



Los Angeles County Metropolitan Transportation Authority

SUBREGIONAL GOVERNMENT ALTERNATIVES STUDY

Prepared By

Weslin Consulting Services

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Subregional Government Alternatives Study

Section 1

INTRODUCTION & PUBLIC PARTICIPATION

INTRODUCTION

The Southeast Bus Restructuring (SABRE) Study was the last in a series of seven bus restructuring projects conducted throughout Los Angeles County over the past six years.¹ The SABRE Study involved the largest geographic area with the most number of municipal operators and local governments as compared to the prior projects. The SABRE Committee, consisting of MTA staff, representatives of 26 cities, three Municipal Operators and the Gateway Cities Council of Governments, was formed to provide input to the study. This committee had been more active and involved in the study process than in the previous restructuring studies greatly enhancing the results of the work².

A request was made by the SABRE Committee that the Los Angeles County Metropolitan Transportation Authority (MTA) seek funding for additional work that would investigate the subregional government alternatives available for implementation of SABRE Bus Restructuring recommendations where no logical lead agency exists. MTA was able to secure the required funding.

This report documents the results of the work conducted to identify and evaluate subregional government options to implement certain recommendations where a need existed for institutional mechanisms to implement specific SABRE Bus Restructuring recommendations. While implementation of subregionally governed bus service providers can be led by the MTA, many other parties need to act in cooperation to realize the change. This may include existing Included Municipal Operators, Gateway Council of Governments, organized labor, passenger representatives and other government agencies.³

¹ The Southeast Bus Restructuring Study; Recommendations For Transit Restructuring; August, 2000; Weslin Consulting Services, Inc. The other six areas were the San Fernando Valley (1994), Westside (1997), Central-East-Northeast (1997), San Gabriel Valley (1997), Mid-Cities (1999) and South Bay & Gateway (1999).

² The SABRE Committee met fifteen times during 1999 and 2000. It was chaired by the City Manager of the City of Southgate. MTA staff support was provided to the committee throughout the project. Over seventy other individuals participated in the meetings. A core group of several dozen dedicated representatives of transit operators, local jurisdictions and agencies attended most meetings. Many of these individuals have actively worked in cooperation with the MTA since the completion of the study report to implement project recommendations.

³ Subregional Governance of MTA Bus Services; June, 1998; Booz-Allen & Hamilton Inc.

BACKGROUND

One of the first tasks of the SABRE Committee was to review the goals for the SABRE Bus Restructuring Study. Concern was expressed that a weakness of previous studies was the lack of analysis regarding institutional responsibility for implementing some of the recommendations. A new goal was added to those previously established for the project as documented in the SABRE Study Task 2 Report, Information Collection. The goal adopted by the committee at their February, 1999 meeting is as follows:

Goal Six: Sub-Regional Governance -- Develop options for how transit can be provided most cost-effectively and efficiently and meet local needs better than is now accomplished with existing institutions.

The committee identified three objectives for this goal:

1. Identify possible effective institutional structures to ensure the highest quality and quantity of services is delivered to the Gateway Cities residents.
2. Service recommendations shall be unbiased with regard to transit agency, preferred mode, service configuration and institutional arrangements, within legal constraints. In effect the study shall develop a multi-tiered system which best serves the citizens of the Southeast area.
3. Evaluate improvements to ancillary transit benefiting measures such as transportation systems management and transportation demand management actions.

The final work of the SABRE Study went through an extensive process of review, refinement and consensus-building. The benefit of this process was the successful sponsorship of the vast majority of the transit service and facility improvement recommendations by an existing transit operator or local jurisdiction. The relationship of recommendations involving existing MTA lines to Southeast area cities and the corresponding need to transfer services to another entity is presented in Section 3, Alternatives Evaluation.

Some transit service proposals were changed several times in an attempt to reach agreement on what changes had the greatest merit in terms of their value to the rider, community and a potential sponsoring institutional entity. At this time, all transit service proposals in the SABRE Study Final Report have a promising candidate sponsor. This report outlines the process used to identify those transit service proposals that required further evaluation to identify subregional governance issues and options, and the parameters underlying the challenges in pursuing certain courses of action.

The efforts and strategies to involve a broad audience composed of local elected officials, key governmental administrators, and representative special interest groups as well as the general public are outlined in the following portions of this section, Introduction and Public

Participation. The initial work of the Subregional Government Alternatives Study, which focused on collecting information about existing mechanisms for addressing sub-regional governance and previous studies that have investigated similar issues, is presented in Section 2, Background Information. The identification and evaluation of alternatives for those SABRE Study recommendations requiring unique institutional arrangements is also contained in Section 3, Alternatives Evaluation.

PUBLIC PARTICIPATION

The SABRE Study has maintained an intensive and ongoing public participation program. Regular meeting and activity notices were faxed to a list of over one hundred project participants representing a large spectrum of interests. This report highlights those presentations, meetings and events related to building an understanding regarding the need for certain transit service recommendations for which there was no obvious lead agency and a need existed to address governance alternatives.

During the last few months of 1999, a round of presentations was conducted to explain the SABRE Study proposals. Many of those presentations involved geographic areas within the Southeast where there was no strong need for identifying subregional governance issues and options because appropriate local transit providers had been participating in the study, supported the changes offered by the study and were prepared to be involved in the implementation process including ultimately operating some route segments previously operated by MTA. In other cases, some of those presentations touched upon subregional governance issues with audiences keenly interested in the merits of the project recommendations that would possibly not be implemented due to a lack of a sponsoring agency to fund and operate the improvements.

In one sub-regional area a significant re-orientation of services to better reflect intra-subregional travel needs has been recommended. Six existing MTA lines (56, 105, 107, 112, 114 and 119) have been recommended for modification to strengthen regional operations while offering several new frequently operating loop routes to better serve community-oriented tripmaking. In addition to providing increased levels of service within this sub-area, these circulators significantly improve the travel between communities. They permit the enhancement of schedule coordination including the use of timed connections on clocked headway intervals at the proposed Huntington Park Transit Center. The details of these proposed community circulator routes are contained in the SABRE Study Final Report and are summarized in Section 3 of this report.

This proposal for a coordinated set of community circulators was presented to the Southgate and Huntington Park City Councils in December, 1999. Other presentations were made during this time period to key stakeholders, government staff, city managers, special purpose agencies, and other community groups. Comments and words of support for addressing governance issues were received at these presentations. Special focus group discussions were hosted with riders to further test the merits of the service changes. All of these public participation activities served to offer growing support to strengthen the need to advance several community circulators into this Subregional Governance effort to search for a solution to allow them to be implemented.

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The vast majority of SABRE Study recommendations do not involve issues with regard to identifying a responsible implementation jurisdiction or agency. Most proposals involve a change to a MTA line that should continue to be operated by MTA and MTA staff supports the proposal and intends to implement the change. In some cases, a transfer to another transit operator is desirable because the service is not regional and a candidate recipient of the revised services exists that is a more appropriate operator of the service. These situations often involved substantial public participation.

Such a case existed with MTA lines serving the City of La Mirada. In January, a presentation was made to the La Mirada City Council involving the transfer of services and realignment of several routes to better serve riders. Comments received during that meeting directly resulted in changes to study proposals and progress toward agreements among three existing transit operators to implement project recommendations has been achieved.

The office of Congresswoman Roybal-Allard has been very involved and supportive of possible strategies to assist in assuring that SABRE Study recommendations are communicated to as many constituents, organizations and interested parties as possible. A meeting with the Gateway COG city managers on March 9, 2000 was very positive and helpful in providing guidance on special issues regarding institutional arrangements.

Another meeting on March 21, 2000 was held with the municipal operators and a presentation was made to the Gateway COG Transportation Committee on April 5, 2000. These and other meetings held with key government officials significantly influenced the direction of the investigation into subregional governance options. The creation of transportation zones as discussed in the next section of this report was discussed at these meetings. There was hesitancy expressed by most meeting participants to participate if a geographically large zone were formed. Since there was no need or support for a large transportation zone, most of the discussions during the public participation process focused on the factors, procedures and conditions associated with a smaller zone if this approach were to be given further consideration. The guidelines for forming a transportation zone are presented in the next section of this report and the appropriateness of using a zone in the Southeast is evaluated in the subsequent section.

A meeting was held with the Joint Working Group consisting of representatives from the Bus Riders' Union and the MTA on April 5, 2000. A briefing was provided on the study, the process, and the study goals. No specific concerns were expressed. The SABRE Study draft report was provided to the Bus Riders' Union for their comments.

The implementation of the improvements in the SCDC (Southeast Community Development Corporation) area as presented in Section 3 of this report has been a more challenging part of the project. A meeting with the SCDC city managers took place on April 18, 2000 to review the results of a review of governance alternatives and a number of other meetings that had taken place to work toward a viable list of options for implementation. Meetings had taken place with Huntington Park and Commerce to discuss subregional governance options.

The proposed community circulators, their governance options and an assessment of their pros and cons was presented on April 27, 2000 to the SCDC Board. The Board acted positively and aggressively by requesting the Transit Director for Commerce Transit lead a

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special committee and return to them with options on how to implement the circulators. Subsequent meetings led to the most recent action by the Commerce City Council to support further investigation into having Commerce serve as the sponsoring agency for operating the proposed SCDC area community circulators. It is important that Commerce get involved in a lead role because Commerce is the closest Included Municipal Operator (IMO) to the SCDC area and the formation of a transportation zone seems less promising as a viable course of action. The basis for this action is outlined in the presentation of the evaluation of alternatives in Section 3.

Overall, the meetings associated with the public participation process were positive and progressive. Ways were continuously being found to accomplish all of the recommendations and improvements included in the SABRE Study. The study's entire package of improvements have been strengthened through these meetings in terms of what works best for the riders, what is possible under current programmatic and legislative constraints, what the difficulties are in implementation, and what can be done to move forward.

Subregional Government Alternatives Study

Section 2

BACKGROUND INFORMATION

OVERVIEW

The initial technical task involved collecting, reviewing and assessing the applicability of a substantial amount of legislative, regulatory and analytical documentation that bears upon the questions of subregional governance of transit services. Critical background reviewed in this section includes the MTA Transportation Zone Guidelines, MTA's Subregional Governance Report dated June 19, 1998, the Consent Decree and other related PUC codes and legal findings as well as models used to establish a new institutional framework for providing new or revised transit services in Los Angeles County.

The following documents the implications of this material. It presents the existing mechanisms for addressing sub-regional governance and the previous studies that have investigated similar issues. The most common reference in this regard are the Transportation Zone Guidelines and the MTA Sub-Regional Governance Study. These are reviewed in the following sections.

LOCAL TRANSPORTATION ZONE GUIDELINES

The MTA's "Local Transportation Zone Guidelines" are used to establish and operate local transportation zones in Los Angeles County.¹ The Public Utilities Code provides the MTA with the authority to establish a zone and determine governing methods.² The MTA must legally involve the county, cities, and local public agencies in establishing zones. The following provides an overview of the definition and purpose of a transportation zone, general requirements for creating a zone, funding considerations, criteria for determining the success of a Transportation Zone, application requirements and the approval process. The complete "Local Transportation Zone Guidelines" are included as an attachment to this report.

¹ Local Transportation Zone Guidelines; Los Angeles Metropolitan Transportation Authority; April 28, 1999.

² Specific sections of the Public Utilities Codes providing the authority include Section 130261 which states the MTA may only establish local zones in those areas where it is determined by eight affirmative votes that the MTA or municipal operator(s) cannot provide cost effective, adequate and responsive local transportation services.

Transportation Zone Definition and Purpose

The Public Utilities Code defines a "Transportation Zone" as "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."³ The MTA requires the Transportation Zone to have at least one major trip generator and over half of all routes being transferred to have an average transit trip length of less than five miles. The goal is for services in the zone to complement regional services and provide adequate and responsive local services cost-effectively.

The purpose of a Transportation Zone is to provide a more efficient and effective governing and management structure for transit operations within a specified geographic area. The following are the guiding principles for creation of a Transportation Zone:

1. **To improve the cost effectiveness of providing transportation services in Los Angeles County** - The MTA must maximize the use of taxpayer dollars by providing the most possible service for the least possible cost. The Zone must provide service at a lower cost than the existing operator(s).
2. **To increase local control of transportation services** - The MTA must be responsive to public transit needs at the local level. The Zone must improve the management and responsiveness of public transit in the proposed service area.
3. **To increase the amount of transportation service in Los Angeles County** - The MTA must continue to ensure that amount of transportation service grows in order to meet mobility, air quality, and access goals for the county. The Zone must re-invest savings into service improvements.
4. **In implementing a zone, other transit services in the county will be preserved** – The MTA will ensure that as an act of transferring transit services to a zone, no other transit services funded by the MTA are placed at risk or incur significant negative impacts. Further, no ridership group outside the zone will incur diminished transit services as a result of zone implementation.

General Requirements For Creating A Transportation Zone

There are five criteria used to determine the eligibility of a Transportation Zone application. A Transportation Zone must restructure existing service, share common transit problems and goals, commit to a basic level of service, contain sufficient size and demonstrate operating costs lower than those of the existing operator(s) of the service to be transferred.⁴

³ See Public Utilities Code Section 130003.

⁴ The term "restructure" used in the context of subregional governance should not be confused with same term used in the Southeast Bus Restructuring (SABRE) Study or other restructuring studies. The first refers to institutional restructuring which must achieve a cost-savings and may not necessarily result in route modifications; whereas, the latter refers to route restructuring to achieve operational improvements which involves route modifications but may not necessarily result in a cost-savings.

The following list highlights each of the five eligibility criteria and their corresponding application requirement:

1. Restructure Existing Service. A proposed Transportation Zone must seek to restructure public transit services funded by the MTA.⁵
 - The application must demonstrate that the Transportation Zone can provide service in a more cost-effective manner than the existing operator(s).

2. Share Common Transit Problems and Goals. A proposed Transportation Zone must share common transit problems and goals.
 - The application must be jointly filed by all jurisdictions governing the proposed geographic area.

3. Commit To A Basic Level of Service. A proposed Transportation Zone must have an Operational Plan that outlines a commitment to a basic level of service.⁶
 - The application must justify any service modifications, must identify the process for coordinating with intersecting services and must accept responsibility for any additional ADA required complementary paratransit service costs due to its actions.

4. Lower Cost. A proposed Transportation Zone must have a Financial Plan that demonstrates lower operating costs than those of the existing operator(s) of the service to be transferred.⁷
 - The application must show a 15% cost savings by the end of the second year using one of four measures.⁸

⁵ “Restructure” is defined as operating existing service at a lower cost than currently provided by the existing operator(s) and/or modifying service and operating it at a lower cost than currently provided by the existing operator(s). “Funded by the MTA” is defined as service that receives funding from the MTA under “included operator” status as defined by state law.

⁶ The “Operational Plan” is an explicit requirement with ten categorical elements outlined in the Local Transportation Zone Guidelines in Section III. C. 1. on pages 15-17.

⁷ The “Financial Plan” is an explicit requirement with five categorical elements outlined in the Local Transportation Zone Guidelines in Section III. C. 2. on page 17.

⁸ The cost savings achieved by the proposed Transportation Zone for the services transferred could be a minimum of a 15% lower a) subsidy per passenger, b) total cost for comparable service, c) fully allocated cost per passenger boarding, or d) fully allocated cost per revenue vehicle service hour. Sections II. C. & D. in the Local Transportation Zone Guidelines identify the factors to be used in computing cost eligibility and savings.

5. Contain Sufficient Size - A proposed Transportation Zone must have sufficient size to effectively provide subregional service.
 - The application must include a minimum of three contiguous communities or a minimum of 50 square miles. The size is limited to a maximum of 500 peak buses and cannot transfer more than 20% of MTA systemwide bus ridership and revenue.

Eligible Services and Cost Effectiveness

All current or proposed services operating entirely within the geographic boundaries of a proposed Transportation Zone and funded by the MTA are eligible for transfer. The MTA may require that a certain level of service be provided on specific “regionally significant” lines to ensure regional mobility and access.⁹ The Transportation Zone may propose a more cost effective approach to providing ADA required complementary 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.

The Transportation Zone must demonstrate that it can operate the transferred services at lower costs. The guidelines include specifications for computing these lower costs. The Transportation Zone applicant must: 1) use most current budgeted fully allocated cost data, 2) use audited data for the same fiscal year detailing fully allocated costs, 3) use a separate list for capital asset transfers and new capital investment costs, 4) use all applicable administrative costs, including management, support services, planning, and indirect costs, and 5) use a cost reduction plan that demonstrates the reduction of direct and indirect costs as a result of the Transportation Zone.¹⁰

Eligible operating costs include planning, administrative, and indirect costs. Costs for leasing fixed facilities and revenue vehicles are eligible as capital costs. Operating funds transferred shall not be used to purchase or construct fixed facilities, or to purchase revenue

⁹ “Regionally Significant” lines are listed and adopted by the MTA. A Transportation Zone applicant should use the most recent MTA adopted list of “Regionally Significant” lines at the time of pre-application submittal to determine whether or not a line is regionally significant. The MTA may set service levels for “Regionally Significant” service including, but not limited to, fares, schedule, load factor, and public information. Inclusion of “Regionally Significant” service operating partially within a proposed Transportation Zone requires specific approval by the MTA. If the MTA’s definition of “regionally significant” or the required level of service on “regionally significant” lines creates a new service mandate and increases the cost of providing service above the baseline approved in the Zone application, then the MTA shall provide additional funding (i.e., the difference between additional operating costs of the Zone to deliver the service and additional operating revenues) to the Zone to provide such service changes.

¹⁰ “Fully Allocated Costs” refers to the accounting of all overhead, indirect and shared costs attributable in some proportion to transit operating costs. If a Zone operates services in addition to those contained in the application, it must allocate costs incurred that benefit both services using a cost allocation plan reviewed by a Certified Public Accountant for reasonableness. One time cost impacts of the transition should be identified separately from ongoing annual savings. The MTA Board of Directors may obtain an independent expert opinion to validate the Zone’s proposed costs and the cost reduction potential calculated by the Transportation Zone applicant.

vehicles, with the exception of shared cost savings. Capital costs of revenue vehicles, facilities, non-revenue vehicles and other assets are eligible using capital funds transferred to the zone.

