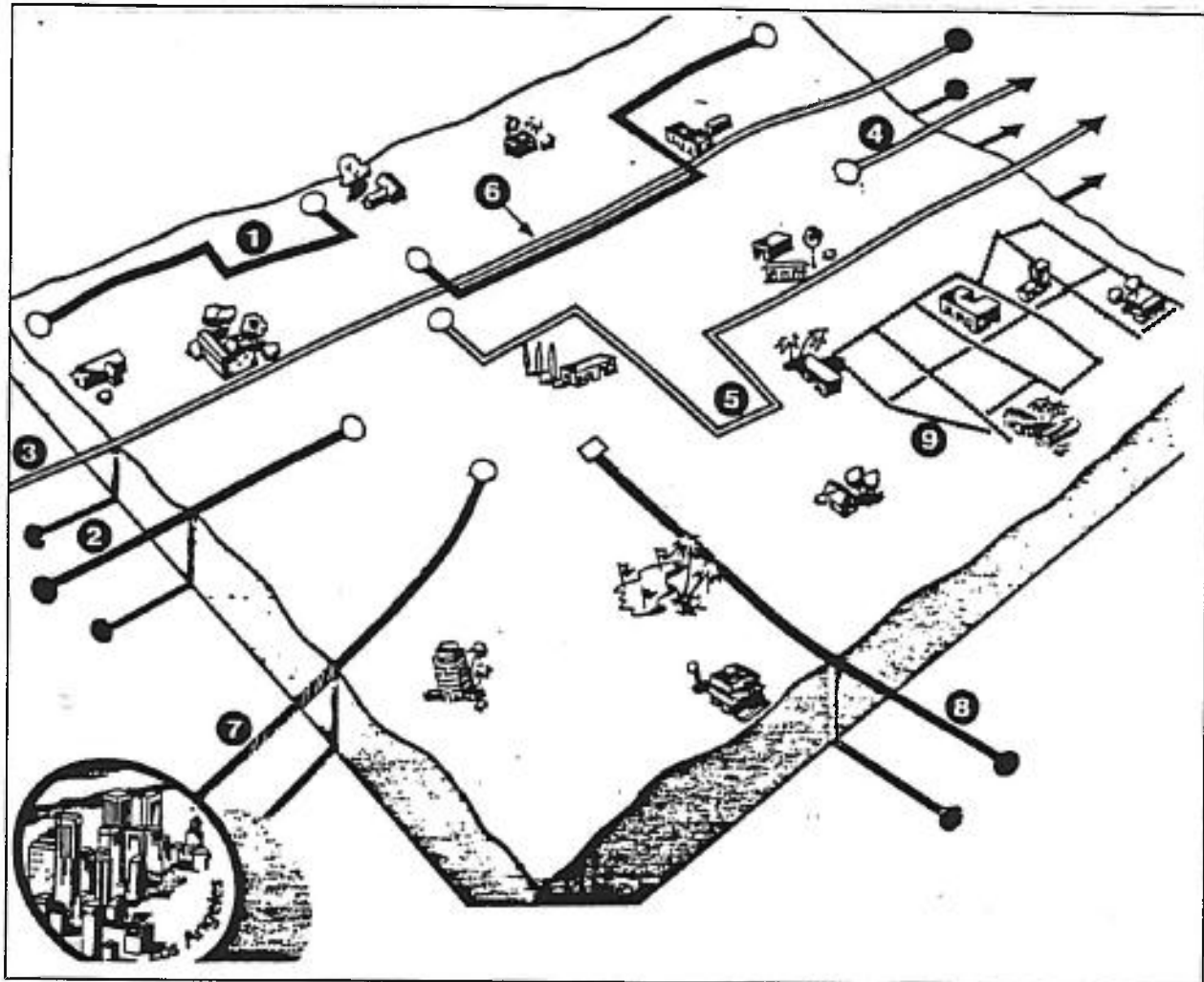
D. Method For Computing Cost Savings

For purposes of cost comparison between the existing operator(s) of the service to potentially be transferred and the local Transportation Zone applicant shall take into account the following:

1. Cost comparisons shall be based upon total operating costs considering both cost reduction potential of the existing operator(s) of the service and the added cost of the Zone operator
2. Capital costs shall be provided by the applicant, but listed separately from the operating costs. It is intended that the Zone and existing operator(s) of the service to be transferred will work together to make effective use of the existing countywide investment in transit capital assets;
3. The applicant shall include all applicable administrative costs, including administrative, planning, and in direct costs, when computing total operating costs. If a Zone operates services in addition to those contained in the application, it must allocate costs incurred which benefit both services using a cost allocation plan reviewed by a Certified Public Accountant for reasonableness;
4. The existing operator(s) of the service in question must submit a cost reduction plan which demonstrates effective reduction of direct and indirect costs as a result of Zone creation. One time cost impacts of the transition should be identified separately from ongoing annual savings;
5. When reporting on the cost comparisons, MTA shall note any difference in costs from the affected operator that are due to a difference in service quality (e.g., security, customer information system);
6. Costs must be compared for the same fiscal year among potential operators of the service both before and after Zone implementation.
7. The MTA Board of Directors may obtain an independent expert opinion of cost reduction potential for the existing operator(s) and the costs of the Zone operator – both agencies must cooperate with any representative of the MTA in this matter.

