Monday, May 23, 2005 4:00 PM-7:00 PM

MINUTES

Los Angeles County
Metropolitan Transportation Authority

Service Sector Governance Councils
Annual Meet and Confer

MTA Headquarters Building
One Gateway Plaza, Los Angeles, CA 90012
Board Room, 3rd Floor
Called to order at 4:16 p.m.

Roger Snoble, Chief Executive Officer
John B. Catoe, Jr., Deputy Chief Executive Officer

Council Members Present:

Coby King, Council Chair, SFV
Stacey Murphy, Vice Chair
Richard Arvizu
Joan H. Leonard
Kymberleigh Richards

Bart Doyle, Council Chair, SGV
Emile Bayle
Bruce Heard
Henry Lopez
David Spence
Rosie Vasquez

Terisa Price, Council Chair, South Bay
John McTaggart, Vice Chair
John Addleman
Howard Sachar
Margaret Hudson

Carol Gross, Council Chair Westside
Peter Capone-Newton, Vice Chair
Carlos Collard
Gregory Fischer
Stephanie Negriff
Anny Semonco

Bonnie Lowenthal, Council Chair, Gateway Cities
Wally Shidler

Metropolitan Transportation Authority

Metro

1) RECEIVED Chief Executive Officer's Remarks.

- Welcome and Introductions:

  Mr. Snoble welcomed the Councilmembers and introduced Deputy Executive Officer John Catoe.

- Update on FY06 Proposed Budget:

  Mr. Snoble reported that over the past several years, compliance with Consent Decree requirements has made it difficult for the MTA to fund much-needed highway and transportation improvements. Expanding service due to the Consent Decree has resulted in a number of sacrifices for the agency and has limited its ability to make the substantial investment needed to update bus facilities. The agency is spending money on capital resources at a rate that outpaces the rate of depreciation for these resources. This adversely impacts the provision of resources such as soundwalls and signal synchronization to the public.

  Mr. Brumbaugh, Chief Financial Officer, provided an overview of the FY06 proposed budget. He reported that a budget workshop and public hearing were held last week and that slight changes have been made to the revenue portion of the budget. Referring to a handout distributed to Councilmembers, Mr. Brumbaugh reviewed the budget challenges facing the agency. These include (in descending dollar amounts) the State of California fiscal crisis ($75.7M); structural deficit in bus operations ($51.3M); health and welfare costs ($13.6M); post-construction legal expenses ($8.0M); funding for Access Services Incorporated ($7.7M); Consent Decree 2004 orders ($7.1M); purchased transportation ($6.0M); fuel price/propulsion power ($5.9M); worker's compensation and public liability ($3.7M); and Orange Line fixed guideway service ($2.7M). These challenges total $181.7 million in costs for the agency. He also listed the budget solutions to help offset these challenges. These include (in descending dollar amounts): Enterprise Fund one-time revenues ($76.6M); bridge financing proceeds ($75.7M); reduction in force of 133 Full-Time Equivalent (FTE) employees ($10M); additional debt financing ($8M); rail service hour reduction ($6.2M); and general and administrative and other reductions ($5.2M). These solutions total $181.7 million and counterbalance the budget challenges.

Budget risks confronting the agency include compliance with new Consent Decree orders; fuel/propulsion power price fluctuation; operating new Orange Line service; fare revenues, which have been holding steady but could decrease; worker's compensation costs, which may increase due to rising medical costs; Homeland Security; casualty and liability settlements, which may present a problem if the reserve is exceeded; and unpredictable sales tax revenues.

The proposed FTE reduction of 133 FTE's from administrative areas across the agency will be offset by the addition of 98 operator FTE's. Mr. Brumbaugh provided an overview of changes between the FY05 amended and FY06 proposed budget amounts by department and changes in general and administrative FTE's in budget from FY02 to present. He presented highlights of general and administrative costs within the Enterprise Fund and Governmental Fund; FY06 proposed sources of funds (sales tax revenues representing the largest source); FY06 proposed uses expended by program; fare revenue figures and farebox recovery ratio; the FY07 Enterprise Fund forecast, which includes an anticipated net deficit of $178.4 million; and rankings of fare revenues per boarding by city, with Los Angeles ranking near the bottom of the pack.