Funding Considerations

Available transit operating and capital funds include a mix of federal, state, local, and other funding sources. Certain funds are allocated by the MTA to eligible recipients (known as Included Municipal Operators or “included operators” and “IMOs”) using a formula (known as the Formula Allocation Procedure or “FAP”) on an annual basis.¹¹ A percentage share is determined for each IMO and distributed based upon audited operating statistics.

A Zone may be designated as an “included operator” by the MTA Board and receive funds through the FAP once success has been demonstrated.¹² The MTA will claim and receive credit for Zone operations under the FAP until the Zone becomes an included operator. Due to the requirements of the FAP, the Zone records and reports audited operating statistics to the MTA, including miles operated, passenger fare revenues, base cash fare, and any other requirements of the FAP.¹³

Consequently, the funding for a Transportation Zone must occur in two phases. First, short term funds are used in place of formula funds. The MTA claims the FAP credit for the Transportation Zone operations until the Zone becomes an included operator which triggers the second phase. The second phase occurs when the “Final Determination” is made for the Transportation Zone to become an “included operator.”¹⁴ This will take at least three years. The Transportation Zone Guidelines contain explicit requirements necessary to address short term operating and capital funding for a Transportation Zone. The following sections highlight the provisions for short term operating and capital funding.

Operating Funding

The operating funding approach in the short term 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 expected cost savings from the transfer of services and assets to a Zone.

¹¹ The term “Included Municipal Operator” is defined under PUC section 99207. The term is often abbreviated to refer to an “included operator” or an “IMO.” Achieving IMO status is essential for a Transportation Zone to be able to receive the long term operating funds that may be transferred from a currently designated “IMO.” The specific operating funds allocated include Transportation Development Act funds, Federal formula funds available for operating subsidies as authorized under Section 1607a of Title 49 of the United States Code, and State Transit Assistance funds distributed by formula among public transit operators in Los Angeles County.

¹² The success of the Zone is determined by the MTA as outlined in the Transportation Zone Guidelines, Section V. MTA Approval Process, G. Final Determination.

¹³ See Public Utilities Code Section 99245 regarding annual fiscal audit requirements.

¹⁴ The term “Final Determination” is defined in Section V. G., Transportation Zone Guidelines. Short term funding can exist for a period of at least three years until such time that the Transportation Zone has satisfied six criteria related to becoming an included operator.

- Funding transfers are based on budgeted costs and adjusted for actual audited results.
- The base operating fund amount transferred is determined considering the base service level transferred. Zones must fund service improvements and operating revenue reductions from shared cost savings.
- The zone and existing operator(s) will share equally in any cost savings from zone implementation.
- Special issues shall be addressed as necessary (e.g., lower cost approach to complementary paratransit services, participation in regional security services, one time transition costs).
- Should MTA require the Zone to increase services beyond that proposed in the initial operating plan, MTA will provide subsidies equal to the net operating cost (i.e., operating costs for new required services less operating revenue for these services).
- The intent is to hold both the zone and the existing operator(s) financially responsible for financial performance. Both parties must avoid cost overruns.

These principles are incorporated into the short term operating funding methodology outlined in detail in the Transportation Zone Guidelines including an example application.¹⁵

Capital Funding and Assets

The asset transfer and capital funding approach in the short term follows several basic principles:

- Capital assets dedicated to the operation of service transferred to the Transportation Zone shall be transferred unless the Zone proposes an alternative method of providing necessary capital assets.
- A different distribution of capital assets (e.g., fleet age, fleet mix, fuel type) may be negotiated that may facilitate the procurement or operational strategy of one or more of the parties.
- Capital funds shall be transferred to the Transportation Zone based on the capital improvement plan, bus procurement plan or other relevant documents that identify capital investments dedicated to services transferred to the Zone. The Zone shall be responsible for securing all

¹⁵ The "Operating Funding Methodology" is an explicit requirement with seven categorical elements outlined in the Local Transportation Zone Guidelines in Section II. E.1. on page 9. Table 3 on page 11 provides an example.

necessary capital assets to provide the level of service identified in its Operating Plan, except that the MTA shall provide any additional capital assets and/or funding required to meet service improvements mandated by the MTA.

- Capital funds shall be transferred to the Transportation Zones in a manner similar to operating subsidies. The capital funds programmed by the existing operator for the exclusive benefit of services transferred to the Transportation Zone comprise the maximum capital funds available for transfer by year.
- Every effort will be made to provide flexible funds for the savings amount shared, improving the Transportation Zone's ability to use these dollars for capital or operating expenditures.
- The Transportation Zone may incorporate its capital acquisitions into the existing operator plans or secure its capital assets separately.
- If the Transportation Zone does not utilize some or all of the existing operator(s') capital assets, then the existing operator shall incorporate such assets into its remaining operations to the maximum extent possible.
- Ownership and disposition of capital assets shall be specified in the contract for operation of the zone.

Criteria for Determining Success

The Transportation Zone Guidelines identify four criteria for defining a successful Transportation Zone. The Transportation Zone must have:

1. **Lowered Costs** - The Transportation Zone must have demonstrated lower costs verified by an independent auditor.
2. **Demonstrated Public Support** - Public support must be demonstrated by an increase in ridership or demonstration of customer satisfaction and support of local governments in the zone
3. **Maintained Regional Service Standards** - Regional coordination has been maintained and service has not been degraded. There must be verification that the Transfer Agreement has been implemented, the Transportation Zone accepts MTA passes and tokens, and no fares are higher than those of the MTA for comparable services.¹⁶ The existing operator's performance has not been significantly impacted and Included

¹⁶ The "Transfer Agreement" is outlined in Section III. C. of the Transportation Zone Guidelines.

Operators countywide will not be significantly impacted when the Transportation Zone claims funds under the FAP.¹⁷

4. **Continued Successful Operation** - The likelihood of continued successful operation by the Zone under the MTA rules governing included transit operators as measured by the following assurances:
 - 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, Triennial Performance Audit and general compliance requirements of FTA and Caltrans);
 - c. Assurance that there will be continued demonstrated ability to operate (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.
 - e. Assurance that no significant negative impacts are unmitigated in terms of ridership (e.g., fares and service), employees, the existing operator(s), use of capital assets, and countywide transit operations as a result of establishment of the Transportation Zone as an included operator.

MTA will periodically evaluate the operation of the Zone as measured against the success criteria and the performance measurement programs. 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, or return services and funding to the existing operator(s).

Application Requirements

Creation of a Transportation Zone is a complex undertaking. The jurisdictions constituting a proposed Transportation Zone must designate one or more representatives authorized as the official representative(s) to the MTA. The representative is responsible for submitting all required documentation described in the Guidelines. The applicant will need to work cooperatively and coordinate with the MTA and the existing operator(s) of the service

¹⁷ "Performance" as measured by the NTD, TDA and TPM Program and other approaches deemed appropriate by the MTA.

proposed for transfer. All cities and/or county that constitute part of a proposed Zone must agree to support the Zone for a minimum of one year once service has been initiated. After one year, a city or county may withdraw from the Zone under certain conditions.

The existing operator whose service will be replaced by the Zone will review the pre-application and application for significant impact; supply cost data and operational data for the specific services to be transferred; coordinate with the applicant in development of a transfer agreement; identify the transfer of capital, staff, agreements and systems; and cooperate with any MTA appointed expert to review costs and plans.

The MTA staff will assist the applicant to determine compliance with the Guidelines; to establish the general schedule; to review and circulate the pre-application and application; to ensure compliance with legal requirements; and to coordinate unresolved issues. Issues that cannot be resolved at the staff level will be resolved by the MTA Board of Directors.

A pre-application is required that identifies existing services proposed for transfer. This is circulated to the impacted parties for review and comment. The applicant proceeds with the formal application and Operational and Financial Plans following review of proposed changes.

Operational Plan

The Transportation Zone Guidelines identify ten specific items that need to be addressed by the Operational Plan which include the following:¹⁸

- Description of the proposed Transportation Zone;
- Description of current transit service;
- Description of any unmet transit needs;
- Description of proposed service;
- Specific proposal for integrating any regionally significant services, fares, schedules, public information, and marketing;
- Demonstration that the proposed system will have the same level of scheduled service and adequate capacity to carry ridership and will comply with future year performance standards;
- Formal transfer agreement between applicant and regional carrier for fixed route and general public operation including identifying coordinated transfer locations within the service area, assuring use of shared bus stops at transfer locations, assuring schedules minimizing wait time, assuring amenities at pulse point transfer locations, assuring customer information service, assuring acceptance of interagency transfers and not allowing closed door bus stop policy for regional service;
- Agreement to accept MTA passes and tokens with reimbursement;
- Description of the transition plan to implement the proposed service; and,
- Specific plan for mitigating potential significant negative impacts.

¹⁸ The "Operational Plan" is outlined in Section III. C. 1. of the Transportation Zone Guidelines on pages 15-17.

Financial Plan

The Transportation Zone Guidelines identify five specific items that need to be addressed by the Financial Plan which include the following:¹⁹

- Existing transit costs within the Zone;
- Identification of the 15% cost savings;
- Summary of proposed fares and inter-operator fare agreements;
- Proposed budget; and,
- Identification of fund sources.

Assurances and Understandings

The Transportation Zone Guidelines identify eight specific assurances and understandings that need to be addressed by the Applicant which include the following:

- Zone assumes all responsibilities for CEQA and other state law compliances;
- Zone will establish air quality policies with SCAG and SCAQMD;
- Zone will comply with all relevant and applicable federal, state, and local requirements (affirmative action, fair labor, transit accessibility, safety, etc.);²⁰
- Zone will utilize State Controller's Uniform System of Accounts and Records to accommodate uses and disbursements of MTA subsidies;
- Zone will comply with all reporting requirements;
- Zone will provide documentation of consultation with existing operator(s) and MTA;
- Zone will provide description of local review process appropriate for geographic size of Zone; and,
- Zone will provide certification that the Administrative Structure, Operational Plan and Financial Plan have been approved by jurisdictions within the Zone.

Options For Administering A Transportation Zone

The affected jurisdictions must propose an administrative structure. Any legally authorized administrative structure is permitted as long as such a structure does not violate or contradict the rules or intent of the Transportation Zone guidelines or state law.

¹⁹ The "Financial Plan" is outlined in Section III. C. 2. of the Transportation Zone Guidelines on page 17.

²⁰ This includes all relevant and applicable federal, state, and local requirements enacted after the publication of the Local Transportation Zone Guidelines such as Senate Bill No.1101, approved by the Governor on September 30, 2000. The bill requires a transportation zone to assume and be bound by the terms and conditions of employment set forth in any collective bargaining agreements between MTA and any labor organizations affected by the creation of the transportation zone.

MTA Approval Process

The following steps outline the MTA approval process:

- **Staff Review** - Review of application to ensure compliance with Guidelines.
- **MTA Public Hearing** - Held to receive public testimony.
- **MTA Findings** - The MTA Board will review steps and create the Zone if with eight votes, it makes the findings related to current transit operator's ability to provide the cost effective, adequate and responsive service.
- **MTA Action** - With the required findings, the Authority would approve with eight votes the creation of the Zone, Administrative structure, transfer of assets, employees, agreements and systems as appropriate, establish an initial funding level for the Zone, and direct staff to prepare a contract with the Zone.
- **Contract** - A contract will be used until the Zone becomes an Included Municipal Operator. The contract will include creation, funding, reporting, monitoring, etc.
- **Monitoring** - The MTA will monitor the Zone against Success Criteria, Transit Performance Measurement Program, and Regional service, fare and other policies.
- **Final Determination** - After three years, and satisfaction of criteria to be an "included operator", MTA will make the final determination for continued operation.
- **Failure to Meet Success Criteria** - The Authority may withdraw funding, transfer funding back to the existing operator, or allow the Zone to continue service on an interim basis.

SERVICE TRANSFERS

A large portion of the sub-regional and local service supporting the regional transit network operated by MTA in the Southeast study area is provided by other Included Municipal Operators: Montebello Bus Lines, Long Beach Public Transportation Company, Commerce Municipal Bus Lines, La Mirada Transit, and Norwalk Transit System. MTA also operates sub-regional, and in some cases, local services in the Southeast region even though MTA is primarily charged with providing regional service throughout Los Angeles County. It is not essential that the MTA directly operate all regionally significant bus lines. At the MTA's discretion, some or all of these can be operated for the MTA by others. The MTA would be responsible for planning the bus route, establishing the regional fare media that would be honored on these lines, establish performance and service quality standards, and develop the bus operating schedules. The criteria for selecting a bus line as a candidate for designation as a Regionally Significant Bus Line are those that support the need to improve long distance mobility on buses. These include the following:

- The line must travel between two or more sub-regions;
- have a high percentage of passengers making longer trips;
- have a high percentage of interaction with other bus routes;
- have relatively higher ridership;
- have the propensity to offer relatively faster bus speeds; and
- have the potential for limited stop services.

Most regional lines operate over long distances and serve many different communities. Many frequently serviced regional bus lines also have infrequently serviced portions, particularly in the southern and eastern portions of the Southeast area. These less frequently serviced lines, which generally have peak headways of 30 to 60 minutes, comprise a large number of sub-regional and local services in the Southeast area. Sub-regional services may connect a few communities whereas local services primarily operate within one community. The tail ends of many MTA regional lines have served as surrogates for sub-regional and local services where the absence of a city system or Included Municipal Operator created a need that would otherwise not have been met.²¹

Providing non-regional services with a route that is primarily designed to offer regional connections often detracts from the quality of that regional service. It is sometimes beneficial to explore the divestiture or transfer of services of MTA operated non-regional services to another Included Municipal Operator more suited to operate sub-regional services in a geographic area that can be more readily and potentially more cost-effectively served by that other operator.

In certain circumstances MTA has been able to delete portions of lines that no longer provide a regional service, or were a part of lines that were operated under contract. MTA has been able to transfer contracted lines that were a part of the thirteen lines which MTA had negotiated with the unions. MTA is not able to transfer non-contract lines to another operator and provide them with FAP funding for operation of that service, since this would be in violation of the labor contract. There are restrictions with a transfer of other than thirteen contracted lines. The only reason MTA has been able to transfer lines recently is that those thirteen lines were part of the labor agreement provisions MTA negotiated with the unions. Those provisions allow the MTA to contract and transfer services to other operators. MTA has not been able to transfer any lines that were not a part of the thirteen contracted lines.²²

MTA's enabling legislation (AB 1246, 1976) requires the Authority to maximize the effectiveness of existing 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

²¹ See SABRE Study Final Report; Appendix E for examples.

²² Section 99283 of the TDA allows for the transfer of services and includes a requirement for the interchange of transfers on an appropriate basis between the operators. Section 99280 addresses the addition or extension of routes and provides that "An included municipal operator shall not establish a public transportation system either by adding new routes or extending routes, by acquisition or otherwise, outside of the area that would be formed by joining all points that are three-quarters of one mile from any point of any of its regularly scheduled routes in existence or in operation on March 1, 1971." This area is known as the "reserved service area." Consequently, a transfer of service must be achieved through a cooperative agreement between the operators involved. The TDA specifically provides that "The establishment of new routes, or the extension of existing routes, outside the boundaries of an included municipal operator, but within the reserved service area, shall not be permitted where the operation or establishment of such routes will compete with or divert patronage ..."

public needs, and specifically empowers MTA to create local Transportation Zones where the existing transit operator cannot otherwise provide adequate and responsive local transportation services in a cost effective manner. In the case of Transportation Zone creation, fully allocated operating costs must be used in this determination. However, when transferring one or two lines to an existing operator, no specific standard of cost identification appears to be mandated. In many such cases, the service being transferred represents a small proportion of MTA services. There is no formal MTA Board Policy or guidelines for the transfer of lines. The existing Included Municipal Operators' marginal cost has been applied in these cases. There is no requirement that a "Financial Plan" as specified in the Transportation Zone Guidelines be prepared and submitted to demonstrate a lower service cost by the end of the second year when considering the transfer of lines between two included operators. This is reasonable in light of the small impact such transfers between included operators have on total MTA operations.

In general the MTA attempts to negotiate with the respective Municipal Operator(s) in the transfer of lines so that there is acceptance of MTA's monthly pass. MTA in return will negotiate to reimburse the operator for accepting the pass media. There is no hard and fast policy or requirement for this, however acceptance of MTA's pass provides a seamless travel for the passenger. When MTA is considering the transfer of lines there are other items that are considered. The following list is not exhaustive of all items, but provides examples: impact on riders, labor provisions, fare integration, schedule coordination, formula allocation impacts, Consent Decree requirements, nature of bus routes (regional service versus community circulator service), layover locations, availability of equipment, span of service, political input, governance provisions, up front funding for two years and other MTA legal requirements. MTA is committed to continue working with the Included Municipal Operators to reach agreement on transfer of lines or line segments where applicable.

In many cases, MTA has chosen to directly contract operations of sub-regional lines to third party management companies at operating costs per hour in the \$50 range. Such operation makes it difficult to later transfer such service to another operator in the region based upon cost savings because the operating costs of most municipal operators is sometimes higher than the contracted service cost. Normally, it is recognized by all parties involved in a potential service transfer that service quality, local control and integration of subregional routes must be considered together with cost considerations.

The process of transferring services between MTA and another existing service provider is somewhat similar to the formation of a transportation zone in the manner in which cost savings is estimated but is nowhere near as stringent in terms of initiating and enacting changes. The farebox revenue being transferred along with the service must be taken into account when calculating the cost of services being transferred. In many cases, segmented farebox data is not available and this revenue must be estimated using ridership along the affected alignment and assigning a fare equivalent to each rider in to estimate fare revenue.