Any savings realized before the Zone becomes an included operator will be shared equally (or as otherwise determined by the MTA Board of Directors) between the existing operator(s) of the service to be transferred and the Zone operator.

Figure 2
Examples Of Service Types Within Transit Zones



EXAMPLE SERVICE TYPES	SERVICE ELIGIBLE FOR TRANSFERS TO ZONE
1. LINES ENTIRELY WITHIN ZONE	YES
2. LINES PREDOMINATELY WITHIN ZONE TO NEAREST MAJOR TRANSIT GENERATOR OUTSIDE ZONE	YES
3. LINES THAT TRAVEL THROUGH ZONES	NO, UNLESS A SUPER MAJORITY OF TOTAL RIDERS BOTH BOARD AND ALIGHT WITHIN THE ZONE
4. LINES PARTIALLY WITHIN ZONE	NO
5. LINES THAT HAVE CIRCULATORY "TAILS"	NO - ON REGIONAL SERVICE OUTSIDE OF ZONE YES - ON CIRCULATORY PORTION WITHIN ZONE
6. LINES DUPLICATING REGIONAL ROUTES	YES - CONTINGENT UPON COORDINATED ("DOVE-TAILING") SCHEDULES
7. EXPRESS LINES WITH CATCHMENT AREAS WITHIN ZONE TO MAJOR GENERATOR (DOWNTOWN LA)	YES
8. EXPRESS LINES SPECIAL SERVICES OPERATING FROM OUTSIDE ZONE TO	CONTINGENT UPON ALL AGENCIES

GENERATOR WITHIN ZONE	
9. DIAL-A-RIDE SERVICE PROVIDED WITH REGIONAL SUBSIDIES	YES (GENERAL PUBLIC)

E. Eligible Costs

In order to protect public resources and maximize MTA funding for operating purposes, the following conditions shall be in force:

1. Total operating costs are eligible including planning, administrative, and indirect costs. Costs for leasing of fixed facilities and revenue vehicles are eligible only if existing capital assets are effectively used, but should be reported separately from operating costs.
2. Funds transferred may not be used to purchase or construct fixed facilities, or to purchase revenue vehicles, except as noted in (3) below. Zones may receive a mixture of funds including federal, state and local funds. The Zone must comply with requirements and restrictions placed on individual fund sources and types.
3. The following options are allowable for procurement of revenue vehicles if conditions cited in E.1. above are satisfied. MTA must pre-approve any contract which involves revenue vehicle procurement including lease of revenue vehicles:
 - a. Contractor to Zone Provides Revenue Vehicles - Under this option, the Zone specifies in the RFP that the contractor provides vehicles. A pro rata share (based upon FTA's policy for the average useful life of the revenue vehicles) is an eligible capital cost.
 - b. Zone Purchases Revenue Vehicles Using Local Return Funds - Under this option, the Zone procures the vehicles and retains ownership. In this option, the Local Return funds used to purchase revenue vehicles can be used to satisfy part or all of the local contribution requirement described in Section II.B in one or more years.
 - c. Zone Purchases Revenue Vehicles Using MTA Funds Transferred - Under this option, the Zone procures the vehicles and has the contractor maintain the vehicles. Using MTA pro rata share defined in Section a. above, the MTA funding credit can be used to procure revenue vehicles for the Zone in accordance with the rules governing the specific funds transferred. Disposition and ownership at the end of the three year period shall be clarified in the contract.
 - d. Zone Purchases Revenue Vehicles Using Federal FTA Section 5307 or Other Capital Discretionary Funds - Under this option, MTA will work with the Zone and appropriate federal and/or state agencies to support using Section 5307 or other capital funds for purchase of revenue vehicles. FTA requires a 20% local match. MTA Discretionary funds can be used up to credit limit for this fund type. In order to speed up the procurement process, MTA may consider (at the applicant's request) a loan to finance the local share over and above the eligible funding credit limit.
 - e. If vehicle procurement (or other capital investments like facility upgrade) is already programmed by the MTA Board of Directors, with capital allocations planned for the area to be served by the Zone, MTA may, at its sole discretion, transfer an appropriate share of new equipment once purchased to the Zone. Likewise, MTA may transfer capital dollars programmed to benefit the riders to be served by the Zone to said Zone for capital investment. This potential should be explored prior to submission of the application and the Zone should clearly communicate the action requested.
4. Long Term (earliest potential change is the 4th Year of Zone operations) - If the Zone is determined to be a "success" by Authority standards (see Section II.G.), the Zone can be designated as an included operator by MTA Board approval and become eligible for Federal capital funds in accordance with the rules applicable to included municipal operators.