2) RECEIVED Deputy Chief Executive Officer's Remarks.

- FY05 Successes:

Mr. Catoe commented that FY05 changes were significant with the addition of new Rapid Lines. There was disagreement regarding the Rapid Bus on Fairfax to Pasadena. Feedback from the Councils and the public was that the line was too long. That route was subsequently split and some new service will be added in the June shake up. Public feedback was very useful and Metro listened, and did not implement the line as originally intended. He underscored the significance of community input as a key factor driving the success of the Service Sectors. Prior to the formation of the Sectors, very few members of the public would attend public hearings. Today in the Sectors as many as 100 people attend the meetings. When questions arise, the Councilmembers can speak personally from their use of the system. He thanked the Councils for their leadership in restructuring bus services.

- FY06 Proposed Budget Targets for Metro Operations:

  Mr. Catoe stated that the agency is implementing creative solutions to achieve a balanced budget. He noted that Enterprise Fund one-time revenues will support this year's budget. In the area of operations, the cost of fuel represents a key issue confronting the agency. The increase in price for Compressed Natural Gas (CNG) needed to support clean air vehicles has exceeded that of diesel and gasoline. Mr. Catoe stated that the budget also includes reductions in administrative staff.

- Consent Decree:

  Mr. Catoe mentioned that implementation of Consent Decree-mandated service has not been offset by an increase in new riders.

  Rod Goldman, Deputy Executive Officer of Operations, provided an update on the Consent Decree. He reported that the recent order by the Special Master impacts three areas: fares, load factor relief, and new service. The agency has complied with previous Consent Decree mandates, and has added over 500 buses to peak service to relieve overcrowding. Since 1996, the agency has improved access to schools, places of employment, medical facilities, and other establishments; implemented pilot line services; and added the Rapid Program. The new orders stem in part from disagreement with the Bus Rider's Union (BRU) over the scope of its service plan. Key provisions of the new Consent Decree orders include: 1) restrictions on the amount of local service that can be diverted to Rapid service – no more than 33% of existing local service can be used for Rapid service; 2) the addition of 134 buses to peak service; and 3) maintenance of current level of resources for the pilot program, which is designed to test new types of service. The agency is seeking clarification from the Special Master on these provisions, as well as an extension of the July 31st deadline to submit an implementation plan. Mr. Goldman stated that the agency will examine the impact of the new orders on existing and future Rapid service (including span/frequency of service), and whether to maintain or shift resources for the pilot program. Preliminary estimates indicate that the new orders will add $20-45 million in annual operating costs. In addition, the agency will incur $60-65 million in capital costs if all 134 buses are purchased. The latter option would require the construction of a new operating facility to accommodate the 60-foot articulated buses, and this would add another $60 million in capital costs. Mr. Goldman reported that additional Consent Decree service would also exacerbate the current shortage of operators.

He stated that the agency must come up with a plan that outlines how it will cover the costs associated with the new orders, and the areas in which funding will be reprogrammed to meet the orders. Staff will return with more information at a later date.

Councilmember King inquired about the legal basis of the Consent Decree.

Mr. Snoble responded that the Consent Decree is an agreement between the BRU and the MTA that resulted from a 1996 lawsuit that was going to go to trial but ultimately did not. Any disagreements that surface are handled by the Special Master, an arbiter of disputes.

Councilmember Sachar asked about the current annual cost of the Consent Decree.

Mr. Goldman responded that cumulatively, the agency has spent $120 million to comply with Consent Decree orders.

3) DISCUSSED Governance Council approach to achieving Metro Operations FY06 goals. Examples:

- Reducing operating hours (e.g., use of high capacity vehicles)
- Improving service connectivity
- Improving integration (TOSs, Control Centers)
- Addressing staffing challenges

Councilmember Shidler expressed disappointment with the agency's farebox recovery ratio. He stated that certain categories of riders (e.g., seniors, disabled, and students) are not paying the full fare and that the agency should consider a modest fare increase.

Mr. Snoble remarked that the agency has a generous subsidy program for certain passengers and that it will consider examining changes to the current fare structure.

Councilmember Addleman asked if the budget takes into account the $1.3 million that the governor recently put back into transportation funding.