The transfer of services must take into consideration complementary services such as ADA services, services mandated by the Consent Decree and must be sensitive to any and all collective bargaining agreements in effect.

Any capital costs required in support of transferred services is negotiable and may be the responsibility of the operator assuming operations, including vehicles, maintenance and

operating facilities, transit centers, shelters, benches, etc. Administrative costs associated with the operation of such services must be included in the recipient agency's operating cost estimates.

MTA recently negotiated with Municipal Operators to operate transferred lines with service levels and span of service equal to that in effect at the time of transfer. Subsequent changes may be made based upon the operator's own operating experience with the line. Since there are no formal guidelines for the transfer of lines, it is desirable to reach written agreement on these points with the affected Included Municipal Operator.

INCLUDED MUNICIPAL OPERATOR FUNDING

An Included Municipal Operator is legally defined in state TDA law.²³ Such status allows the transit operator to receive funds from federal and state sources.²⁴ The MTA has adopted nine criteria for being designated as an Included Municipal Operator, among them which are the following: require a transit system to have been in operation for at least three years; submit an annual Short Range Transit Plan to the MTA; be integrated and coordinated with intersecting or adjoining public transit systems; and, have a management information and accounting system adequate to meet the data gathering requirements of the Transportation Development Act and Section 15 of the Urban Mass Transit Act administered by the Federal Transit Administration. The MTA Board is required to formally make a finding that an entity desiring such status meets the adopted criteria for designation as an Included Municipal Operator.²⁵

Funding and farebox revenue impacts associated with a new Transportation Zone or the transfer of services between Included Municipal Operators must take into account the change in the FAP allocations received by the Included Municipal Operators since the formula allocations will increase to the assuming party and decrease to the relinquishing party. Unlike the requirements for creation of a Transportation Zone, transfer of individual route segment services can be initiated by either the MTA or by another operator desiring to operate a sub-regional or local MTA line. However, there is no bridge funding of such transfers available. The assuming operator must fund the operation of such service in its entirety for the first two years before a permanent FAP funding allocation can be computed based upon those two years' operations experience.

²³ Section 99207 (d) defines an Included Municipal Operator. Section 99285 outlines the procedures, exceptions and related provisions for fund allocation including the basis of the formula which "shall consider, among other things, the fare revenue to operating cost ratio and the public transit service mileage of each operator in the authority operating area..."

²⁴ The specific funds allocated include Transportation Development Act funds, Federal formula funds available for operating subsidies as authorized under Section 1607a of Title 49 of the United States Code, and State Transit Assistance funds distributed by formula among public transit operators in Los Angeles County.

²⁵ See MTA memorandum to the Planning and Programming Committee dated August 25, 1995. Under PUC section 99207 an IMO (Included Municipal Operator) is defined as any city or unincorporated area within the County of Los Angeles that: (1) is not receiving adequate local public transportation services, as determined by the MTA, from either the MTA or any currently included municipal operator as defined in this section; and (2) that meets the criteria established by the MTA, taking into consideration, among other things, the cost to provide such services, the amount of such services needed in the county or city, the funds available to provide such services, and the amount of such services provided in other areas of the county as compared to their needs."

Section 2: Background Information

The FAP formula consists of a fifty (50) percent weight on in-service revenue vehicle mileage and a fifty (50) percent weight on Fare Units (defined as total farebox revenue divided by the base fare). The formula is applied to data from the most recent year for which audited actual results are available, usually the second year prior to the year of allocation. The MTA is responsible for auditing (as a part of the Consolidated Audit) all data submitted by the Included Municipal Operators and Eligible Operators. This includes revenue mileage, farebox revenue and base fare which are a part of the calculations used to determine the formula shares for each operator. Eligible Operators receive Proposition A Discretionary Funds in lieu of TDA and STA dollars. Proposition C Discretionary funds are not a part of the FAP but are used to fund specific programs approved by the MTA Board and which meet the requirements of the Proposition C Discretionary Guidelines. Only operators included in the Transit Performance Measurement program are eligible for inclusion in the formula.²⁶

The estimated total amount of funds available for distribution by the MTA for fiscal year 2001 are as follows:²⁷

TDA	\$ 254,282,000
Proposition A	506,183,000
Proposition C	506,289,000
STA	26,130,000

Total Funds Available	\$ 1,292,884,000

A transit operator seeking designation as an Included Municipal Operator must meet nine criteria²⁸

1. The municipal system has been in continuous operation for a minimum of three years.
2. The municipal system shall have been available for use by the general public during the same three-year period.
3. During this same entire three-year period, the system's operating expenses shall have been supported at least 50 percent by one or more of the following funding sources: fares, city general funds, or federal FTA programs. Monies received under the 25 percent Local Return provisions of Proposition A are not to be considered part of "city general funds" for this criterion.
4. The municipal system's Short Range Transit Plan has been approved by the Los Angeles County Metropolitan Transportation Authority.

²⁶ See MTA Short Range Transit Plan; Fiscal Years 1997-2000; June 3, 1996.

²⁷ Based on draft fiscal year 2001 Transit Subsidies Program estimates; February 16, 2000. Attachments included with this report.

²⁸ Adopted by the former LACTC, December 19, 1979. The ninth criteria was approved by the MTA in July, 1991 upon designation of the City of Los Angeles as an Included Municipal Operator.

5. The municipal system is reasonably meeting a need that would otherwise not be met, and is providing a transit service that cannot be effectively provided by an operator that is currently receiving TDA assistance.
6. The municipal system is integrated and coordinated with intersecting or adjoining public transit systems.
7. The municipal system has management information and accounting systems adequate to meet data gathering and reporting requirements of the TDA and Federal Transportation Administration National Transit Data Reporting (NTD).
8. Notwithstanding the criteria numbered (1), (2) and (3) above, a transit system may be made eligible for TDA funding immediately after its creation if it consists substantially of a reorganization or replacement of transit system(s) which were previously eligible for TDA funds, and provides services substantially similar to services which previously received TDA subsidies.
9. Notwithstanding the criteria numbered (1), (2) and (3) above, an operator may be designated an Included Municipal Operator for a specific service previously funded through an MTA demonstration grant by nine affirmative votes of the MTA.

SUBREGIONAL GOVERNANCE OF MTA SERVICES

The 'Subregional Governance of MTA Services' report was prepared by Booz-Allen & Hamilton, Inc. in June of 1998. The report analyzes alternative approaches for divestiture of MTA bus services into sub-regionally governed operation in Los Angeles County. It responds to a Board motion to develop an implementation plan to divest MTA services into subregional agencies to develop alternative bus service delivery structures based upon the Transportation Zone concept.

The analysis considers approaches to subregional governance of bus services, bus service divestiture priorities, stakeholder interests in divestiture, potential community impacts, cost and revenue implications, legal implications, and service delivery issues.

Approaches to Subregional Governance of Bus Services

There are five fundamental alternatives outlined for providing subregional governance for bus service: 1) MTA could divest services to existing transit operators, 2) MTA could expand Foothill Transit Boundaries, 3) new local Transportation Zones could be created, 4) MTA could privatize appropriate operating divisions, and 5) MTA could establish subregional service within the MTA.

MTA Could Divest Services to Existing Transit Operators

Some existing transit operators have expressed interest in taking over MTA lines or line segments. These operators have demonstrated capabilities in operating cost efficient and effective services. Operators are only willing to take on MTA lines under certain conditions pertaining to funding and buses. The funding formula doesn't provide subsidies for service until two years after operation begins. Existing transit operators also want to maintain their identity through services within or close to their service areas, or connecting to major trip attractors. This approach would reduce duplication of services by MTA and existing transit operators.

MTA Could Expand Foothill Transit Boundaries

Interest has been expressed in expanding the boundaries of the Foothill Transportation Zone. The application process applies to both an initial zone application and any application to significantly modify a local Transportation Zone's geographic boundaries. A request for zone expansion must address all requirements of a new zone applied to the expanded portion only.

New Local Transportation Zones Could Be Created

The Foothill Transportation Zone is considered successful. There has been interest in creating other zones in San Fernando Valley. Limited interest is known to exist for other transportation zones. Local transportation zones could be created based on travel patterns, geographic barriers, and political considerations.

MTA Could Privatize Appropriate Operating Divisions

This approach would create competition in the region, which could improve operating efficiencies and produce a lower cost per unit of service. The downside of this approach is that it does not provide a local governance structure.

MTA Could Establish Subregional Service Boards Within the MTA

The MTA could act as a parent company over subsidiary organizations. The MTA regional Board of Directors could handle policy decisions while the subsidiary organizations have specific powers and authorities to provide greater local control. The subsidiary boards could exist as advisory boards or as legal entities, to improve local transit control.

Bus Service Divestiture Priorities

Along with determining the approach to subregional governance, the MTA needs to decide which bus services should be divested first. Three tiers of service were defined to assist in evaluating MTA's functional role.

Regional (Tier 1) Service routes represent MTA's core services. The Core Regional Services are a collection of local, limited stop and express bus lines that provide a basic grid system serving approximately 70 percent of the county's population. These services provide connectivity with regional activity centers, other local transit operations and are integrated with the urban/commuter rail network. Regional (Tier 2) Inter-community Services routes carry the heaviest loads and serve transit dependent communities. These routes supplement the core routes serving downtown and/or provide primary coverage in outlying areas. These services are the principal focus of the municipal operations and are also provided by the MTA. Services in this category are selected based on the following criteria:

- Offer at least 30 minute service during peak hours;
- Serve more than one incorporated area;
- Carry at least 2,000 passengers a day.

Regional (Tier 3) Community Circulator Services are a family of services that focus on local travel. They connect residential areas with activity centers and other public transit services. Circulators also play a collector/feeder role in the core area. In addition to regular fixed route services, Community Circulators include Dash Services, rail feeder routes, Dial-A-Ride and Smart Shuttle operations. These services are often operated by the private sector using mini-buses or vans. Services in this category generally meet the following criteria:

- Carry less than 2,000 passengers a day
- Provide neighborhood penetration or improved circulation
- Serve the general public.

Subregional Government Alternatives Study

Section 3

ALTERNATIVES EVALUATION

INTRODUCTION

The following development and evaluation of subregional governance alternatives for the Southeast area builds upon the foundation established by existing law, regulations, guidelines and precedent as presented in Section 2, Background Information. It also draws from several other recent efforts to define and evaluate subregional governance alternatives for the purposes of operating and funding subregional transit services.

This section documents the process used to refine the need for a subregional governance arrangement to implement specific service recommendations included in the SABRE Study Final Report.¹ This was found to be the need for replacing certain segments of current MTA lines with several community circulators in a geographic area commonly referred to as the Southeast Community Development Corporation (SCDC) area or SABRE Study Subregional Area #6. It is comprised of eight cities, one of which is an Included Municipal Operator.

EXAMPLES OF SUBREGIONAL GOVERNANCE ALTERNATIVES

A report was prepared for the MTA which analyzed alternative approaches for divestiture of MTA bus services into sub-regionally governed operations in Los Angeles County.² It responded to a MTA Board motion to develop an implementation plan to divest MTA services into subregional agencies to develop alternative bus service delivery structures based upon the Transportation Zone concept.

The analysis contained in the Subregional Governance of MTA Services report considered approaches to subregional governance of bus services, bus service divestiture priorities, stakeholder interests in divestiture, potential community impacts, cost and revenue implications, legal implications, and service delivery issues. The five fundamental alternatives identified in the report are presented in this section.

¹ See Southeast Bus Restructuring Study, Recommendations For Transit Restructuring; prepared by Weslin Consulting Services; August, 2000; Executive Summary page 3 and 15.

² Subregional Governance of MTA Services; prepared by Booz-Allen & Hamilton, Inc.; June of 1998.

Four alternatives for subregional governance were outlined in the San Gabriel Valley Council of Government's Transit Restructuring Study, but two were eliminated as a result of legal opinions contained in the Subregional Governance of MTA Services Report.³ The alternatives were specific to the situation in the San Gabriel Valley. These alternatives are also reviewed in this section. Some of the alternatives considered in these reports were found to have potential applicability to the Southeast. Those alternatives are advanced into a further evaluation and assessed for their appropriateness to the Southeast area.

Generic Approaches to Subregional Governance of Bus Services

There were five fundamental alternatives outlined for providing subregional governance for bus service in the Subregional Governance of MTA Services report: 1) MTA could divest services to existing transit operators, 2) MTA could expand Foothill Transit Boundaries, 3) new local Transportation Zones could be created, 4) MTA could privatize appropriate operating divisions, and 5) MTA could establish subregional service within the MTA. Each of these is reviewed below with an assessment of the applicability to the needs of SABRE Study Subregional Area #6.⁴

1. *MTA Could Divest Services to Existing Transit Operators* -- Some existing transit operators have expressed interest in operating MTA lines or line segments. These operators have demonstrated capabilities in operating cost efficient and effective services. Included Municipal Operators and MTA have made substantial progress in reaching agreement on a variety of issues that allows for the transfer of contracted MTA lines or route segments. The MTA is precluded from sub-contracting service (other than the initial 13 lines) due to conditions in the current labor agreement. MTA cannot directly subsidize a municipal operator with FAP funds for operation of a bus line which has been transferred to them. MTA and the operators should jointly continue to work toward finding agreeable solutions pertaining to funding, span of service, buses, acceptance of MTA passes and other issues that arise in these deliberations. The funding formula doesn't provide subsidies for service until two years after operation begins. Existing transit operators also want to maintain their identity through services within or close to their service areas, or connecting to major trip attractors. This approach would reduce duplication of services by MTA and existing transit operators. This alternative was found to have direct application to the Southeast area and is given further evaluation later in this section.
2. *MTA Could Expand Foothill Transit Boundaries* -- This alternative was found to have minimal application to the Southeast given geographical considerations of the boundary of the Foothill Zone and the potential service area warranting subregional governance consideration. Existing labor contracts would apply to an expanded Zone under the provisions of SB 1101. Consequently, it was not given further consideration.

³ SGVCOG Transit Restructuring Study; Phase III Report; September 1, 1998; prepared by The PB Study Team, Parsons Brinckerhoff, prime contractor.

⁴ The five alternatives do not evolve directly from the SGVCOG Transit Restructuring Study since subsequent events have changed the applicability of the report's facts and findings such as the enactment of SB1101.

3. *New Local Transportation Zones Could Be Created – The Foothill Transportation Zone* is considered successful. There has been interest in expansion of the Foothill Transportation Zone and in creating another zone in the San Fernando Valley. Limited interest is known to exist for other transportation zones. Local transportation zones could be created based on travel patterns, geographic barriers, and political considerations. This alternative was found to have direct application to the Southeast area and is given further evaluation latter in this section eventhough the provisions of SB 1101 would apply to a new zone.
4. *MTA Could Privatize Appropriate Operating Divisions* – This approach would create competition in the region, which could improve operating efficiencies and produce a lower cost per unit of service. The downside of this approach is that it does not provide a local governance structure. This downside was viewed as a fatal flaw for application in the Southeast. An essential ingredient in any subregional governance arrangement in the Southeast was the desire for some direct local control over fares, service quality and service identity. It also does not address the appropriateness of MTA operating community circulators. For these reasons, this alternative was not evaluated further.
5. *MTA Could Establish Subregional Service Boards* –The MTA could act as a parent company over subsidiary organizations. The MTA regional Board of Directors could retain some policy decisions while the subsidiary organizations have specific delegated powers and authorities to provide greater local control. The subsidiary Boards could be advisory or exist as legal entities to improve local transit control. The Subregional Service Boards could be comprised of elected representatives and considered a wholly owned subsidiary outside of the MTA. The MTA Board could provide a span of authority ranging from very little to full approval to set fares, schedules and the color of buses. This alternative was viewed as having some promise in the Southeast. The downside of this approach is that it does not provide an independent local governance structure. This downside was viewed as a flaw, but still with sufficient merit for further consideration in the Southeast. This alternative was evaluated further.

San Gabriel Valley Approaches to Subregional Governance of Bus Services

Phase III of the San Gabriel Valley Council of Government's Transit Restructuring Study addressed the Development of Implementation Options. Four alternatives were outlined, but two were eliminated as a result of legal opinions contained in the Subregional Governance of MTA Services Report reviewed in the previous section. The legal opinion that prompted the elimination of the two alternatives was that "pursuant to existing labor agreements, new zones to which the MTA assets are transferred will be required to assume existing labor agreements for the duration of those agreements."⁵ The San Gabriel report also assumed that this finding applies to the direct transfer of MTA routes to other operators irrespective of whether a zone is expanded or a new zone is formed.⁶

⁵ Subregional Governance of MTA Services; June 19,1998; page VII-12.

⁶ SGVCOG Transit Restructuring Study; Phase III Report; page 8.

The two alternatives advanced for analysis in the San Gabriel Transit Restructuring Study were: 1) Expand Foothill Zone with MTA contracts and 2) Transfer routes to Foothill Transit with MTA labor contracts. Calculations did project more than a fifteen percent operating cost savings in both cases.⁷ The implications of the analysis of these alternatives for San Gabriel Valley was reflected in the development of alternatives for the Southeast.

The governance structure outlined for the expanded Foothill Zone option included amending the current Joint Powers Agreement to add nine cities. This requires the approval and incorporation of all new and existing cities. The Board would be re-configured to add two members. The ability of a Joint Powers Agreement to achieve the objectives of providing new transit services in the Southeast within the constraints of the TDA and other established regulations was also taken into consideration in developing alternatives for the Southeast.

DEVELOPMENT OF SUBREGIONAL GOVERNANCE ALTERNATIVES

According to the Subregional Governance of MTA Services report "Transportation Zones, as successors to MTA, would in all probability have to assume the MTA's responsibilities pursuant to the Consent Decree."⁸ This would certainly apply to other obligations of the MTA such as Americans With Disabilities Act (ADA) compliance and labor agreements.⁹

In the discussions with the SABRE Study Committee and at other meetings held to discuss the SABRE Study service restructuring proposals in the context of potential subregional governance options, the view was widely held that the set of terms and conditions associated with any possible Transportation Zone configuration in the Southeast were such as to render it ineffectual in achieving the objectives most could envision to justify its creation in the first place.¹⁰ Some of the Included Municipal Operators strongly cautioned against a Transportation Zone that would include any of their current or future potential service area due to concerns over how the possibility that such a Zone might be linked with conditions that could conflict with their own operations such as labor agreements.