F. Short Term and Long Term Funding Mechanisms

When the authority was given to the MTA to create Zones, the law specified that federal and state funds could be used immediately. These funds (e.g., State TDA, State STA funds, and some local funds) are allocated by the MTA through what is known as the 'Formula Allocation Procedure' (FAP). This formula is based upon distributing funds through the number of miles operated (50% weight) and fare units (50% weight) by each of the eligible included operators. A percentage share is determined for each operator based upon the statistics mentioned above and funds are distributed according to that percentage. The formula process is intended to be updated and approved by the MTA every two years.

The Formula Allocation Procedure is based upon audited operating statistics in accordance with Federal reporting practices. It is impossible to include a Zone in the Formula Allocation Procedure without any audited operating statistics. As a result, the funding mechanism for the Zone will occur in two phases: Available funds (which may include federal, state and local monies which are allocated to the existing operator(s) of the services to be transferred) will be used in place of formula funds for at least the first three years operation of a local Transportation Zone. An MTA funding credit will be calculated based upon the approach outlined below.. The Zone operator will report miles operated, passenger fare revenues and the base cash fare to the MTA in a manner consistent with FAP requirements. MTA will claim credit for Zone operations under the FAP until such time as the Zone becomes an included operator.

. Any difference in the credit transferred to the Zone and the amount expended by the Zone can be carried over for two years, consistent with policies for included operators.

1. Funding Principles

The funding approach follows several basic principles:

- Every effort will be made to ensure that no rider group loses transit service or resources as the result of Zone creation. The existing operator(s) are not to lose revenues and funding in excess of potential cost savings from the transfer of services and assets to a Zone. A Zone should receive at least the funding required to operate the services transferred;
- Costs and subsidies are to be based on budgets and analysis for the fiscal year in question (i.e., the year to be funded) directly related to the services transferred (i.e., fare reduction and/or service expansion are to be funded out of shared savings or local contributions, and are not part of base subsidy requirement calculations);
- While initial funding marks are based on budgeted data for both existing and Zone operators (similar to funding marks for included operators), when actual financial results are determined through fiscal audit, the parties will recalculate the funding credit using actual results and transferring or crediting appropriate subsidy amounts;
- Analysis focuses on the specific services, assets and agreements (e.g., security) to be transferred and holds the service profile constant for determination of subsidy levels throughout the period prior to the Zone becoming an included operator (service expansion is to be funded out of cost savings);
- Likewise, operating revenues (e.g., fares, advertising, concessions, interest) should be determined for the existing services and expanded by the existing operator average rate of growth for both parties throughout the demonstration period for subsidy calculation purposes (e.g., increases in ridership and other operating revenue can be used by the Zone to fund service improvements, decreases in fares or other operating revenues are to be funded out of savings or local contributions);

- Careful consideration is required in reviewing costs and revenues (e.g., What reasonable costs could be saved by the existing operator through route and asset transfer? What service base will be used throughout the demonstration period to compare existing and Zone operator costs as both service profiles change over time?); and
- Special issues need also be addressed (e.g., lower cost approach to complimentary paratransit services, participation in regional security services, one time transition costs).

2. Short Term Funding Methodology

The short term funding methodology is detailed below, and an example application provided in Table 3.

a. Calculate Maximum MTA Subsidy Available from service transfer by existing operator:

- Determine reasonable cost savings potential of existing operator(s), considering both direct and indirect costs, as a result of transfer of services, assets and agreements;
- Subtract operating revenues of the services to be transferred (e.g., passenger fares, advertising revenue, interest income, concessions);
- Yields maximum subsidy available as a result of zone creation; and
- By establishing this maximum amount of subsidy transfer the existing operator(s) is held harmless in the service transfer (i.e., avoids a financial loss as a result of the transfer).

b. Determine MTA Subsidy Requirement for Zone Operator:

- Determine reasonable direct and indirect zone operator costs related to services, assets and agreements transferred (applying unit costs to base comparable service level);
- Subtract operating revenue (use same number as existing operator(s) to normalize for fare, advertising and investment policies);
- Multiply result by 0.95 (reflecting requirement that MTA maximum subsidy is a zone is 95% of the net operating budget – eligible costs less operating revenue);
- Yields MTA subsidy requirement for zone operator; and
- Add Local Return subsidy (5% of total budget amount) in accordance with rules set forth in Section II.B) to determine total Zone resources.

c. Determine Final MTA Subsidy Credit for Zone Operator:

- If the MTA subsidy requirement (step b above) is greater than maximum subsidy available (step a), then the MTA subsidy credit is the amount calculated in step a; and
- If the MTA subsidy requirement (step b) is less than the maximum subsidy available (step a), then the MTA subsidy credit is the subsidy requirement (step b) plus one-half the difference between the maximum subsidy available (step a) and the requirement (step b). The existing operator(s) retains the other half of the difference, which is the net subsidy savings as a result of Zone creation.