Because of these widely held concerns, precautions were taken to carefully understand and communicate the possible application of a Transportation Zone to the Southeast. The first step in this process was to minimize the geographic area being considered. No serious proposals were ever rendered to include the entire Southeast area in a single Transportation Zone. No proposals were ever suggested to create multiple Transportation Zones within the Southeast. The only Transportation Zone ever to be viewed as having potential merit was one that would include seven cities in SABRE Study area #6.¹¹

⁷ Subregional Governance of MTA Services; June 19,1998; section VII.

⁸ Ibid; page VII-16.

⁹ A complete copy of the Consent Decree is included in the Appendix to this report along with other documents referenced herein.

¹⁰ The referenced meetings are highlighted in Section 1 of this report and minutes of SABRE Committee meetings were maintained and are on file at the MTA.

¹¹ The seven cities are Huntington Park, Southgate, Cudahy, Bell, Bell Gardens, Vernon and Maywood. Commerce is included in SABRE Study area #6, but excluded from consideration as a participant in a Transportation Zone since it is already an Included Municipal Operator and would receive no benefit from being included.

The focus upon a single Transportation Zone was the result of a screening process that kept in mind the goal of exploring subregional governance alternatives. The goal adopted by the committee at their February, 1999 meeting sought "options for how transit can be provided most cost-effectively and efficiently to meet local needs better than is now accomplished with existing institutions." The SABRE committee was not interested in exploring the universe of alternatives when it quickly became apparent that such alternatives were obviously not going to provide transit better than what is now achieved with existing institutions.

The final work of the SABRE Study went through an extensive process of review, refinement and consensus-building with the subregional governance and other project goals in mind.¹² The benefit of this process has been the successful sponsorship of some transit service proposals by the participating Included Municipal Operators. Other transit service proposals have been changed several times in an attempt to reach agreement on what changes have the greatest merit. Only a few transit service proposals lack a governmental sponsor. These include a number of community circulators. They also include non-transit service related proposals such as the need for better information on how to use existing routes. Five sets of SABRE Study proposals with their corresponding subregional governance needs and options are outlined in Figure 3-1.

The first three sets of proposals listed in Figure 3-1 involve changes to MTA lines that: 1) do not require a transfer to another transit operator because MTA supports the proposal and intends to implement the change, 2) a transfer to another Included Municipal Operator is desirable because the service is not regional and a candidate recipient of the revised services exists, and 3) a transfer to another operator is desirable because the service is not regional and no candidate recipient transit operator exists, including any Included Municipal Operator that would be eligible for FAP funding allocations.

Figure 3-2 identifies all of MTA lines addressed by the SABRE Study. The Southeast area cities included in the study are listed and the nature of the line proposal as it relates to each local jurisdiction is specified using a "NO" for no transfer necessary for the first set of proposals, a "T" for transfer between existing Included Municipal Operators for the second set of proposals and a "YES" for a transfer is desirable for the third set of proposals. An empty cell either means that the route does not serve that city or no proposed changes have been offered.

The first two sets of proposals represent the majority of the route restructuring changes. These are moving forward and do not involve any significant institutional challenges. The SABRE Committee has already acted to recommended specific transfers of service from MTA to several Included Municipal Operators.

The third set of proposals involve changes to seven lines operating in nine cities where some form of new subregional governance arrangement is desirable to successfully implement SABRE Study recommendations. These arrangements could be in the form of a contract arrangement, transportation zone, joint powers agreement or continued operation by the MTA in some form.

¹² See Southeast Bus Restructuring Study; Recommendations For Transit Restructuring; page 2.

**Figure 3-1
SABRE Study Sets Of Proposals And Their
Corresponding Subregional Governance Needs & Options**

SABRE STUDY SETS OF PROPOSALS		SUBREGIONAL GOVERNANCE NEEDS AND OPTIONS
1)	Line changes that do not require a transfer.	None – MTA supports revisions to MTA lines.
2)	Line changes where transfer is desirable and recipient Included Municipal Operator exists.	None - other than a transfer agreement, pass agreement and Board action.
3)	Line changes where transfer is desirable and no obvious candidate transit operator exists.	Critical - options include contract arrangement, Transportation Zone, Joint Powers Agreement, MTA.
4)	New lines where lead agency is needed.	Not Critical - options include contract arrangement, transit zone, joint powers agreement, MTA. All new lines are express routes that could be operated by MTA.
5)	Non-service related proposals where lead agency is needed.	Not Critical - options include contract arrangement, joint powers agreement, MTA, Gateway Cities COG. IMO's have expressed interest in addressing this issue and potentially developing a cooperative agreement.

The fourth set of proposals involves new lines where the likely transit operator is MTA. The set of proposals is composed new express routes benefiting over ten cities. A lead agency is needed to serve as an advocate for these new services if they are to receive serious consideration for implementation. However, the advocacy agent does not need to be the transit operator since the proposed express routes are regional services. The only issue is the implementation priority these proposed express routes may receive given all other funding priorities at the MTA.

The fifth set of proposals involves non-service related proposals impacting the entire Gateway Cities area. Items in this category include better transit information regarding how to use the services offered by multiple operators in the Southeast, coordinated marketing, a Southeast transit guide, information counters at transit centers, uniform guidelines on how to plan and design a transit center, among many others. The livable communities project serves as an initial stepping stone for the Gateway Cities COG into this arena.

**Figure 3-2A
Relationship Between SABRE Study MTA Line Recommendations And Cities**

MTA LINE	LOCAL JURISDICTION													
	Artesia	Bell	Bell Gardens	Bellflower	Carson	Cerritos	Commerce	Compton	Cudahy	Downey	Hawaiian Gardens	Huntington Park	La Habra	La Mirada
18/318														
48														
53					NO			NO						
55								NO						
56												YES		
60								NO				NO		
66														
68														
102														
104							NO							
105		YES							YES					
107									YES			YES		
108		NO					NO			NO		NO		
110		NO	NO				NO					NO		
111/311		NO							NO	NO		NO		
112												YES		
114			YES						YES			YES		
115														
117										NO				
119														
121										NO				
124														
125				NO				T		NO				T
127				NO	NO			NO		NO				
128														
130	T			T		T								
202					NO			NO						
232														
251														
252														
254												NO		
258														
259														
260														
262														
265														
266				NO						NO				
270										NO				
275														
315														
362						NO					NO			
460										NO				
466										NO				NO
471														
576														
631										YES				

LEGEND: NO = no transfer necessary; T = transfer between existing operators; YES = transfer desirable, but no operator available.

**Figure 3-2B
Relationship Between SABRE Study MTA Line Recommendations And Cities**

MTA LINE	LOCAL JURISDICTION													
	Lakewood	Long Beach	Los Angeles	Lynwood	Maywood	Montebello	Norwalk	Paramount	Pico Rivera	Santa Fe Springs	Signal Hill	South Gate	Vernon	Whittier
18/318			NO			T			T					T
48														
53			NO											
55			NO											
56			YES											
60		NO	NO									NO	NO	
66														
68			T			T								
102													NO	
104			T			T			T					T
105					YES								YES	
107													YES	
108					NO								NO	NO
110														
111/311							T			T				T
112				YES								YES		
114												YES		
115														
117				NO								NO		
119				YES										
121				NO			T					NO		
124				T										
125							T	NO		T				
127								NO						
128		T												
130		T												
202		NO												
232														
251														
252														
254													NO	
258														
259														
260														
262														
265														
266	NO							NO	NO					
270														
275							NO			NO				NO
315														
362	NO		NO				NO			NO				
460			NO				NO			NO				
466			NO											
471														
576														
631												YES		

LEGEND: NO = no transfer necessary; T = transfer between existing operators; YES = transfer desirable, but no operator available.

It seems as a natural evolution to suggest that the COG take a leadership position in sponsoring actions on the fifth set of proposals by forming a task force to advance the SABRE Study's recommendations toward implementation. Several Included Municipal Operators have also expressed an interest in collaborating to address these needs. Therefore, there is no governmental issue concerning this fifth set of SABRE Study proposals.

The result of this screening process was the recognition that the only critical need for a subregional governance option was for the set of MTA lines involved in the creation of several new community circulators. Six alternatives were identified and are evaluated in the next section.

EVALUATION OF SUBREGIONAL GOVERNANCE ALTERNATIVES

Six possible alternative courses of action were identified for the implementation of the community circulators identified as Routes A and B in the Southeast Bus Restructuring Study.¹³ The alternatives are: (1) Status Quo, (2) MTA Partnership, (3) Partnership With Included Municipal Operator(s), (4) Joint Powers Agreement, (5) SCDC Serves As Lead Agency, and (6) Create A Transportation Zone. These alternatives are presented in Figure 3-4 and discussed in the following sections together with the corresponding pro's and con's for each alternative.

Status Quo – No Subregional Governance Change

This is essentially a "do-nothing" alternative. It would allow MTA to continue to make line improvements from a regional perspective. This course of action would likely exclude the establishment of the types of community circulators proposed in the Southeast Bus Restructuring Study since the affected bus lines are currently not contracted service, and the City of Commerce would have to provide bridge funding for the first two years of operation. The absence of another Included Municipal Operator currently providing service in the seven city area means there is no candidate for FAP funding which is viewed as being essential to support the proposed community circulator.

The South Bay & Gateway Bus Restructuring Study made recommendations for improved continuity of east-west subregional services for which there was no resolution regarding what Included Municipal Operator should be responsible for the specific recommendations.¹⁴ Subregional government options were suggested. The MTA Planning Department is implementing many of the suggestions that were recommended in the study. The South Bay Council of Governments has established a committee to review and oversee the implementation of the restructuring study recommendations. This is an option for consideration with the Southeast Bus Restructuring Study and represents a defacto alternative. It is viewed as the status quo alternative because it represents further investigation more so than a subregional governance solution.

¹³ See Southeast Bus Restructuring Study Executive Summary Figure 6 on page 17.

¹⁴ South Bay & Gateway Bus Transit Restructuring Study, Recommendations For Transit Restructuring; Manuel Padron & Associates, Weslin Consulting Services, Lang/Murakawa&Wong; April, 1999; page 26.

**Figure 3-4
Subregional Governance Alternatives Advantages And Disadvantages**

ALTERNATIVES		ADVANTAGES	DISADVANTAGES
1)	STATUS QUO –	Any change will require additional time and energy. Will add new pressures for some individual or organization to take a leadership role.	Issues, such as new community based services or improved operation of existing services, are not addressed.
2)	MTA PARTNERSHIP – Individual cities contract with MTA.	Uses most established public transportation provider in the area to operate services in the SCDC area.	MTA highest cost option. Local services best controlled at local level. New services required to be funded locally. No significant change.
3)	PARTNERSHIP WITH MUNICIPAL OPERATOR(S) -- Individual member cities contract with an Included Municipal Operator.	Uses one of the established public transportation in the region to provide services in the SCDC area. Partnership may be successful in influencing policy changes for regional funding etc.	Additional discussions required to determine interest of Municipal Operators. New services funded locally. No process to transfer existing service (MTA labor issues).
4)	JOINT POWERS AGREEMENT – A group of cities enter into a JPA with one city serving as a lead agency to operate services directly or through a contract with a private provider.	Uses an established process for providing a public service among cooperating municipalities. JPA may influence policy changes.	No city has yet indicated a willingness to serve as a lead agency. Process for establishing JPA, coordinating funding etc. requires dedicated full-time staff. Local funding required for new service. No process to transfer existing lines.
5)	SCDC SERVES AS LEAD AGENCY -- Cities act to support using SCDC as a lead agency to contract with a private provider.	Uses an established agency with historical involvement in providing transit service. SCDC may influence policy changes.	Services cannot be included in funding allocation formula to provide long term funding without creation of a transit zone.
6)	CREATE A TRANSPORTATION ZONE -- SCDC cities act to support creation of a transportation zone under MTA guidelines.	Provides for long-term, dedicated funding as one of the region's "included" transit operators. Uses mechanism designed for transferring MTA lines to new operator.	Process for establishing Zone funding requires complex analysis and dedicated staff time leading to submittal to the MTA Board. Services include many components, Consent Decree, labor contracts, etc. SCDC area may not be suited to Zone formation.

The SABRE committee did not find many advantages to the status quo and therefore they requested the Subregional Governance Alternatives study outline alternative strategies. It is likely that the needs in the area are so great that pressure will continue to build for some individual or entity to step forward and take a leadership role to address the unmet transit needs the proposed community circulators would serve.

The disadvantage of this alternative is that the needs for the community circulators will be ignored as those who are aware of those needs become discouraged from the evident difficulties, obstacles and challenges in attempting to achieve a reasonable solution.

MTA Partnership -- Subregional Service Board

MTA's role is to focus on the operation of regional service and therefore they are least likely to operate the A and B circulators. MTA's priority is on strengthening regional services. The recommendations may be overshadowed by other priorities if MTA is asked to implement the community circulators without some form of governance linkage to the interested jurisdictions being served.

The governmental linkage in this alternative is the formation of a Subregional Service Board. The MTA Board would act as the parent policy body retaining control over the subsidiary Subregional Service Board with certain exceptions designed to give the subsidiary organization sufficient oversight to assure operational quality and effectiveness. The subsidiary Board could exist as an advisory body or as a legal entity to improve local transit control.

This positive aspect of this alternative is that it is achievable within MTA's current legislative framework. It can be implemented as quickly as the contracting bodies can agree to the terms and conditions. There would be no need to obtain bridge funding although MTA may seek some funding contribution from the cities depending upon the degree of autonomy and authority ultimately vested with the Subregional Services Board. This alternative also provides the greatest potential to maintain or improve service integration if the MTA Board retained control over fare policy and schedule integration.

The downside of this approach is that it may not provide an independent local governance structure. This downside was viewed as a flaw, but still with sufficient merit for further consideration in the Southeast. The MTA Board may delegate some authority over service and budget to a Subregional Services Board. The MTA Board could elect to reserve the right to be the final approval authority over fares. Another possibility is for the Subregional Governance Board to be advisory in nature with its role limited to joint marketing opportunities, monitoring study recommendations and other coordination efforts.

Partnership With An Included Municipal Operator

Using one of the established Included Municipal Operators other than the MTA to provide the transit service in the SCDC area could be a viable alternative. The obvious candidate is Commerce Municipal Bus Lines which has the capacity to provide the service and maintain the vehicles required for the community circulators.

The interest of the City Council has been obtained.¹⁵ The City of Commerce sees some potential benefits attributable directly to the City. There is certainly evidence that Commerce is a magnet for workers living outside of the city with jobs in the city who need better transportation.

The benefit of this alternative is that it would offer economies of scale for Commerce since the additional fleet requirements can be accommodated within their current maintenance facility without the need for expansion. It uses one of the established public transportation operators with a long history of providing quality community level service. The greatest benefit is to the other seven cities in the SCDC area who can take advantage of Commerce's status as an Included Municipal Operator receiving FAP funding allocations. The service mileage and revenue derived from the community circulators could be incorporated into the data used by Commerce as part of their FAP submittal upon implementation of the commensurate service recommendations involving the MTA lines in the SCDC area.

The challenge is primarily the need to identify bridge funding during the first two years when the service miles and farebox revenue are not available as audited data for inclusion into the FAP formula. Special funding will need to be arranged which may be difficult, but not impossible, to obtain. This process of securing both bridge and long term funding commitments may take several years to resolve.

A service transfer of this magnitude outside of the thirteen contracted lines has never been accomplished in the history of the MTA. Discussions with labor groups, provisions of the Consent Decree and acceptance of MTA transfers are items for consideration. There would need to be discussions with the other Included Municipal Operators regarding any potential impact on their FAP fund shares.

Joint Powers Agreement

The Joint Powers Agreement is a mechanism to gain agreement among different entities in the State of California to achieve a common purpose by delegating individual authorities of the participating jurisdictions to a lead agency acting on their behalf. A Transportation Zone is created through the Joint Powers Agreement process, but a JPA for transit purposes is not exclusive to the Transportation Zone concept. The SCDC cities could enter into a JPA with one city serving as the lead. This could be the City of Commerce which has the benefit of having Included Municipal Operator status, but it also could be any other city.

The advantage of this alternative is that it uses an established process that is well known to the cities since they have entered into JPAs and understand the mechanism. It avoids all of the implications associated with the transfer of MTA services to another body since a JPA does not have to involve the MTA as a participating agency.

The disadvantage of forming a Joint Powers Authority with a municipality other than the City of Commerce as the lead is that the JPA would have to rely on funding from farebox

¹⁵ The Commerce City Council approved further exploration of the "Partnership With An Included Municipal Operator" alternative at their meeting on Tuesday, August 15, 2000.

revenues, a pooling of general funds, Proposition A and C Local Return funds and other non FAP related funding sources. This would probably only allow for the operation of a very modest service. However, if the City of Commerce were the lead agency, they would have the benefit of receiving FAP funds, which are considered a more reliable and established source of transit funds. The pooled resource of funds from various cities could be beneficial toward meeting the requirements for bridge funding during the first two years of service until the service is added to the FAP. A challenge would be to work with MTA to insure service integration, acceptance of transfers and discussion with labor groups.

SCDC Serves As Lead Agency

SCDC previously served as the lead administrative agency of Train-n-Wheels which provided contracted services for a commuter connection transit service serving the Commerce MetroLink station. This could be done through a simple contract arrangement between SCDC and each individual city interested in participating or it could be done under the auspices of the existing SCDC organization.