d. Adjust Subsidy Level to Reflect Actual Financial Results:

- After fiscal yearend, using audited cost results, the subsidy amount transferred or credited to the zone is to be modified as required to reflect actual unit costs applied to the comparable base service package.

e. Subsequent Year Subsidies Are Calculated Off the Initial Transfer of Base Service Levels:

- New unit costs are applied to the comparable base service package established previously for both the existing and Zone operators;
- If the transfer is phased, a comparable base service level must be determined for each phase of service transfer;
- Operating revenues for both parties are increased by the average rate of growth for these revenues of the existing operator (operating revenue increases through ridership gains and/or enterprise efforts remain within the zone; fare or other operating revenue reductions are to be funded out of savings or other subsidies); and
- This subsidy allocation methodology applies to the Zone operator until such time as it becomes an included operator.

TABLE 3
Example of Formula for Credit - Short Term Funding

1. GENERAL PRINCIPLES

- a. All costs reflect FY99 budgeted amounts.
- b. The cost savings model was developed by KPMG Peat Marwick to address cost savings potential from divestiture

2. COST SAVINGS POTENTIAL FOR MTA

Direct Costs	Unit Cost	Units	Cost
Hours	\$37.980	1,116,102	\$42,389,546
Miles	\$1.590	15,734,198	\$25,017,374
Peak Vehicles	\$24,009.000	362	\$8,691,258
Passengers	\$0.023	52,113,352	\$1,198,607
subtotal			\$77,296,786
Overhead Costs			
Direct Support	\$77,296,786	0.1338	\$10,342,310
Indirect support	\$2,108,000	1	\$2,108,000
Other Savings			
Security Contract	\$2,459,000	1	\$2,459,000
TOTAL COST SAVINGS POTENTIAL			\$92,206,096
Operating Revenue			
Fares			\$41,456,403
Advertising			\$1,170,000
Interest			\$3,054,000
TOTAL OPERATING REVENUE			\$45,680,403
MAXIMUM SUBSIDY AVAILABLE			\$46,525,693

3. EXAMPLE ZONE SUBSIDY REQUIREMENTS

Total Operating Cost	Unit Cost	Units	
Hours	\$80.00	1,116,102	\$89,288,144
Operating Revenue			
Fares			\$41,456,403
Advertising			\$1,170,000
Interest			\$3,054,000
Total Operating Revenue			\$45,680,403
MAXIMUM MTA SUBSIDY ALLOWANCE			\$41,427,354
Proposition A Local Return Funding			
5.00%	\$89,288,144		\$4,464,407

4. MTA SUBSIDY CREDIT FOR ZONE

Maximum MTA subsidy allowance to Zone	\$41,427,354
MTA cost savings sharing with Zone	\$2,549,169
Total MTA Subsidy Credit to Zone	\$43,976,523
Zone Surplus for Improvement	\$4,833,190
MTA Gain for Improvement	\$2,549,169

G. Criteria for Determining Success

The MTA shall use, at minimum, the following four criteria for defining a successful Zone. Each of the following criteria must be met (Note: analysis will be done in the year in which all requirements for included operator status have been deemed to be met based upon the concluded years of data and an estimation of data in the year under consideration). No Zone is to be designated an included operator until it has demonstrated at least three years of successful operation and MTA no longer has responsibility for service performance of routes transferred to the zone under third party agreements (e.g., any court order). The MTA will consider, at minimum, the following four criteria when considering the success of a Zone:

1. The Zone has demonstrated cost savings (which can be measured in one of four ways defined under Section II.A.) and savings are verified by an independent auditor. If the Zone demonstrates a 15% or greater savings then this criterion shall be satisfied. If the Zone demonstrates a 10-14% savings, then conditions may be placed on the Zone in order to "pass" on this criterion. If the Zone demonstrates less than a 10% savings, this criterion shall not be satisfied.
2. There is demonstrated public support for the Zone expressed through ridership, public reception, and support of local governments in the Zone. A public hearing shall be held by MTA.
3. The overall system impacts have not worsened (e.g., regional coordination is maintained, no systemwide degradation of service has occurred to the existing operator(s) or elsewhere in the County as a result of Zone creation). Success of this criterion shall be measured in two ways: A) verification that the transfer agreement required in Section III.C. has been implemented, the Zone accepts MTA passes and tokens, and no fares are higher than those of the MTA for comparable services; and B) the existing operator's performance (as measured by the TPM Program and other approaches deemed appropriate by the MTA) has not been significantly impacted, and will not be significantly impacted when the Zone claims funds under the FAP.
4. The likelihood of continued successful operation by the Zone under the MTA rules governing included transit operators (i.e., Transit Performance Measurement Program, Formula Allocation Procedure, Short Range Transit Plan). Success under this criterion shall be measured as follows:
 - a. Assurance that the Zone will submit a Short Range Transit Plan in accordance with MTA Guidelines and regionally significant service coordination requirements, if any regionally significant routes are transferred to the Zone;
 - b. Assurance that state and federal reporting requirements have been satisfied (e.g., TDA, National Transit Database forms, Tri-ennial Performance Audit and general compliance requirements of FTA and Caltrans);
 - c. Demonstrated ability to continue operations (with reasonable impact on service and fares) under the adopted countywide policies and programs impacting included operators and the ability to operate within FAP and other included operator funding; and
 - d. Assurance that other included operators will not incur significant negative impacts to service or MTA funding levels as a result of granting the Zone included operator status.

MTA will periodically evaluate the operation of the Zone as measured against the success criteria and the TPM program. If the Zone is found to be not meeting the criteria, the Authority may require steps to bring the Zone into conformance with the criteria.

III. APPLICATION REQUIREMENTS

This Section clarifies necessary submittals and who is responsible for what. Specifically, this Section addresses: agency responsibilities; pre-application requirements; and application requirements.

A. Agency Responsibilities

Creation of a Zone is a complex undertaking and it should be clear what responsibilities are to be assumed when undertaking the application process.

1. Zone Applicant - The applicant representative is responsible for submitting all documentation, including the pre-application, and the application (and appropriate attachments including Operational and Financial Plans with transition plan and mitigation plan elements) described elsewhere in the Guidelines. In addition, the applicant must coordinate with the MTA and the existing operator(s) of the service proposed for transfer. The applicant will cooperate with any MTA appointed expert to review costs and/or plans. The following conditions would apply.

All cities and/or county agree to support the Zone for a minimum of one year once service has been initiated. After one year, should a city wish to withdraw from the Zone, the following conditions would apply:

- City(s) withdrawing from the Zone shall provide a minimum 120 day notice; and
- City(s) shall acknowledge that MTA and the existing operator(s) are not required to provide replacement service.

2. Existing Operator(s) - The existing operator(s), whose service will be replaced by the Zone, shall have the following responsibilities:

- The operator(s) shall review the pre-application and application for significant impact and provide a list of same;
- The operator(s) shall supply cost data and operational data for the specific services to be transferred including a cost reduction plan;
- The operator(s) shall coordinate with the applicant in development of a transfer agreement, and reimbursement for acceptance of MTA passes and tokens, as summarized in Section III.C.2.;
- The operator(s) will work with the applicant to identify the proposed transfer of capital, staff, agreements and systems; and
- The operator(s) will cooperate with any MTA appointed expert to review costs and plans.

All of these requirements shall occur in a timely manner.

3. MTA - The Authority staff shall be available to assist the applicant and existing operator(s) of the service proposed for transfer; to determine compliance with the Guidelines; to establish the general schedule for proceeding; to review and circulate the pre-application and application to the existing operator(s) of the service in question; to ensure compliance with legal requirements; as well as to coordinate unresolved issues between the existing operator(s) and the applicant. Issues that cannot be resolved at the staff level will be resolved by the MTA Board of Directors. In addition, the Authority will make any decision to establish a Zone in accordance with steps described in Section IV. Finally, the MTA Board of Directors will also make any decision regarding included operator status.

B. Pre-Application Requirements

A pre-application is required which would identify existing services proposed by the applicant to be transferred to the Zone (see Appendix II). The proposed changes in service will be reviewed for consistency with the Guidelines and impacts on existing operator(s) before the applicant proceeds with the formal application and preparation of the Operational and Financial Plan.

MTA will circulate the proposed pre-application to existing operator(s) of the service proposed for transfer for review and comment. If there are significant differences between the Zone and the existing operator(s) on what constitutes eligible service (defined in Section II.C.), the MTA Board of Directors resolves the differences. The MTA will formally respond to the Zone and the existing operator(s) indicating the specific services under consideration for transfer. The MTA will also provide a list of potential negative impacts to be addressed by the Zone applicant.

C. Application Requirements

The application for creating a local Transportation Zone is shown in Appendix III. The information leading to justification in submitting an application which must be attached to the application is summarized below.

1. Operational Plan

- Description of proposed Zone (include: map; square mileage of Zone; list of jurisdictions);
- Description of current transit service (including: map of existing service; headways; span of service; vehicle service hours; number of vehicles; number of lift equipped vehicles; number of passengers; clear identification of any regionally significant routes requested for transfer);
- Description of any unmet transit needs;
- Description of the proposed service, including: map (showing restructured service including, service to be deleted, service to be rerouted and new service); operating characteristics (headways, span of service; summarize service hour plan — identify VSH's which will be administered by the Zone, service which will be deleted, and service which will be restructured; note any data justifying propensity to travel (Criterion #6, Section II.);
- Specific proposal for fully integrating regionally significant services to be operated by the Zone, if any are included in the service package, including fares, schedules, public information and marketing;
- The Operational Plan must demonstrate that the capacity of the proposed system will be adequate to carry the actual ridership using the current operator services. In this instance, capacity is defined as the number of available seats in conjunction with the operator's adopted standing load policy. In the event that the existing operator(s) adopted vehicle load policy changes over time, the Zone must demonstrate compliance with future year performance standards as well;
- The Operational Plan must have attached, a formal transfer agreement between the applicant and regional carrier for fixed-route and general public operation. It is intended that the transfer agreement will spell out how to best coordinate service between the two entities. The need for transfer agreements for E&H Dial-A-Ride will be considered on a case-by-case basis. At a minimum, the transfer agreement must include the following:

- a. Applicant is required to identify coordinated transfer locations within the service area. There should be at least one transfer location along each line of the regional carrier serving the Zone. Where possible, transfer locations should be located so as to serve multiple lines.
- b. Applicant assures that shared bus stops will be used at transfer location(s) unless specified otherwise due to space or safety constraints.
- c. Applicant assures that schedules will be created to minimize wait time between feeder service and regional carrier.
- d. Where pulse point transfer locations are identified, the applicant assures that the following amenities will be provided: bus benches; bus shelters; and special bus stop signs to explain regional transfer routing opportunities.
- e. Assurance that applicant will provide customer information service (through contract) either through the Zone operator or regional carrier. At a minimum, the applicant assures the regional carrier that transfer locations will be provided to customers over telephone and on applicable marketing information. Regional carrier agrees to reciprocal provision.
- f. Assurance that the applicant and regional carrier will accept interagency transfers. Note: The approved fare tariff schedule must be finalized 14 days prior to commencement of service.
- g. No closed door bus stop policy for regional service will be allowed.

- The Operational Plan must also include an agreement to accept MTA passes and tokens with reimbursement;
- The Operational Plan must include a description of the transition plan from existing to proposed service, including specifics on regarding capital assets, employees, systems, and agreements to be transferred; and
- The Operational Plan must also provide a specific plan for mitigating potential significant negative impacts to the existing operator(s), employees, countywide riders, and/or other operators consistent with the list provided by the MTA.

2. Financial Plan

The plan should include a description of the following:

- Existing transit costs within the Zone (breakout costs for service to be administered by the Zone as described above);
- Identification of 15% cost savings in accordance with the criteria summarized in Section II.A., Criterion #4;
- Summary of proposed fares, including inter-operator fare agreements (note that fares charged by the Zone cannot exceed those charged by the MTA for comparable services);
- Proposed budget; and
- Identification of fund sources, including local contribution.

Refinements and revisions to the above Plan are probable as service moves to implementation. Significant expansion and/or significant changes in types of service, or inclusion of new service areas could require a readoption process. Any service change not included in the initial plan will be submitted to MTA at least 90 days prior to implementation for review. If MTA makes a finding that planned changes are not acceptable, the Zone will not implement the planned changes.

3. Assurances and Understandings

The Zone agrees to provide the following assurances and understandings:

- That the Zone will assume all responsibilities for compliance with applicable state laws (including CEQA requirements regarding projects to be funded in part or in whole with MTA subsidies);
- The Zone will establish its own air quality policies and work directly with SCAG and SCAQMD to ensure that its plans and actions are consistent with regional air quality requirements;
- That the Zone will comply with all applicable federal, state and local requirements as to affirmative action, fair labor practices, transit accessibility, safety, public health, and other relevant requirements;
- That the Zone will utilize the State Controller's Uniform System of Accounts and Records to accommodate uses and disbursements of MTA subsidies;
- The Zone agrees to comply with the reporting requirements currently required by other MTA funded transit operators (including: financial and performance audits, Transit Performance Measurement data; and a Short Range Transit Plan).
- Documentation of consultation with the existing operator(s) of the service proposed for transfer and the MTA (documentation shall include approval letter from the regional carrier of formal transfer agreement required under Section III.C. and reimbursement for acceptance of passes and tokens. If an approval letter cannot be secured then the MTA Board of Directors shall resolve the dispute prior to submittal of application, as required by PUC §130262. Both applicant and existing operator(s) will abide by MTA determination.)
- Description of a local review process appropriate for the geographic size of the Zone (including public hearing(s) and/or other means of communication). It should be noted that the required number of public hearings should be commensurate with the size of the Zone. Consequently, discussion with MTA staff prior to embarking on the local review process will be necessary.
- Certification that the Administrative Structure and Operational/Financial Plan has been approved by the jurisdictions within the Zone.

IV. OPTIONS FOR ADMINISTERING A ZONE

The affected jurisdictions would propose the administrative structure used. There are numerous options for administering a transportation Zone and Authority approval of the administrative structure is necessary. Regardless of the administrative structure chosen, the operation of service must be performed by an entity with a lower cost structure than the existing operator(s) of the service. There are two options that best facilitate an efficient operation: a Joint Powers Authority (JPA) or a Public Transit Authority.