The advantage of this alternative is that the SCDC has the experience of operating a demonstration transit service. This alternative uses an established entity and process that is well known to the cities since they have entered into projects within the SCDC structure in the past. It avoids all of the implications associated with the transfer of MTA services to another body since a SCDC cannot be a recipient of services transferred from the MTA nor can it be a recipient of FAP funding. It opens the door to participation with major employers more so than other options since the SCDC has a history of associating with the private sector.

The disadvantages are primarily the inability to draw from the FAP funding sources and provide an adequate service level. Without Included Municipal Operator status or the ability to use the Included Municipal Operator status of MTA or Commerce Municipal Bus Lines, SCDC would have to rely upon farebox revenue, contract funds from participating agencies and cities and other non-FAP related funding sources. This would probably only allow a very modest service level and not offer any meaningful improvement to current operations.

Create A Transportation Zone

This alternative involves the creation of a transportation zone under MTA guidelines. This could provide long term dedicated funding as one of the region's Included Municipal Operator. It would probably exclude the City of Commerce based upon the concerns expressed by several Included Municipal Operators that the conditions associated with participation in a Transportation Zone would be potentially detrimental to their current status and not afford any known benefits that they do not already enjoy.

The significant benefit to the Transportation Zone alternative is the ability to create a new Included Municipal Operator that is eligible to receive FAP funding allocations and fully control the delivery of transit services at the local level.

The primary disadvantage is that the Transportation Zone serves as a recipient of MTA obligations which many view as so onerous as to make the benefits of a Zone overshadowed by

those conditions. These include assuming MTA's obligations under the Consent Decree and other commitments of the MTA such as Americans With Disabilities Act (ADA) compliance and labor agreements. The recent enactment of SB 1101 requires Transportation Zones to assume the terms and conditions of employment set forth in the collective bargaining agreement between the MTA and any labor organizations affected by the creation of the Transportation Zone.

The process for establishing a zone requires complex procedures, a multi-year timeline and dedicated staff time leading to submittal to the MTA Board for approval. Short term operating funds that were allocated to the existing operator(s) are programmed and transferred to the Transportation Zone based on principles and a methodology outlined in the Zone Guidelines.

Attachments

Local Transportation Zone Guidelines

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

April 28, 1999

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APPENDIX

- I. Legislative Authority
- II. Pre-Application
 - III. Application

I. INTRODUCTION

The "Local Transportation Zone 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.

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.

This section provides an overview of the Zone application process, including:

- Legislative Authority
- Definition of a Zone
- Principles and Purpose for Zone Creation
- 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

A Zone is defined as a geographically contiguous area with at least one major trip generator and more than 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 complement the regional service provided.

C. Principles and Purpose for Zone Creation

The purpose of a Zone is to provide a more efficient and effective governing and management structure for transit operations within a specified geographic area. The following are the guiding principles for creation of a Zone:

1. **To improve the cost effectiveness of providing transportation services in Los Angeles County** - The MTA must maximize the use of taxpayer dollars by providing the most possible service for the least possible cost. The Zone must provide service at a lower cost than the existing operator(s).
2. **To increase local control of transportation services** - The MTA must be responsive to public transit needs at the local level. The Zone must improve the management and responsiveness of public transit in the proposed service area.

3. **To increase the amount of transportation service in Los Angeles County** - The MTA must continue to ensure that amount of transportation service grows in order to meet mobility, air quality, and access goals for the county. The Zone must re-invest savings into service improvements.
4. **In implementing a zone, other transit services in the county will be preserved** – The MTA will ensure that as an act of transferring transit services to a zone, no other transit services funded by the MTA are placed at risk or incur significant negative impacts. Further, no ridership group outside the zone will incur diminished transit services as a result of zone implementation.

D. Summary of Application Process

Applicant(s) (see Section II - General Requirements) for the proposed creation of a Zone shall follow the process outlined in Table 1 and detailed in this document.

The application process applies to both an initial zone application and any application to significantly modify a local Transportation Zone's geographic boundaries. A request for zone expansion will address all requirements of a new zone applied to the expanded portion only.

E. Guideline Flexibility

These Local Transportation Zone Guidelines are intended to guide the application and subsequent contract negotiation processes, and variance with any section of these guidelines continues to be permissible through a majority vote of the Board of Directors.

TABLE 1
(Page 1 of 2)

LOCAL TRANSPORTATION ZONE GUIDELINES
SUMMARY OF APPLICATION PROCESS

This table summarizes the application process, however the applicant should consult the appropriate section of the guidelines for a complete explanation of the application requirements and methodology.

1. **Pre-Application** - Applicant submits a "pre-application" to the MTA that identifies the proposed routes and services to be transferred to a Zone, the specific boundaries of the proposed zone, and indicates the intention to file an application.
2. **Circulation of Pre-Application** - Pre-application is circulated by the MTA to existing operator(s) of the services requested for transfer. Existing operator(s) identify primary issues or concerns related to the pre-application and submit comments to the MTA.
3. **Application Review Schedule** – MTA, the applicant and the existing operator(s) meet and establish schedule for parties to complete all work necessary (see steps which follow) for consideration of an application by the MTA Board of Directors.
4. **Stakeholder Briefing** – MTA holds a stakeholder (e.g., applicants, existing operator(s), the Bus Operations Subcommittee, the Citizens Advisory Committee, organized labor, community and ridership groups, Councils of Government, local jurisdictions) briefing session discussing the pre-application, application process and schedule, and receives comments and concerns from stakeholders.
5. **Approval/Disapproval of Pre-Application** – The MTA Board of Directors approves/disapproves proceeding with full application and development of Operational and Financial Plan. The MTA Board of Directors may modify the transit services to be included in the application, either increasing or decreasing routes for transfer.
6. **Preliminary Subsidy Estimate** – The applicant and the existing operator(s) will submit cost and revenue information to the MTA required to estimate the expected subsidy transfer. MTA will assess the information and develop a preliminary estimate of operating and capital subsidy transfers (both assets and funding) and provide same to both the applicant and existing operator(s).
7. **Draft Operational and Financial Plan** - The applicant submits a draft three year Operational and Financial Plan to the MTA and the existing operator(s) that describes:
 - A. Assets, staff, monitoring systems and agreements proposed for transfer;
 - B. Proposed transition of service from existing operator(s) to Zone; and
 - C. Utilization of capital investments, assets and labor.
8. **Stakeholder Briefing** – MTA holds another stakeholder briefing session discussing the preliminary subsidy transfer estimate, the draft zone operational and financial plan, potential negative impacts, and receives comments and concerns from stakeholders.
9. **Potential Negative Impacts** - The MTA will provide the applicant with a preliminary description of anticipated or potential negative impacts (e.g., employees, effective use of capital, financial, or passenger fares and service) from Zone implementation, and the sources and amounts of funding to be transferred if the draft operational and financial plans are approved by all parties.
10. **Application Preparation** - Applicant prepares necessary documentation as required under Guidelines and files application. The application must address potential negative impacts identified above, finalize the operational and financial plan, and contain a transition plan to implement the zone.

TABLE 1
(Page 2 of 2)

LOCAL TRANSPORTATION ZONE GUIDELINES

SUMMARY OF APPLICATION PROCESS

11. **Application Approval by Zone** - Participating jurisdictions approve application, including the Operational and Financial Plans. The final application, including the Operational and Financial Plan, is then submitted to the MTA.
12. **Circulation of Application** - The MTA circulates application to the existing operator(s) of the services requested for transfer and other stakeholders for review and comment.
13. **Stakeholder Briefing** – The MTA conducts a briefing for stakeholders reviewing the final application and receiving stakeholder issues and comments.
14. **Negotiate Differences** – The MTA will meet with the applicant, the existing operator(s) and affected labor representatives to discuss and negotiate differences relative to the application and issues/comments (e.g., funding, mitigation of potential negative impacts). Areas of agreement and continued difference are to be reported to the MTA Board of Directors; the Board will make final determination regarding areas of difference as part of Step 16.
15. **Public Hearing** - The MTA will hold a public hearing and receive public testimony regarding the zone application.
16. **Approval/Disapproval of Application** - The MTA Board of Directors approves or rejects the Zone application (approval requires eight votes) based on the requirements of the guidelines, including:
 - A. Cost savings are identified
 - B. No unmitigated adverse impact to the overall public interest
 - C. No degradation of overall countywide transit system efficiency and service
 - D. Compliance with all legal requirements (including all applicable labor laws) related to Zone implementation.
17. **Operation** - If the application is approved, the Zone begins operating services contained in the Operational Plan, following the process identified in the transition plan.
18. **Service Changes** – The zone must at least maintain the levels of service contained in the MTA approved operational plan. The zone may increase service at its discretion. If MTA requires the zone to increase service, MTA must provide funding equal to the net operating cost requirement (i.e., operating costs less operating revenues) and capital funds, if required, of the MTA mandated service additions.
19. **Implementation Assessment** - The MTA, Zone and existing operator(s) of the service monitor the impacts of change, and MTA formally evaluates performance of both the Zone and existing operator(s) annually. Failure to achieve required performance can result in an improvement plan requirement or transfer of funding and services back to the existing operator(s).
20. **Final Determination** - After a minimum of three years, MTA approves/disapproves permanent funding (i.e., included operator status) of the Zone based on success criteria identified in Section V.G.

II. GENERAL REQUIREMENTS

This section identifies the specific criteria for establishing the eligibility of a geographic area for establishment as a Zone and clarifies eligible uses of applicable funding. The criteria are:

- Establishment Criteria
- Definition of Eligible Service
- Methodology for Comparing Costs
- Short Term Operating Funding
- Short Term Capital Funding
- Long Term Capital Funding
- Criteria for Determining Success.

A. Establishment Criteria

A Zone application must include the following:

1. Restructuring Existing Service - A proposed Zone must seek to restructure public transit funded by the MTA.
 - a) "Restructure" is defined as operating existing service at a lower cost than currently provided by the existing operator(s) and/or modifying service and operating it at a lower cost than currently provided by the existing operator.
 - b) "Funded by the MTA" is defined as service that receives funding from the MTA under "included operator" status as defined by state law.

The applicant must demonstrate that the Zone can provide service in a more cost effective manner than the existing operator(s).

2. Common Transit Problems and Goals - A proposed Zone must share similar transit problems and goals. This criteria shall be met if the jurisdictions governing the proposed geographic area submit a joint pre-application, demonstrating an intent to address local transit issues collectively.
3. Commitment to Basic Level of Service - The Zone's Operating Plan must include either the same level of service as the existing operator(s), or the Operating Plan must provide a justification for modifying service. Modified service is deemed acceptable if the application is approved by the MTA Board of Directors.

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

The Zone must meet regularly with the regional complementary paratransit service provider and the MTA. The Zone will be responsible for any additional complementary paratransit service costs due to its actions (including those related to expansion of services within a zone) before becoming an included operator, and for complete compliance with current requirements of the Americans with Disabilities Act at the time the Zone is formed. Additional paratransit or ADA requirement and costs imposed by the MTA shall be funded by the MTA until the Zone becomes an included operator.

4. Cost Comparison - A proposed Zone must demonstrate operating costs lower than those of the existing operator(s) of the service to be transferred. The Zone applicant must submit a "Financial Plan" that demonstrates lower service costs by the end of the second year for Zone operated services using at least one of the following four measures:
 - a) A minimum of 15% lower MTA subsidy per passenger boarding for the services transferred; or
 - b) A minimum of 15% lower total costs for the comparable service package transferred; or
 - c) A minimum of 15% lower fully allocated cost per passenger boarding; or
 - d) A minimum of 15% lower fully allocated cost per revenue service hour.

A Zone application shall not be approved if creation of the Zone increases the net cost (using any of the criteria listed above) of providing combined Zone and remaining existing operator service (i.e., the comparable service level in effect at the time of zone creation).

5. Size of the Zone - In order to effectively provide subregional service, a Zone must be of sufficient size. To be considered for approval, a Zone must include:
 - a. A minimum of three contiguous local jurisdictions (i.e., municipalities and/or county) or a minimum of 50 square miles.
 - b. No more than 500 peak buses of service transferred to the Zone at the time of Zone creation or expansion.
 - c. A maximum transfer of 20% of MTA systemwide bus ridership and revenue.

B. Definition of Eligible Service

1. All current or proposed services operating entirely within the geographic boundaries of a proposed Zone and funded by the MTA are eligible for transfer to and operation by the Zone, as indicated in Table 2.
2. To ensure regional mobility and access, the MTA may require that a certain level of service be provided on specific lines. The MTA may set service levels for regionally significant service including, but not limited to, fares, schedule, load factor, and public information. The MTA shall define such lines as "regionally significant". The Zone applicant may include in its Pre-Application "regionally significant" service operating either entirely or partially within the proposed Zone. Inclusion of "regionally significant" service operating partially within the Zone requires specific approval by the MTA.
3. If regionally significant service is included, the MTA shall determine the required level of service for each regionally significant line. The MTA may also define required level of service for other lines or services. If the MTA's definition of "regionally significant" or the required level of service on "regionally significant" lines creates a new service mandate and increases the cost of providing service above the baseline approved in the Zone application, then the MTA shall provide additional funding (i.e., the difference between additional operating costs of the Zone to deliver the service and additional operating revenues) to the Zone to provide such service changes.
4. Zone applicant(s) shall use the most recent MTA adopted Regionally Significant Lines at the time of pre-application submittal to determine whether or not a line is regionally significant.

TABLE 2: EXAMPLES OF ELIGIBLE SERVICE TYPES

EXAMPLE SERVICE TYPES	SERVICE ELIGIBLE FOR TRANSFERS TO ZONE
1. LINES ENTIRELY WITHIN ZONE	YES
2. LINES PREDOMINATELY WITHIN ZONE TO NEAREST GENERATOR OUTSIDE ZONE	YES
3. LINES THAT TRAVEL THROUGH ZONES	ONLY IF AT LEAST 2/3'S OF TOTAL RIDERS BOTH BOARD AND ALIGHT WITHIN THE ZONE
4. LINES PARTIALLY WITHIN ZONE	YES - WITH MTA BOARD APPROVAL
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 GENERATOR WITHIN ZONE	CONTINGENT UPON ALL AGENCIES
9. DIAL-A-RIDE SERVICE PROVIDED WITH REGIONAL SUBSIDIES	YES (GENERAL PUBLIC)

5. If regionally significant service is not included in the Zone's operating plan, the MTA shall be responsible for ensuring the continued operation of such service.
6. The Zone may also propose a more cost effective approach to complementary 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.

C. Method For Comparing Costs

The following factors must be used by the Zone applicant and the MTA when comparing the existing operator(s) cost and the proposed Zone cost for transferred service:

1. Initial cost comparisons (i.e., before application approval and zone implementation) shall be based upon the most current budgeted data for both the zone and the existing operator(s) covering the same fiscal year, using fully allocated cost data for each agency.
2. Subsequent annual cost comparisons will be made using audited data for the same fiscal year detailing fully allocated costs of both the zone and the existing operator(s) applied to the base level of service transferred.
3. Capital asset transfers and new capital investment 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.
4. The applicant shall include all applicable administrative costs, including management, support services, planning, and indirect costs, when computing total operating costs. If a Zone operates services in addition to those contained in the application, it must allocate costs incurred that benefit both services using a cost allocation plan reviewed by a Certified Public Accountant for reasonableness.
5. The existing operator(s) must submit a cost reduction plan that demonstrates the 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. This plan is intended to help guide realization of intended savings from transfer of transit lines to a zone, and is not intended for comparison purposes with zone costs.
6. The MTA Board of Directors may obtain an independent expert opinion to validate the Zone's proposed costs and the cost reduction potential of the existing operator(s). Both the Zone and existing operator(s) must cooperate with any representative of the MTA in this matter.

D. Eligible Costs

The following factors must be used by the MTA in determining eligible costs associated with the proposed Zone:

1. Total operating costs are eligible including planning, administrative, and indirect costs. Costs for leasing of fixed facilities and revenue vehicles are eligible as capital costs.
2. Operating funds transferred shall not be used to purchase or construct fixed facilities, or to purchase revenue vehicles, with the exception of shared cost savings.

3. Capital costs of revenue vehicles, facilities, non-revenue vehicles and other assets are eligible using capital funds transferred to the zone.

E. Short Term Operating Funding

The MTA shall program and transfer available operating funds that were allocated to existing operator(s) for the services proposed for transfer to the Zone based on the principles and methodology outlined below. Available funds may include a mix of federal, state, local, and other funds. MTA will formally submit types and sources of funds to be transferred as part of Step 9 in Table 1.

A Zone may be designated as an "included" operator by the MTA Board and receive funds through the Formula Allocation Procedure (FAP) once success has been demonstrated (Section V.G). The MTA will claim and receive credit for Zone operations under the FAP until the Zone becomes an included operator. Due to the requirements of the FAP, the Zone shall record and report audited operating statistics to the MTA, including miles operated, passenger fare revenues, base cash fare, and any other requirements of the FAP.

Any difference in the subsidy 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:

- a. 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 expected cost savings from the transfer of services and assets to a Zone.
- b. Funding transfers are based on budgeted costs and adjusted for actual audited results at yearend. Initial subsidy calculations are based on the budgets for the year to be funded for each of the zone operator and existing operator(s). The subsidy transfer is to be adjusted as appropriate based on mid-year budget adjustments. Final subsidy credit transfers occur after fiscal year end using audit data for both the zone and existing operator(s).
- c. The base operating fund amount transferred is determined considering the base service level transferred. Zones must fund service improvements and operating revenue reductions from shared cost savings.
- d. The zone and existing operator(s) will share equally in any cost savings from zone implementation.
- e. Special issues shall be addressed as necessary (e.g., lower cost approach to complementary paratransit services, participation in regional security services, one time transition costs).
- f. Should MTA require the Zone to increase services beyond that proposed in the initial operating plan, MTA will provide subsidies equal to the net operating cost (i.e., operating costs for new required services less operating revenue for these services).
- g. The intent is to hold both the zone and the existing operator(s) financially responsible for financial performance. Both parties must avoid cost overruns.

2. Short Term Operating Funding Methodology

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

- a. Determine Base Service Level for Transfer – The MTA will work with the zone applicant and the existing operator(s) to define the base level of service to be transferred. This may be the actual service levels transferred if no changes are anticipated, or reflect a comparable level of service if service restructuring is anticipated. The base service level will be held constant for funding purposes until the zone becomes an included operator.
- b. Calculate Maximum MTA Subsidy Available from service transfer by existing operator:
 1. 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;
 2. Subtract operating revenues of the services to be transferred (e.g., passenger fares, advertising revenue, interest income, concessions);
 3. Yields maximum subsidy available as a result of zone creation; and
 4. 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).
- c. Determine MTA Subsidy Requirement for Zone Operator:
 1. Determine reasonable direct and indirect zone operator costs related to base comparable service level transferred;
 2. Subtract operating revenue (use same number as existing operator(s) to normalize for fare, advertising and investment policies);
 3. Yields MTA subsidy requirement for zone operator.
- d. Determine Final MTA Subsidy Credit for Zone Operator:
 1. If the MTA subsidy requirement (step c above) is greater than maximum subsidy available (step b), then the MTA subsidy credit is the amount calculated in step b; and
 2. If the MTA subsidy requirement (step c) is less than the maximum subsidy available (step b), then the MTA subsidy credit is the subsidy requirement (step c) plus one-half the difference between the maximum subsidy available (step b) and the requirement (step c). The existing operator(s) retains the other half of the difference, which is the net subsidy savings as a result of Zone creation.
- e. Adjust Subsidy Level to Reflect Actual Financial Results - After the mid-year budget adjustment and again after fiscal year-end, 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.

TABLE 3
Example of Formula for Credit - Short Term Funding

OPERATING SUBSIDY TRANSFER

A. Base Service Level

1. Revenue Hours: 1,200,000
2. Revenue Miles: 16,500,000
3. Peak Vehicles: 400
4. Passengers: 60,000,000

B. Cost Savings Potential for Existing Operator

- | | |
|--------------------------------|----------------|
| 1. Fully Allocated Cost | \$100,000,000 |
| 2. Cost Savings Potential | \$ 90,000,000 |
| 3. Fare Revenue | (\$33,000,000) |
| 4. Other Operating Revenue | (\$ 7,000,000) |
| 5. Maximum Subsidies Available | \$ 50,000,000 |

C. Zone Subsidy Requirement

- | | |
|------------------------------|----------------|
| 1. Fully Allocated Zone Cost | \$ 80,000,000 |
| 2. Fare Revenue | (\$33,000,000) |
| 3. Other Operating Revenue | (\$ 7,000,000) |
| 4. Zone Subsidy Requirement | \$ 40,000,000 |

D. Allocation of Subsidies

- | | | |
|------------------------------|--------------|--|
| 1. Subsidy Saved | \$10,000,000 | |
| 2. Zone Subsidy | \$45,000,000 | |
| 3. Existing Operator Sharing | \$ 5,000,000 | |
- (to be shared between zone and existing operator)

CAPITAL SUBSIDY TRANSFER

A. Transfer Assets to Zone

- | | |
|---------------------|---------------|
| 1. Facilities | \$30,000,000 |
| 2. Revenue Vehicles | \$65,000,000 |
| 3. Other Capital | \$ 5,000,000 |
| 4. Total | \$100,000,000 |

B. Capital Cost Savings

- | | |
|---------------------------|--------------|
| 1. Existing Operator Plan | \$80,000,000 |
| 2. Equal Zone Replacement | \$70,000,000 |
| 3. Cost Savings | \$10,000,000 |

C. Capital Fund Transfer

- | | |
|-------------------------------|--------------|
| 1. Zone Capital Fund Transfer | \$75,000,000 |
| 2. Existing Operator Share | \$ 5,000,000 |

- f. Subsequent Year Subsidies Are Calculated Off the Initial Transfer of Base Service Levels:
1. New unit costs are applied to the comparable base service package established previously for both the existing and Zone operators;
 2. If the transfer is phased, a comparable base service level must be determined for each phase of service transfer;
 3. 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
 4. This subsidy allocation methodology applies to the Zone operator until such time as it becomes an included operator.
- g. Special Funding: Should MTA require a zone to increase service beyond the base service transfer level, it will provide separate funding for those services. Funding will be based on net operating budget requirement (i.e., operating cost of new services less total operating revenues of new services).

F. Short Term Capital Funding and Assets

1. Capital assets (including facilities, revenue vehicles, support vehicles and equipment) dedicated to the operation of service transferred to the Zone shall be transferred from the existing operator(s) to the Zone, unless the Zone proposes an alternative method of providing necessary capital assets.
2. The MTA, existing operator(s), and Zone may negotiate and agree to a different distribution of capital assets (e.g., fleet age, fleet mix, fuel type) that may facilitate the procurement or operational strategy of one or more of the parties. Exercise of this option is not mandatory and shall only be used when all affected parties agree to the proposed alternative.
3. The MTA shall transfer capital funds to the Zone based on the capital improvement plan, bus procurement plan, and/or other relevant MTA documents that identify capital investments dedicated to services transferred to the Zone. The Zone shall be responsible for securing all necessary capital assets to provide the level of service identified in its Operating Plan, except that the MTA shall provide any additional capital assets and/or funding required to meet service improvements mandated by the MTA.
4. Capital funds shall be transferred to zones in a manner similar to operating subsidies. The capital funds programmed by the existing operator for the exclusive benefit of services transferred to the zone comprise the maximum capital funds available for transfer by year. The zone capital requirements are based on the same number of units planned to be replaced by the existing operator. If the zone can make comparable investments in capital at a lower cost, the existing operator and zone share in cost savings, as shown in Table 3. MTA will work with the Zone to match available fund types to planned investments and expenditures of the Zone.
5. MTA will make every effort to provide flexible funds for the savings amount shared, improving the zone's ability to use these dollars for capital or operating expenditures.
6. The Zone may incorporate its capital acquisitions (including revenue vehicles) into the MTA or existing operator(s) plans, or secure its capital assets separately from the MTA. The Zone may use any method of securing capital assets that is allowed by law. The use of funds shall comply with all regulations and restrictions governing their use.

7. If the Zone does not utilize some or all of the existing operator(s)' capital assets, then the existing operator shall incorporate such assets into its remaining operations to the maximum extent possible. Capital assets that cannot be incorporated into the existing operator(s) remaining operations shall be included as "unavoidable" costs subject to Section II.E.
8. Ownership and disposition of capital assets shall be specified in the contract for operation of the zone.

G. Long Term Funding

If the zone is successful (Section V.G), MTA can designate the zone an included operator. At this time the zone would receive capital and operating funds consistent with all other included operators and the short term capital and operating subsidy transfer approach would be concluded.

H. Criteria for Determining Success

The MTA shall use the four criteria below for defining a successful Zone. A Zone shall be evaluated for success after at least three full years of operation.

1. **Lower costs** - The Zone has demonstrated lower costs which are verified by an independent auditor. Cost savings are demonstrated if the savings in at least one of the four criteria defined in Section II.A. is greater than the specified minimum. The MTA may, at its discretion, place probationary conditions on a Zone that fails to meet any of the criteria.
2. **Public support** - Public support shall be demonstrated by an increase in ridership and/or demonstration of customer satisfaction and support of local governments in the zone
3. **Regional service standards maintained** - 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 NTD, TDA and TPM Program and other approaches deemed appropriate by the MTA) has not been significantly impacted, and included operators countywide will not be significantly impacted when the Zone claims funds under the FAP.
4. **Continued successful operation** - The likelihood of continued successful operation by the Zone under the MTA rules governing included transit operators (i.e., state and federal reporting, Transit Performance Measurement Program, Formula Allocation Procedure, Capital Allocation Procedure, Short Range Transit Plan, local contribution as may be required for included operators under Proposition A Guidelines). 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, Triennial 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.
- e. No significant negative impacts are unmitigated in terms of ridership (e.g., fares and service), employees, the existing operator(s), use of capital assets, and countywide transit operations as a result of establishment of the zone as an included operator.

MTA will periodically evaluate the operation of the Zone as measured against the success criteria and the performance measurement programs. 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, or return services and funding to the existing operator(s).

III. APPLICATION REQUIREMENTS

This Section identifies the necessary applicant submittals as well as the responsibility of each party involved in the application process. Section III addresses three main areas: agency responsibilities; pre-application requirements; and application requirements.

A. Agency Responsibilities

1. Zone Applicant - The jurisdictions constituting a proposed Zone shall designate one or more representatives authorized as the official representatives(s) to the MTA. The representative is responsible for submitting all required documentation described in the Guidelines, including the pre-application, draft plans and costs, and the application (and appropriate attachments including Operational and Financial Plans with transition plan and mitigation plan elements).

The applicant must work cooperatively and 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 applicant must cooperate with MTA representatives to review costs and services. The applicant must make every effort to adhere to the schedule developed with MTA.

All cities and/or county that constitute part of a proposed Zone must agree to support the Zone for a minimum of one year once service has been initiated. After one year, if a city or county wishes to withdraw from the Zone, the following conditions apply:

- a) Jurisdiction(s) withdrawing from the Zone shall provide a minimum 120 days notice; and
- b) Jurisdiction(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:
 - a) The operator(s) shall review the pre-application and application for significant impact and provide a list of same;
 - b) The operator(s) shall supply cost data and operational data for the specific services to be transferred, including a cost reduction plan;
 - c) 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;
 - d) The operator(s) will work with the applicant to identify the proposed transfer of capital, staff, agreements and systems; and
 - e) The operator(s) will cooperate with any MTA appointed expert to review costs and plans.

The existing operator must make every effort to adhere to the schedule developed with MTA.

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 that identifies 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, and to other stakeholders in the service. If there are significant differences between the Zone and the existing operator(s) on what constitutes eligible service (defined in Section II.B.), the MTA Board of Directors shall resolve the differences. The MTA will formally respond to the Zone and the existing operator(s) indicating the specific services under consideration for transfer.

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. Note that the three year Operational and Financial Plans will be submitted in draft and in final, allowing negotiations and review.

1. Operational Plan

One of the key aspects of establishing a Zone is determining what transit service is eligible for Authority subsidies. The proposed Operational 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. The Operating Plan shall include:

- a. A description of the proposed Zone (include: map; square mileage of Zone; list of jurisdictions);
- b. A 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);
- c. A description of any unmet transit needs;
- d. A 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;
- e. A 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;
- f. A demonstration that the proposed system will provide at least the same level of scheduled service and capacity as the existing operator(s). In the event that the existing operator(s) required a specific level of scheduled service the Zone must create and implement a service plan that meets the performance required. In the event that additional service above that budgeted by the Zone is required by the existing operator(s) or MTA, the existing operator(s) or MTA shall provide the incremental funding required to provide such service.
- g. 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 all intersecting general public transit operators. The need for transfer agreements for senior and disabled Dial-A-Ride will be considered on a case-by-case basis. At a minimum, the transfer agreement must include the following:
 - 1) Applicant is required to identify coordinated transfer locations within the service area. There should be at least one transfer location along each line connecting to a "regionally significant" service in the Zone. Where possible, transfer locations should be located so as to serve multiple lines.
 - 2) Applicant assures that shared bus stops will be used at transfer location(s) to the maximum extent possible.
 - 3) Applicant assures that schedules will be created to minimize wait time between feeder service and "regionally significant" service.
 - 4) 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.
 - 5) Applicant assures that customer information service will be provided in a coordinated manner. The applicant assures that transfer locations for "regionally significant" service will be provided to customers over telephone and on applicable marketing information. The MTA and/or operator(s) of "regionally significant" service agree to reciprocal provision.

- 6) Applicant, MTA, and operator(s) of "regionally significant" service assure that interagency transfers will be accepted by all operators in the Zone. The approved fare tariff schedule must be finalized prior to commencement of service.
- 7) No closed door bus stop policy for "regionally significant" service will be allowed.
- h. The Operational Plan must also include an agreement to accept MTA passes and tokens with reimbursement.
- i. The Operational Plan must include a description of the transition plan from existing to proposed service, including specifics regarding capital assets, employees, systems, and agreements to be transferred; and
- j. The MTA will also provide a list of potential negative impacts to be addressed by the Zone applicant. 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:

- a. Existing transit costs within the Zone (breakout costs for service to be administered by the Zone as described above);
- b. Identification of 15% cost savings in accordance with the criteria summarized in Section II.A.;
- c. 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);
- d. Proposed budget; and
- e. Identification of fund sources.

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 re-adoption process, including submittal and MTA approval.

3. Assurances and Understandings

The Zone agrees to provide the following assurances and understandings:

- a. 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);
- b. 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;
- c. 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;

- d. The Zone will utilize the State Controller's Uniform System of Accounts and Records to accommodate uses and disbursements of MTA subsidies;
- e. 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).
- f. 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.)
- g. 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. The Zone shall consult with the MTA to identify the number and type of local review required.
- h. 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 must propose the administrative structure used. Any legally authorized administrative structure is permitted as long as such a structure does not violate or contradict the rules or intent of these guidelines or state law.

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:

1. The current transit operator cannot otherwise provide adequate and responsive local transportation services in a cost-effective manner pursuant to PUC 130261;
2. 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);

3. 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);
4. The geographical shape of the Zone reflects jurisdictions with similar transit problems and goals (PUC 130259(c));
5. The Zone size reflects the economies of scale of transit systems (PUC 130259(c));
6. The Zone configuration and services reflect established and projected subregional patterns of travel (PUC 130259(c));
7. The Zone contains at least one major trip generator and a large percentage of short and medium length trips (PUC 130003);
8. The local Transportation Zone is coordinated with the regional transit operator and other carriers (PUC 130003);
9. 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);
10. 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
11. 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:

1. Creation of the Zone;
2. Administrative structure of the Zone;
3. Transfer of assets, employees, agreements and systems to the Zone, as may be appropriate;
4. Establish an initial funding level for the Zone; and
5. 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:

1. Success Criteria;
2. Transit performance measurement programs; and
3. 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:

1. MTA review of report on results of Success Criteria Analysis (Section II.H);
2. 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);
3. 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;
4. 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;
5. The Zone is able to fully meet all requirements of an included operator (e.g., federal and state reporting, local contribution if required); and
6. Hold Public hearing(s) to affirm public support.

H. Failure to Meet Success Criteria

If the success criteria described in Section II.H. 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.
---------	---

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 RSHs for routes to be transferred to Zone:

Line #	Annual RSHs to be Transferred	Annual Weekend RSHs 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

APPENDIX III
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)? Transition plan, mitigation plan and transfer of assets, employees, agreements and systems, if any, all included?	
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 5% 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:	

LOS ANGELES COUNTY FUNDING ESTIMATES
FISCAL YEAR 2001

FUNDING PROGRAM				FY2001
TDA				
	Estimated Gross Receipts			254,282,000
	Reserves/			
	(=) Net Revenues			254,282,000
Administration				6,000,000
Article 3	Pedestrian & Bikeways	2.00%		4,965,640
Article 4	Bus Transit	92.68%		230,107,758
	Interest on Article 4			4,000,000
		Subtotal:		234,107,758
Article 8	Transit/Streets & Highways	5.32%		13,208,602
<hr/>				
PROPOSITION A				
	Estimated Gross Receipts			506,183,000
	(-) Reserves/Interest			
	(=) Net Revenues			506,183,000
Administration		5%		25,309,150
Local Return		25%		120,218,463
Rail Development		35%		168,305,848
Discretionary		40%		
	Transit	95% of 40%		182,732,063
	- Prop A capped at CPI			162,761,184
	- Prop A growth over CPI			19,970,879
	Incentive	5% of 40%		9,617,477
<hr/>				
PROPOSITION C				
	Estimated Gross Receipts			506,289,000
	(-) Reserves			
	(=) Net Revenues			506,289,000
Administration		1.5%		7,594,335
Rail/Bus Security		5%		24,934,733
Commuter Rail		10%		49,869,467
Local Return		20%		99,738,933
Freeways/Highways		25%		124,673,666
Discretionary		40%		199,477,866
<hr/>				
STA				
	Estimated Gross Receipts			26,130,000
	Reserves			
	(=) Net Revenues			26,130,000
Bus Operators	PUC 99314 Rev Base Share			13,381,000
	Interest			400,000
		Subtotal:		13,781,000
Rail	PUC 99313 Population Share			12,749,000
<hr/>				
Total Funds Available				1,292,884,000

NOTE: Proposition A, C and TDA /STA Tax Revenues are based on assumptions prepared by MTA's budget office.