Joint Powers Agreement - One structure to administer a Transportation Zone would be a Joint Powers Authority (JPA). A Joint Powers Agreement would specify the authority that would administer the Zone. The formation of a JPA is initiated by the cities and it is this local commitment that is necessary for the success of the Zone. Under a JPA, cities may enter into cooperative agreements for the purpose of exercising any power (service) common to the contracting parties. The intent of the JPA is to allow local governments opportunities to exercise cost efficient management techniques while at the same time preserving local discretion and territorial boundaries.

The JPA could consist of an elected official from each of the cities/or county within the Zone. Or, if the Zone was composed of a large number of cities, the JPA could appoint representatives to a transit authority (see below). Additionally, a technical advisory committee could be created in the by-laws that could consist of staff from the cities, representatives from MTA and the existing operator(s) of the service proposed for transfer, and private service organizations. This would insure coordination between the Zone and the rest of the region and would insure that the needs of the transit dependent were being met.

Public Transit Authority - There are instances where a JPA cannot be set-up. For example, the Zone can propose an alternative administrative structure for areas that are subsets of a city (e.g., the San Fernando Valley) or a group of cities that are willing to make a financial commitment but it is not feasible to create a JPA. The members of the board could be one elected official or an appointee from each of the areas within the Zone.

V. MTA APPROVAL PROCESS

The following is a summary of the approval process for creation of a Transportation Zone:

A. Staff Review

Staff will review the application and attachments described in Section III for conformance with the Guidelines.

B. MTA Public Hearing

The Authority will hold a public hearing and receive public testimony in relation to the above submittals.

C. MTA Findings

The MTA Board of Directors will review the above steps and a Zone will be created only if with eight votes the MTA makes the following findings:

- The current transit operator cannot otherwise provide adequate and responsive local transportation services in a cost-effective manner pursuant to PUC 130261;
- All of the municipalities and/or county within the Zone have approved the Operating and Financial Plan for the provision of transit service within the Zone (PUC 130259);
- Local Transportation Zones, the regional operator and municipal operators do not compete or unnecessarily duplicate services, but assist each other to provide the maximum level of transit service to the general public at the lowest cost (PUC 130262);
- The geographical shape of the Zone reflects jurisdictions with similar transit problems and goals (PUC 130259(c));
- The Zone size reflects the economies of scale of transit systems (PUC 130259(c));

- The Zone configuration and services reflect established and projected subregional patterns of travel (PUC 130259(c));

- The Zone contains at least one major trip generator and a large percentage of short and medium length trips (PUC 130003);
- The local Transportation Zone is coordinated with the regional transit operator and other carriers (PUC 130003);
- No new routes or route extensions are planned by the Zone which compete with or divert patronage from a route of the MTA or an existing included municipal operator (PUC 99280 and 99221);
- Adequate provision has been made for all MTA employees who are or may be displaced, or whose wages, hours, place or conditions of employment are or may be adversely affected by Zone implementation (PUC 30754, Article 51 of the MTA and UTU labor agreement); and
- The Zone does not substantially divert or reduce the patronage or revenues of the system operated by the MTA (PUC 30637).

D. MTA Action

Based upon findings of C, above, the Authority would approve with eight votes:

- Creation of the Zone;
- Administrative structure of the Zone;
- Transfer of assets, employees, agreements and systems to the Zone, as may be appropriate;
- Establish an initial funding level for the Zone; and
- Direct staff to prepare a contract with the Zone.

E. Contract

A contract will be the contracting document between the Authority and the Zone. The contract will be used until such time as the Zone becomes an included operator (though the financial plan and MTA subsidy calculation will be renewed annually). After the Zone becomes an 'operator' under the Formula Allocation Procedure, a contract will no longer be necessary. The contract will include the following provisions: creation, definitions; general provisions; conditions; description of services; assurances; administrative structure; powers of authority; funding (and payments); reporting requirements; MTA monitoring; and cancellation.

F. Monitoring

MTA will periodically and formally advise the Zone of how service is doing, at minimum measured against:

- Success Criteria;
- Transit Performance Measurement Program; and
- Regional service, fare and other policies.

G. Final Determination

After at least three years and once the Zone has satisfied all criteria related to becoming an included operator, the MTA will make a final determination regarding continued operation, including:

- MTA review of report on results of Success Criteria Analysis;
- MTA determination that the MTA is no longer responsible for service performance of routes transferred to the Zone under third party agreements (e.g., any court order);
- Regionally significant routes will continue with extra-ordinary coordination (e.g., service, schedules, fares, customer information) with the regionally significant network as demonstrated by formal agreement on these lines between the Zone and the MTA if any are transferred to the Zone;
- The Zone will continue to accept transfers from all other MTA funded general public operators, and accept MTA passes and tokens for reimbursement as indicated by formal agreements; and
- Hold Public hearing(s) to affirm public support.