FY 2001 Summary of Transit subsidies
FIXED ROUTE OPERATORS ESTIMATED FUNDING LEVELS - INCLUDED & ELIGIBLE OPERATORS

DRAFT

	Federal and State FAP Subtotal	Federal and State FAP Subtotal	Local Formula Allocation Procedure	Formula Equivalent Funds (1a)	Formula Equivalent Funds (1b)	Zero-fare Compensation [2]	Foothill Transit Mitigation	Transit Service Expansion	Discretionary Base Restructuring	Bus System Improvement Plan Overcrowding Relief	Bus Security Enhancement [5]	TOTAL OPERATING	FY00 Interest	
	TDA Article 4 Plus Interest	STA Plus Interest	Prop A 40% Discretionary	Prop A Discretionary Above CPI	Prop A Incentive	Prop A Interest	Prop C 40%	Prop C 40%	Prop C 40%	Prop C 40%	Prop C 40%	ALL SOURCES	Prop A	Prop C
INCLUDED OPERATORS														
Arcadia	\$ 302,968	\$ 17,835	\$ 247,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,854		582,898	4,517	13,550
Claremont	77,357	4,554	63,077	-	-	-	-	-	-	-		144,887	1,153	3,480
Commerce	208,335	12,146	143,390	-	-	361,871	3,481	-	170,000	-		897,222	2,878	8,635
Culver City	3,429,738	201,719	2,381,378	-	-	-	57,810	163,882	-	114,288		6,345,790	47,804	143,411
Foothill	15,089,947	887,108	10,472,899	-	-	-	(3,885,382)	220,623	1,361,000	629,581		24,955,576	210,229	630,888
Gardena	4,134,912	243,408	2,873,513	-	-	-	89,758	471,000	-	119,305		7,911,894	57,883	173,049
La Mirada	155,780	9,189	127,007	-	-	-	-	-	-	-		291,935	2,322	6,966
Long Beach	14,657,790	862,646	10,188,274	-	-	-	247,283	1,555,000	-	560,197		28,069,390	204,480	613,439
Montebello	4,207,327	247,669	2,923,837	-	-	-	70,979	-	776,382	147,874		8,374,048	58,693	178,080
Norwalk	904,657	53,254	628,682	-	-	-	15,262	-	-	38,260		1,840,114	12,620	37,861
Redondo Beach	49,185	2,895	40,105	-	-	-	-	-	-	2,174		94,359	733	2,200
Santa Monica	14,723,430	888,710	10,231,990	-	-	-	248,390	-	-	541,993		28,612,414	205,395	618,186
Torrance	3,791,812	223,209	2,635,079	-	-	-	83,969	551,490	494,000	163,844		7,923,203	52,897	158,690
Subtotal Included	61,708,217	3,632,519	42,953,968	-	-	361,871	(2,908,449)	2,961,975	2,801,362	2,332,168		113,843,631		
ELIGIBLE OPERATORS (1a,b) [A+B+C] = D+E														
	A	B	C	D	E									
Antelope Valley	-	140,478	1,658,583	1,799,061	-	-	2,130	264,000	-	32,531		2,097,722	14,310	42,931
Santa Clarita	-	181,811	2,144,233	2,325,844	-	-	2,753	138,080	-	34,798		2,501,475	18,500	55,501
City of Los Angeles	3,123,840	183,888	2,171,113	5,478,841	-	-	50,730	1,898,644	-	101,997		7,528,213	43,580	130,740
Foothill BSCP	2,307,399	135,827	1,603,720	4,046,947	-	-	-	-	-	-		4,046,947	32,190	96,571
Subtotal Eligible	5,431,239	641,805	7,577,649	13,650,693	-		55,614	2,298,724	-	169,326		16,174,356		
OTHER														
City of Lynwood Trolley								147,000						
MTA Bus Ops	172,399,540	10,148,481	119,807,216	-	-	-	2,908,449	-	-	7,871,800		313,135,486	2,405,014	7,215,042
TOTAL	\$ 239,538,996	\$ 14,422,805	\$ 170,338,833	\$ 13,650,693	\$ -	\$ 361,871	\$ 55,614	\$ 5,407,699	\$ 2,801,362	\$ 10,373,292	\$ -	\$ 443,153,474	3,375,000	10,125,000

- (1a,b) These funds are allocated by formula for Foothill BSCP service, LADOT Service and to Eligible Operators in lieu of Section 9, TDA, STA and Prop A 40% Discretionary funds. Fund sources are (1a) prop A growth over inflation and (1b) incentive funds. The difference between growth over cpi and eligible operators amount will revert to Prop c 40.
- (2) Allocated as part of FAP to Commerce as compensation for having zero passenger revenues.
- (3a,b,c) Allocated using the FAP calculations - pre-Dial A Ride corrections including AVTA, SC, LADOT
- (4) Funding source is Proposition C 40% Discretionary fund.
- (5) Security allocation to be determined after receiving security plan updates from the operators.

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FY 2001 BUS TRANSIT FUNDING PERCENTAGE SHARES
MTA STRATEGIC PLANNING AND POLICY

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	Vehicle Service Miles (VSM)	Passenger Revenue	Base Fare	Fare Units	50% VSM	50% Fare Units	Sum		FAP Shares (No DAR Cap)	FAP Share (with DAR cap)	Proposition / Base Share
							50% VSM + 50% Fare Units				
TDA ARTICLE 4, STA, and PROPOSITION A											
<u>Included Operators</u>											
Arcadia	331,000	89,000	0.75	118,667	165,500	59,333	224,833		0.151781%	0.129414%	0.151781
Claremont	80,800	25,510	0.75	34,013	40,400	17,007	57,407		0.038754%	0.033043%	0.038754
Commerce	261,000	-	-	-	130,500	-	130,500		0.088098%	0.088137%	0.088098
Culver City	1,138,027	1,917,947	0.60	3,196,578	569,014	1,598,289	2,167,303		1.463110%	1.463744%	1.463110
Foothill	6,864,674	10,978,063	0.90	12,197,848	3,432,337	6,098,924	9,531,261		6.434396%	6.437184%	6.434396
Gardena	1,348,200	1,941,100	0.50	3,882,200	674,100	1,941,100	2,615,200		1.765478%	1.766243%	1.765478
La Mirada	167,856	63,323	1.00	63,323	83,928	31,662	115,590		0.078033%	0.066533%	0.078033
Long Beach	6,272,222	11,042,052	0.90	12,266,947	3,136,111	6,134,473	9,270,584		6.258417%	6.261129%	6.258417
Montebello	1,818,000	2,778,000	0.75	3,704,000	809,000	1,852,000	2,661,000		1.796397%	1.797175%	1.796397
Norwalk	501,000	386,000	0.60	643,333	250,500	321,667	572,167		0.386260%	0.386428%	0.386260
Redondo Beach	58,000	15,000	1.00	15,000	29,000	7,500	36,500		0.024641%	0.021009%	0.024641
Santa Monica	3,831,400	7,396,400	0.50	14,792,800	1,915,700	7,396,400	9,312,100		6.286444%	6.289168%	6.286444
MTA Bus Ops *	73,387,523	195,327,309	1.35	144,686,896	36,693,762	72,343,448	109,037,209		73.609206%	73.641105%	73.609206
Torrance	1,845,600	2,213,100	0.75	2,950,800	922,800	1,475,400	2,398,200		1.618985%	1.618687%	1.618985
							148,129,853		100.00%	100.00%	100.00
PROPOSITION A GROWTH OVER CPI AND PROPOSITION A INCENTIVE FUNDS											
<u>Eligible Operators</u>											
Antelope Valley	1,431,000	1,703,000	1.00	1,703,000	715,500	851,500	1,567,000		N/A	1.019360%	1.019020
Santa Clarita	2,417,000	1,226,000	0.75	1,634,667	1,208,500	817,333	2,025,833		N/A	1.317839%	1.317400
Foothill - BSCP	1,272,329	1,609,344	0.90	1,788,160	636,165	894,080	1,530,245		N/A	0.985614%	0.985500
LADOT	2,204,747	2,087,484	1.10	1,897,713	1,102,374	948,856	2,051,230		N/A	1.334360%	1.333900

*MTA statistics excludes Green Line shuttles + BSIP service+consent decree services.

Calculation of Mitigation of Foothill Transit Impact is attached as Table 4-4
TDA cap for DAR operators = 0.25% for Arcadia, Claremont, La Mirada, and Redondo Beach

DIAL-A-RIDE CALCULATIONS

DAR Corrections (Not including AVTA, SC, LADOT)

	Uncorrected Share	Share of DAR Pool	Correction for CAP	Corrected Share
Arcadia	0.1517812%	51.7656142%	0.0223672%	0.1294140%
Claremont	0.0387543%	13.2173078%	0.0057110%	0.0330433%
La Mirada	0.0780325%	26.6133201%	0.0114992%	0.0665333%
Redondo Beach	0.0246405%	8.4037580%	0.0036311%	0.0210094%
SUM	0.2932086%			0.2500000%
DAR CAP	0.2500000%			
Exceeds Cap	0.0432086%			

	Uncorrected Share	Share of Non DAR Pool	Correction for CAP	Corrected Share
Commerce	0.0880984%	0.0883575%	0.0000382%	0.0881366%
Culver City	1.4631100%	1.4674126%	0.0006340%	1.4637440%
Foothill	6.4343957%	6.4533174%	0.0027884%	6.4371841%
Gardena	1.7654780%	1.7706698%	0.0007651%	1.7662431%
Long Beach	6.2584173%	6.2768215%	0.0027121%	6.2611294%
Montebello	1.7963968%	1.8018795%	0.0007785%	1.7971753%
Norwalk	0.3862602%	0.3873961%	0.0001674%	0.3864276%
Santa Monica	6.2864438%	6.3049304%	0.0027243%	6.2891681%
MTA Bus Ops	73.6092063%	73.8256695%	0.0318991%	73.6411053%
Torrance	1.6189849%	1.6237459%	0.0007016%	1.6196865%
	99.7067914%			99.7500000%

DAR Corrections (Include AVTA, SC, LADOT)

	Uncorrected Share	Share of DAR Pool	Correction for CAP	Corrected Share
Arcadia	0.1462103%			
Claremont	0.0373319%			
La Mirada	0.0751685%	Not Applicable for AVTA, SC, LADOT Calculation		
Redondo Beach	0.0237361%			
SUM	0.2824468%			
DAR Cap	0.0025			
Exceeds Cap	0.0324468%			

	Uncorrected Share	Share of Non DAR Pool	Correction for CAP	Corrected Share
Commerce	0.08486485%			
Culver City	1.40940851%			
Foothill	6.19822991%			
Gardena	1.70067854%			
Long Beach	6.02871055%			
Montebello	1.73046253%			
Norwalk	0.37208304%			
Santa Monica	6.05570841%			
MTA Bus Ops	70.90748011%			
Torrance	1.55956228%			
Antelope Valley	1.01902848%	1.02191484%	0.00033158%	1.01936006%
Santa Clarita	1.31741025%	1.32114177%	0.00042867%	1.31783892%
City of Los Angeles	1.33392575%	1.33770405%	0.00043404%	1.33435979%
	99.71755320%			

NOTE: Corrections to the share values are necessary due to the imposition through the TDA guidelines of a 0.25% cap on the share of funds exclusively of Dial-A-Ride operators.

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MIA Fy 2001 FOOTHILL
MITIGATION

	Foothill @ Zone Level			99 TPM Audited Levels			Mitigation Requirement
	TDA Article 4	STA	Total - FAP	TDA Article 4	STA	Total - FAP	Delta
Arcadia	297,792	17,317	315,109	297,792	17,317	315,109	-
Claremont	76,035	4,422	80,457	76,035	4,422	80,457	-
Commerce	208,099	11,985	218,084	202,809	11,794	214,603	3,481
Culver City	3,422,822	199,041	3,621,863	3,388,189	195,864	3,584,052	57,810
Foothill	11,329,609	658,828	11,988,437	14,812,480	861,360	15,673,820	(3,685,382)
Gardena	4,130,186	240,175	4,370,361	4,084,282	236,341	4,300,603	69,758
La Mirada	183,098	8,903	182,001	153,098	8,903	162,001	-
Long Beach	14,641,038	851,391	15,492,429	14,407,344	837,802	15,245,146	247,283
Montebello	4,202,518	244,381	4,446,899	4,135,440	240,480	4,375,920	70,979
Norwalk	903,623	52,547	956,170	889,200	51,708	940,908	15,262
Redondo Beach	48,344	2,811	51,156	48,344	2,811	51,156	-
Santa Monica	14,706,603	855,204	15,561,807	14,471,884	841,554	15,313,417	248,390
MTA Bus Ops *	172,202,511	10,013,751	182,216,262	169,453,896	9,653,916	179,307,812	2,908,449
Torrance	3,787,478	220,248	4,007,724	3,727,024	216,730	3,943,755	63,969
				Subtotal Included Operators			3,685,382
Antelope Valley	-	138,530	138,530	-	138,401	136,401	2,130
Santa Clarita	-	179,093	179,093	-	178,340	176,340	2,753
City of Los Angeles	3,118,408	181,339	3,299,746	3,070,465	176,551	3,249,016	50,730
				Subtotal Eligible Operators			55,614
				TOTAL (1)			3,740,996

NOTES:
METHODOLOGY ADOPTED BY BOS IN NOV 1995

ELIGIBLE OPERATORS MITIGATION INCREASE THE FUNDS ABOVE 100%.

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FY2001 Transit Security Funding Allocations

Operator	FY 1999 Unlinked Passengers	Percent of Total Unlinked Passengers	Total Funding Allocation	Operator Allocation Decisions***		
				Direct Allocation to Muni	Allocation to Partnership	Total
Antelope Valley	2,154,000	0.43196178%	\$96,938	\$0	\$96,938	\$96,938
Arcadia	146,000	0.02927875%	\$8,571	6,571	0	6,571
Claremont	44,300	0.00888389%	\$1,994	1,994	0	1,994
Commerce	1,066,000	0.21377495%	\$47,974	47,974	0	47,974
Culver City	4,584,280	0.91932452%	\$206,308	206,308	0	206,308
Foothill Transit	16,273,000	3.26337684%	\$732,343	732,343	0	732,343
Gardena	6,560,900	1.31571862%	\$295,264	295,264	0	295,264
LA DOT	6,532,839	1.31009129%	\$294,001	0	\$294,001	294,001
La Mirada	81,163	0.01627638%	\$3,653	3,653	0	3,653
Long Beach	27,190,543	5.45277381%	\$1,223,671	914,210	309,461	1,223,671
Montebello	6,929,000	1.38953715%	\$311,830	125,000	186,830	311,830
MTA Operations**	398,630,147	79.94103048%	\$17,939,774	0	17,939,774	17,939,774
Norwalk	1,235,000	0.24766610%	\$55,579	55,579	0	55,579
Redondo Beach	30,000	0.00601618%	\$1,350	1,350	0	1,350
Santa Clarita	2,164,000	0.43396715%	\$97,388	0	\$97,388	97,388
Santa Monica	20,643,300	4.13979396%	\$929,022	468,993	460,029	929,022
Torrance	4,390,800	0.88052818%	\$197,602	197,602	0	197,602
MTA Subtotal:	398,630,147	79.94103048%	\$17,939,774	0	17,939,774	17,939,774
Other Operators Subtotal:	100,025,105	20.05896852%	4,501,485	3,058,839	1,444,646	4,501,485
Totals:	498,655,252	100%	\$22,441,260	\$3,058,839	\$19,384,420	\$22,441,260

* Total funding is 90% of Prop C 5% Transit Security for FY 2001

**MTA operations data includes unlinked passengers for bus and rail

FY 2001 ALLOCATIONS OF
PROPOSITIONS A & C LOCAL RETURN, and TDA ARTICLE 3

DRAFT

<u>CITY</u>	<u>Population</u> DOF Report 98 E-1 <u>Dated 1/99</u>	<u>Population</u> as % of <u>County</u>	<u>Proposition A</u> Local Return <u>Estimate</u>	<u>Proposition C</u> Local Return <u>Estimate</u>	<u>TDA</u> Article 3 <u>Estimate</u>
AGOURA HILLS	21,900	0.2244%	269,821	223,856	9,473
ALHAMBRA	91,800	0.9388%	1,128,565	936,311	39,623
ARCADIA	53,200	0.5452%	655,455	543,796	23,013
ARTESIA	17,000	0.1742%	209,450	173,769	7,354
AVALON	3,570	0.0366%	43,984	36,492	1,544
AZUSA	45,700	0.4684%	563,050	467,133	19,768
BALDWIN PARK	76,300	0.7820%	940,060	779,918	33,005
BELL	37,700	0.3864%	464,486	385,359	18,308
BELLFLOWER	67,600	0.6928%	832,871	690,989	29,242
BELL GARDENS	45,300	0.4643%	558,122	463,045	19,595
BEVERLY HILLS	34,550	0.3541%	425,676	353,161	14,945
BRADBURY	940	0.0096%	11,581	9,608	407
BURBANK	105,300	1.0792%	1,297,357	1,076,349	45,549
CALABASAS	20,100	0.2060%	247,644	205,457	8,695
CARSON	91,900	0.9418%	1,132,261	939,377	39,753
CERRITOS	57,500	0.5893%	708,433	587,750	24,873
CLAREMONT	35,400	0.3628%	436,148	361,849	15,313
COMMERCE	13,250	0.1358%	163,248	135,438	5,732
COMPTON	96,800	0.9921%	1,192,632	989,464	41,873
COVINA	47,550	0.4873%	585,843	486,043	20,569
CUDAHY	25,350	0.2598%	312,327	259,121	10,966
CULVER CITY	42,250	0.4330%	520,544	431,868	18,276
DIAMOND BAR	58,300	0.5975%	718,290	595,927	25,219
DOWNNEY	101,100	1.0361%	1,245,610	1,033,417	43,733
DUARTE	22,650	0.2321%	279,061	231,522	9,798
EL MONTE	118,600	1.2155%	1,461,220	1,212,298	51,303
EL SEGUNDO	16,650	0.1706%	205,138	170,192	7,202
GARDENA	58,800	0.6026%	724,450	601,038	25,435
GLENDALE	199,200	2.0415%	2,454,259	2,036,170	86,167
GLENORA	53,200	0.5452%	655,455	543,796	23,013
HAWAIIAN GARDENS	15,050	0.1542%	185,425	153,837	6,510
HAWTHORNE	79,700	0.8168%	981,950	814,672	34,476
HERMOSA BEACH	19,400	0.1988%	239,019	198,302	8,392
HIDDEN HILLS	2,020	0.0207%	24,888	20,648	874
HUNTINGTON PARK	62,900	0.6446%	774,964	642,947	27,209
INDUSTRY	690	0.0071%	8,501	7,053	298
INGLEWOOD	120,100	1.2308%	1,479,701	1,227,630	51,951
IRVINDALE	1,190	0.0122%	14,661	12,164	515
LA CANADA-FLINTRIDGE	20,850	0.2137%	256,884	213,123	9,019
LA HABRA HEIGHTS	6,800	0.0697%	83,780	69,508	2,941
LAKELWOOD	80,100	0.8209%	986,878	818,761	34,649
LA MIRADA	48,800	0.5001%	601,244	498,821	21,109
LANCASTER	130,100	1.3333%	1,602,907	1,329,848	56,277
LA PUENTE	41,800	0.4284%	515,000	427,269	18,081
LA VERNE	34,000	0.3484%	418,900	347,539	14,707
LAWNDALE	30,600	0.3136%	377,010	312,785	13,237
LOMITA	20,750	0.2127%	255,652	212,101	8,976
LONG BEACH	452,900	4.6415%	5,579,989	4,629,424	195,910
LOS ANGELES CITY	3,781,500	38.7547%	46,590,262	38,653,489	1,859,208
LYNWOOD	68,500	0.7020%	843,960	700,189	29,631
MALIBU	12,950	0.1327%	159,551	132,371	5,602
MANHATTAN BEACH	35,350	0.3623%	435,532	361,338	15,291

FY 2001 ALLOCATIONS OF
PROPOSITIONS A & C LOCAL RETURN, and TDA ARTICLE 3

DRAFT

<u>CITY</u>	<u>Population</u> DOF Report 98 E-1 <u>Dated 1/99</u>	<u>Population</u> as % of <u>County</u>	<u>Proposition A</u> Local Return <u>Estimate</u>	<u>Proposition C</u> Local Return <u>Estimate</u>	<u>TDA</u> Article 3 <u>Estimate</u>
MAYWOOD	30,100	0.3085%	370,849	307,674	13,020
MONROVIA	40,550	0.4156%	499,599	414,491	17,541
MONTEBELLO	64,300	0.6590%	792,213	657,258	27,814
MONTEREY PARK	66,600	0.6825%	820,550	680,768	28,809
NORWALK	103,500	1.0607%	1,275,180	1,057,950	44,771
PALMDALE	120,100	1.2308%	1,479,701	1,227,630	51,951
PALOS VERDES ESTATES	14,550	0.1491%	179,264	148,726	6,294
PARAMOUNT	56,000	0.5739%	689,952	572,417	24,224
PASADENA	142,500	1.4604%	1,755,682	1,456,597	61,641
PICO RIVERA	63,900	0.6549%	787,285	653,169	27,641
POMONA	145,400	1.4901%	1,791,412	1,486,240	62,895
RANCHO PALOS VERDES	44,350	0.4545%	546,418	453,334	19,184
REDONDO BEACH	66,800	0.6846%	823,015	682,812	28,896
ROLLING HILLS	2,040	0.0209%	25,134	20,852	882
ROLLING HILLS ESTATES	8,625	0.0884%	106,265	88,162	3,731
ROSEMEAD	56,700	0.5811%	698,577	579,572	24,527
SAN DIMAS	36,950	0.3787%	455,245	377,693	15,923
SAN FERNANDO	24,450	0.2506%	301,238	249,921	10,576
SAN GABRIEL	41,100	0.4212%	506,376	420,113	17,779
SAN MARINO	13,900	0.1425%	171,256	142,082	6,013
SANTA CLARITA	147,000	1.5065%	1,811,125	1,502,595	63,587
SANTA FE SPRINGS	16,300	0.1671%	200,825	166,614	7,051
SANTA MONICA	94,200	0.9654%	1,160,598	962,887	40,748
SIERRA MADRE	11,600	0.1189%	142,919	118,572	5,018
SIGNAL HILL	9,125	0.0935%	112,425	93,273	3,947
SOUTH EL MONTE	22,500	0.2306%	277,213	229,989	9,733
SOUTH GATE	94,400	0.9675%	1,163,062	964,932	40,834
SOUTH PASADENA	25,750	0.2639%	317,255	263,210	11,139
TEMPLE CITY	34,350	0.3520%	423,212	351,117	14,859
TORRANCE	145,800	1.4942%	1,796,340	1,490,329	63,068
VERNON	85	0.0009%	1,047	869	37
WALNUT	32,850	0.3367%	404,731	335,784	14,210
WEST COVINA	106,500	1.0915%	1,312,141	1,088,615	46,068
WEST HOLLYWOOD	38,550	0.3951%	474,958	394,048	16,675
WESTLAKE VILLAGE	8,500	0.0871%	104,725	86,885	3,677
WHITTIER	85,300	0.8742%	1,050,945	871,914	36,898
UNINCORPORATED L.A. COUNTY	1,017,000	10.4227%	12,530,027	10,395,504	961,314
TOTAL	9,757,535		120,218,463	99,738,933	4,965,640

Population estimates are based on State of California Department of Finance's 01/1/99 data.

TDA Article 3 estimates include 85% Local Allocation and 15% Supplemental Allocation to the City of Los Angeles and Los Angeles County

00-53

REVENUES		PROPOSED FY 2001	% of Revenues
Proposition A Disc. Incentive		\$ 9,617,477	
TOTAL		\$ 9,617,477	
EXPENSES			
SERVICE REPLACEMENT:			
Foothill - Bus Service Continuation Project		\$ -	
SUBTOTAL		\$ -	0.0%
TRANSITION FUNDING PROJECTS:			
City of LA. - Bus Service Continuation Project/DASH/Central City Shuttle		\$ -	0.0%
Santa Clarita - Local Fixed Route		\$ -	0.0%
Antelope Valley - Local Fixed Route		\$ -	0.0%
SUBTOTAL		\$ -	0.0%
SUBREGIONAL GRANT PROJECTS:			
Avalon Ferry Subsidy		\$ 250,000	2.6%
Hollywood Bowl Shuttle Service		\$ 525,000	5.5%
SUBTOTAL		\$ 775,000	8.1%
Specialized Transportation Projects:			
Antelope Valley, Elderly & Disabled		\$ 284,736	3.0%
West Covina & LA. County Elderly & Disabled		\$ 67,404	0.7%
Culver City/County of Los Angeles		\$ 69,960	0.7%
Gardena, Hawthorne and LA. County		\$ 155,474	1.6%
Glendale and La Canada Flintridge		\$ 109,805	1.1%
Huntington Park, South Gate and LA. County		\$ 79,139	0.8%
Inglewood and LA. County		\$ 143,722	1.5%
City of LA. Harbor and LA. County		\$ 51,499	0.5%
City of LA. - Hollywood/Wilshire/Westside/Beverly Hills & LA. County***		\$ 1,414,044	14.7%
City of LA. - San Fernando Valley & LA. County		\$ 294,877	3.1%
Monrovia and LA. County		\$ 87,123	0.9%
Pasadena, San Marino and LA. County		\$ 178,174	1.8%
Pomona Valley Transit Authority Elderly and Disabled		\$ 275,859	2.9%
Pomona Valley Transit Authority General Public		\$ 190,877	2.0%
Rancho Palos Verdes, RHE, PVE and LA. County - PV Transit		\$ 6,373	0.1%
Rancho Palos Verdes, RHE, PVE and LA. County - DAR		\$ 33,000	0.3%
Redondo Beach and Hermosa Beach		\$ 156,910	1.6%
Santa Clarita and LA. County/E&D Dial-a-Ride		\$ 235,157	2.4%
SUBTOTAL Incentive Projects Only		\$ 3,831,930	39.8%
TOTAL EXPENDITURES		\$ 4,606,930	47.9%
FY '00 - TOTAL INCENTIVE PROGRAM REVENUES		\$ 9,617,477	100.0%
FY '00 - TOTAL INCENTIVE PROGRAM EXPENSES		\$ 4,606,930	47.9%
SHORT FALL/BALANCE		\$ 5,010,547	52.0984%
***City of West hollywood's share =		\$ 258,739	
*** City of Beverly Hill's share =		\$ 98,953	
***city of LA-Hollywood/wilshire share=		\$ 1,058,352	
Subregional programs escalated by a CPI of 2.80%			
A Portion of theBalance will be used to reimburse the Prop C 40% account			

Senate Bill No. 1101

CHAPTER 1080

An act to amend Sections 130051.12 and 130110 of, and to add Section 130051.24 to, the Public Utilities Code, relating to transportation.

[Approved by Governor September 30, 2000. Filed with Secretary of State September 30, 2000.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1101, Murray. Transportation: Los Angeles County Metropolitan Transportation Authority: transportation zones.

(1) Existing law requires the Los Angeles County Metropolitan Transportation Authority to establish retirement benefits for employees in a bargaining unit represented by a labor organization in accordance with a collective bargaining agreement.

This bill would include in this requirement employees in any organizational unit of the authority that is in a bargaining unit represented by a labor organization.

The bill also would require retirement benefits for employees of the authority and any organizational unit of the authority in a bargaining unit represented by a labor organization that was created on or after January 1, 1999, for the purpose of representing managerial employees or supervisorial employees, to be established pursuant to a collective bargaining agreement between the authority or any organizational unit of the authority and that labor organization.

(2) Existing law authorizes the authority, as the successor entity to the Los Angeles County Transportation Commission, to establish transportation zones, as defined, only in those areas where the authority determines by a majority vote that the authority or the included municipal operator cannot otherwise provide adequate and responsive local transportation services in a cost-effective manner. Existing law also requires the authority to establish organizational units, including an organizational unit with the operating responsibilities of the Southern California Rapid Transit District relating to exclusive public mass transit guideway projects and the operation of bus routes.

This bill, as to any transportation zone, as defined, approved on or after January 1, 1999, that assumes any of the operating responsibilities of the district, as specified above, on or after that date, would require the transportation zone to assume and be bound by the terms and conditions of employment set forth in any collective bargaining agreements between the authority and any labor

organizations affected by the creation of the transportation zone as well as the duties, obligations, and liabilities arising from, or relating to, labor obligations imposed by state or federal law upon the authority, except as specified.

The bill would require, for a period of 4 years, commencing with the date of transfer of service by the authority to the transportation zone, or at the expiration date of any collective bargaining agreement that is in effect during that 4-year period, whichever is later, that employees of the transportation zone, together with like employees of the authority, constitute appropriate collective bargaining units. Upon expiration of the specified period, employees of the transportation zone, at the option of the transportation zone, would be authorized to constitute appropriate collective bargaining units that are independent of the collective bargaining units of the authority.

The bill would require the authority to retain, for the period specified above, the power of final approval of labor contracts negotiated by it and the transportation zone with those labor organizations representing collective bargaining units consisting of both employees of the authority and the employees of the transportation zone. Upon expiration of the specified period, the authority would have no final approval power over any labor contract negotiated between the transportation zone and a labor organization representing the employees of the transportation zone.

The bill would require the transportation zone to maintain, as a cosponsor with the authority, any retirement system established and maintained as specified, until participation in the retirement system or retirement benefits is modified under the collective bargaining process. The transportation zone would be authorized to appoint at least one member to the retirement board of the retirement system.

The bill would require the transportation zone to maintain the health care provisions contained in any assumed collective bargaining agreement, until those provisions are modified through the collective bargaining process. The bill would provide that the transportation zone may not be held liable for financial obligations to any health care provider that arose prior to the direct transfer of employees from the authority to the transportation zone.

The bill would specify that the transportation zone is not an organizational unit of the authority.

To the extent the provisions of this bill would impose additional duties and responsibilities upon local governmental entities, the bill would impose a state-mandated local program.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000

statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

The people of the State of California do enact as follows:

SECTION 1. Section 130051.12 of the Public Utilities Code is amended to read:

130051.12. The Los Angeles County Metropolitan Transportation Authority shall, at a minimum, reserve to itself exclusively, all of the following powers and responsibilities:

- (a) Establishment of overall goals and objectives.
- (b) Adoption of the aggregate budget for all organizational units of the authority.
- (c) Designation of additional included municipal operators pursuant to subdivision (f) of Section 99285.
- (d) Approval of final rail corridor selections.
- (e) Final approval of labor contracts covering employees of the authority and organizational units of the authority.
- (f) Establishment of the authority's organizational structure.
- (g) Conducting hearings and the setting of fares for the operating organizational unit established pursuant to paragraph (2) of subdivision (a) of Section 130051.11.
- (h) (1) Approval of transportation zones.
(2) In determining the cost-effectiveness of any proposed transportation zone, the authority may not approve or disapprove a transportation zone based upon consideration of rates of wages and other forms of compensation or hours and working conditions of employees of the proposed transportation zone.
(3) Any determination of efficiencies that may be derived from the approval of a transportation zone shall include consideration of maintaining the prevailing rate of wages, hours, and other terms and conditions of employment contained in current collective bargaining agreements applicable to the authority as required under subdivision (d) of Section 130051.11.
(4) A proposed transportation zone is not required to demonstrate lower operating costs than those of the existing operator or operators of the service to be transferred to the zone, but shall demonstrate that the net cost will not be greater than the current service.
- (i) Approval of the issuance of any debt instrument with a maturity date that exceeds the end of the fiscal year in which it is issued.
- (j) Approval of benefit assessment districts and assessment rates.

(k) Approval of contracts for transit equipment acquisition that exceed five million dollars (\$5,000,000), and making the findings required by subdivision (c) of Section 130238.

SEC. 2. Section 130051.24 is added to the Public Utilities Code, to read:

130051.24. (a) For the purposes of this section, the following terms have the following meanings, unless the context requires otherwise:

(1) The "authority" is the Los Angeles County Metropolitan Transportation Authority.

(2) A "transportation zone" is a public agency or a public benefit corporation of which public agencies are the sole members established on or after January 1, 1999, that assumes any of the operating responsibilities described in paragraph (2) of subdivision (a) of Section 130051.11 on or after that date, regardless of whether the transportation zone is an included municipal operator, as defined in Section 99207, or an included transit district, as defined in Section 99208.

(b) (1) Except as authorized under paragraph (2), a transportation zone shall assume and be bound by the terms and conditions of employment set forth in any collective bargaining agreements between the authority and any labor organizations affected by the creation of the transportation zone as well as the duties, obligations, and liabilities arising from, or relating to, labor obligations imposed by state or federal law upon the authority.

(2) Notwithstanding paragraph (1), if the authority is engaged in collective bargaining with labor organizations representing employees who are subject to transfer to the transportation zone between the date of approval of the transportation zone and the date of the transfer of service to the transportation zone, the authority may consult with the transportation zone regarding matters within the scope of labor representation.

(c) (1) For a period of four years, commencing with the date of transfer of service by the authority to the transportation zone, or at the expiration date of any collective bargaining agreement that is in effect during that four-year period, whichever is later, employees of the transportation zone, together with like employees of the authority, shall constitute appropriate collective bargaining units. However, the transportation zone may be a separate employer for other purposes.

(2) Upon expiration of the period described in paragraph (1), employees of the transportation zone, at the option of the transportation zone, may constitute appropriate collective bargaining units that are independent of the collective bargaining units of the authority.

(3) If independent bargaining units are established as authorized under paragraph (2), the transportation zone may enter into

agreements with labor organizations as a separate employer, regarding wages, benefits, and other terms and conditions of employment.

(4) The transportation zone shall maintain single employer collective bargaining units for transportation operations and maintenance employees. Those bargaining units shall contain classifications for employees that are identical to those that existed for the joint collective bargaining units of the authority and the transportation zone under paragraph (1), unless modified by mutual agreement between the transportation zone and the affected labor organizations.

(d) (1) The authority shall retain, for the period described in paragraph (1) of subdivision (c), the power of final approval of labor contracts negotiated by it and a transportation zone with those labor organizations representing collective bargaining units consisting of both employees of the authority and the employees of the transportation zone. However, the authority may not grant any final approval of a labor agreement unless it has first consulted with the transportation zone.

(2) Upon expiration of the period described in paragraph (1) of subdivision (c), the authority shall have no final approval power over any labor contract negotiated between a transportation zone and a labor organization representing the employees of the transportation zone.

(e) (1) A transportation zone shall maintain, as a cosponsor with the authority, any retirement system established and maintained under subdivision (b) of Section 130110, until participation in the retirement system or retirement benefits are modified under the collective bargaining process.

(2) The transportation zone may appoint at least one member to the retirement board of the retirement system. If the size of the board is increased pursuant to this section, an equivalent number of representatives of the labor organization representing the employees shall be appointed to the board to ensure that the board maintains an equal number of employer and labor organization members.

(3) Prior to the transfer of any service to a transportation zone, the plan administrator for the retirement system shall permit the transportation zone to perform an actuarial financial examination of the assets and liabilities of the retirement system and the benefits accrued under it.

(4) The liability of the transportation zone for obligations under the retirement system shall be limited to benefits accruing to employees of the transportation zone.

(f) (1) The transportation zone shall maintain the health care provisions contained in any assumed collective bargaining

agreement, until those provisions are modified through the collective bargaining process.

(2) The transportation zone may not be held liable for financial obligations to any health care provider that arose prior to the direct transfer of employees from the authority to the transportation zone.

(g) Labor relations in a transportation zone shall be governed under Article 10 (commencing with Section 30750) of Chapter 4 of Part 3 of Division 10, except that whenever a duty or power is imposed upon or granted to the authority under those provisions, the duty or power, for the purposes of this section, shall be deemed to be imposed upon or granted to the transportation zone as well as the authority.

(h) Nothing in this section prohibits a transportation zone from contracting for managerial services that are not provided by any classification of any bargaining unit.

(i) A transportation zone is not an organizational unit of the authority.

SEC. 3. Section 130110 of the Public Utilities Code is amended to read:

130110. (a) For employees of the Los Angeles County Metropolitan Transportation Authority not in a bargaining unit represented by a labor organization, the authority shall establish retirement benefits pursuant to Article 1 (commencing with Section 30400) and Article 2 (commencing with Section 30430) of Chapter 4 of Part 3 of Division 10.

(b) Retirement benefits for employees of the authority and any organizational unit of the authority in a bargaining unit represented by a labor organization shall be established pursuant to Article 3 (commencing with Section 30450) of Chapter 4 of Part 3 of Division 10.

(c) Retirement benefits for employees of the authority and any organizational unit of the authority in a bargaining unit represented by a labor organization that was created on or after January 1, 1999, for the purpose of representing managerial employees or supervisory employees, shall be established pursuant to a collective bargaining agreement between the authority or any organizational unit of the authority and that labor organization.

SEC. 4. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from the State Mandates Claims Fund.