H. Failure to Meet Success Criteria

If the success criteria described in Section II.G. are not satisfied, the Authority may, at its discretion, withdraw funding from the Zone, or may allow the Zone to continue operation on an interim basis. Should funding be withdrawn from the Zone, MTA will transfer the funding back to the existing operator(s) of the service prior to zone creation and work with the Zone and the existing operator(s) to provide a minimum level of service. The level of service shall not be less than the minimum service criteria described in MTA comprehensive service policies.

APPENDIX I

LEGISLATIVE AUTHORITY

CREATION OF ZONE

Section §130261: The Los Angeles County Metropolitan Transportation Authority may establish local Transportation Zones only in those areas where the Authority determines by eight affirmative votes of the voting members, that the MTA or the included municipal operator(s) cannot otherwise provide adequate and responsive local transportation services in a cost effective manner.

Section §130003: As used in this division "local Transportation Zones" means cities or unincorporated areas which contain at least one economic center or major trip generator in which there is a large percentage of short- and medium-length transit trips. The local Transportation Zones shall be coordinated with the MTA and other included operators as appropriate relative to consumer need and efficient operations.

FUNDING AUTHORITY

Section §99285(f): Eight affirmative votes of the voting members, or designated alternates, shall be required in order to establish or change the criteria for admitting new included municipal operators for eligibility for funds allocated under Article 4 (see Section (e) for Federal Funds).

DEVELOPMENT OF GUIDELINES

Section §130259:

- c. In adopting the guidelines, the Authority shall take into account, among other things, the geographical shape of the proposed zone, (e.g., is it contiguous and appropriate size) economies of scale of transit systems, and established and projected subregional patterns of travel.
- d. The guidelines shall provide for a method of governing each local Transportation Zone; shall provide for the establishment of multicounty zones; and shall authorize each board, under specified conditions, to provide transit service itself, through a joint powers agreement or any other cooperative arrangement, or by contract with a public transit operator or a private common carrier.

Section §130262: The Authority shall require full cooperation and coordination between the regional operator, the municipal operators, and the local Transportation Zones in such matters as schedules, routes and exchange of transfers. The Authority is also empowered under this Section to "ensure that regional operators, municipal operators, and local Transportation Zones do not compete or unnecessarily duplicate services, but assist each other to provide the maximum level of transit service to the general public at the lowest possible cost."

APPROVAL BY AFFECTED JURISDICTIONS

Section §130259(b): It is particularly important that the County, Cities, and other local entities be involved in establishing local Transportation Zones.

Section §130263: The Los Angeles County Metropolitan Transportation Authority shall not reduce, by order or by reducing funding, the size of the service areas under the jurisdiction of presently existing included municipal operators, the level of services they provide, or the scope of their operations, without first consulting with the operators and securing the approval of the municipalities within which they operate.

APPENDIX II

MTA PRE-APPLICATION TRANSPORTATION ZONE

1 Date:	2 Contact person: Name, title, phone no.
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3 Name of jurisdictions within zone:

4 Name of operators within zone:

5 Map(s) enclosed showing: Cities/county within Zone; Zone boundary; existing service; service to transferred Zone; and service to be Restructured (if applicable). Regionally significant routes to be specifically identified.

6 List by Line # of VSHs for routes to be transferred to Zone:

Line #	Annual VSHs to be Transferred	Annual Weekend VSHs to be Transferred	Service Type DAR; Express; Local Service or Regionally Significant
_____	_____	_____	_____

7 Proposed Date of Service Implementation:

Note below if phasing different for lines.

Line #	Scheduled Date of Transfer
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APPENDIX III
MTA
TRANSPORTATION ZONE APPLICATION

<u>1</u> Date:	<u>2</u> Contact person: Name, title, phone no.
<u>3</u> Proposed zone date:	
<u>4</u> Name of jurisdictions within zone:	
<u>5</u> Name of transit operators currently in zone:	
<u>6</u> Square miles within zone:	
<u>7</u> Operation & financial plan attached (Section VII)? Transition plan, mitigation plan and transfer of assets, employees, agreements and systems, if any, all included?	
<u>8</u> If yes to #7, has all affected jurisdictions listed in #4 Endorsed it?	
<u>9</u> Attached copy of each jurisdictional approval of #7	
<u>10</u> Has Section IV (Criteria #4) been satisfied? ___ If yes, list Reference page number in operational & financial plan. _____	
<u>11</u> List reference page # of proposed administrative structure _____	
<u>12</u> Has 5% Prop A Local Return Commitment been identified? List Page # reference _____	
<u>13</u> List reference page # for summary of consultation efforts with Affected transit operator. _____	
<u>14</u> Will new service be accessible?	
<u>15</u> Does applicant agree to contract for service through a competitive Selection process?	
<u>16</u> Does applicant agree to comply with Section IX Assurances and Understandings?	
<u>17</u> Does the Plan include one economic center? List Reference Page.	
<u>18</u> List the reference page for number of transit trips (to #17 above) as a percentage of the total transit trips within the zone:	