Mr. Snoble responded that even if the agency is able to get back some of this money, it would still be in the hole since it has been deprived of this funding for several years.

Councilmember King noted that an increase in ridership would help put the agency back on its financial feet. He asked why ridership figures remain stagnant given the significant amount of funding for transportation, and whether more marketing ought to be done at the Sector level.

Mr. Snoble stated that expenditures for marketing and other programs should be used more effectively. The system currently has a usage rate of only 30%. Some buses are overcrowded while others are underutilized. He added that good service is key, and that the system will be reoriented to provide faster service once the Metro Connections project is implemented. The agency's current strategy isn't working, and buses need to be placed in areas where people will use the system. The impact of the strike on ridership has persisted.

Councilmember King asked when the Consent Decree expires.

Mr. Snoble responded that it expires October 2006.

Councilmember Leonard asked if the agency will be able to recapture the riders that it lost after the strike.

Mr. Snoble stated that ridership may increase in response to rising fuel costs. However, he observed that fuel cost tends to be elastic and that commuters are likely to continue to use their cars in hopes that fuel prices will soon go down. He stated that a variety of factors come into play when examining ridership and that replicating travel patterns is particularly challenging in L.A. with its large population and multiple destinations.

Councilmember Murphy inquired about the reason for the substantial difference between the Board of Director's FY05 amended and FY06 proposed budgets.

Mr. Brumbaugh responded that the large change is due to the agency's rising legal fees.

Councilmember Gross expressed concern about overlooking new riders when providing services.

Mr. Catoe stated that the agency periodically conducts climate surveys and that it needs to be cautious that any service changes result in a net gain in ridership.

Councilmember Terisa Price asked why the agency is not using hedging contracts to purchase fuel.

Mr. Snoble responded that hedging contracts are highly speculative and may pose a high risk on the agency. He emphasized the importance of having a contract with a good quality supplier as supply availability overshadows cost.

Councilmember Terisa Price inquired about the Sector's role in the budget process. She noted that this issue was brought up last year and the Sectors had requested more input.

Mr. Catoe stated that the issue revolves around the degree to which the Sectors play a role in the budget. The Sectors are primarily involved in service levels and staffing. He stated that according to the Governance Council guidelines, the Sectors are briefed and provide input on the budget; however, the extent of the Sector's role in the process is not spelled out. The Board of Directors ultimately has the authority to approve the budget, but the Sectors play an important role in providing input.

Councilmember Terisa Price noted that according to the guidelines, the Sectors are to meet with the General Manager and the Deputy Chief Executive Officer before the budget is adopted to provide input and establish goals conforming with the MTA performance plan, but this did not happen in the South Bay Sector.

Mr. Catoe stated that the Sectors' requests and the intent of the Governance Council guidelines are inconsistent.

Alex Clifford, Gateway Cities Service Sector General Manager, stated that the Sectors provide a monthly update to each respective Council on the budget process. This may include a discussion on fuel, labor costs, service hours, methods to recover efficiencies and reinvest service hours, and service restructuring. Each Council plays a significant role in its Sector's budget process.

Councilmember Shidler noted that over the past several decades, transit agencies haven't kept pace with housing expansion and suburbanization in terms of providing efficient service to outlying areas.

Mr. Snoble commented that the agency is strapped for cash and resources have been diverted to other areas, making it increasingly difficult to capture ridership in certain areas.

Councilmember Heard mentioned that in light of the close connection between marketing and ridership, locally-targeted advertising is key. He asked about the possibility of allocating a small discretionary fund to the Sectors for the purpose of targeting specific markets rapidly. This would possibly involve advertising at fairs, community events, etc.

Mr. Snoble responded that the agency would like to provide such an allocation; however, due to cuts in the marketing budget year after year, it is difficult to begin this process.

Matt Raymond, Chief Communications Officer, stated that the advertising budget has been cut to $3 million. The agency is making every effort to be as responsive to the Sectors as possible in the area of marketing, but must contend with obstacles, including the Consent Decree, and the fact that service tends to be difficult to market. He mentioned that over the past three years, the agency has attracted roughly 20-30% more discretionary riders.

Councilmember Negriff stated that a greater effort should be made to find innovative ways to market and provide information on tools which make the transit experience easier and more convenient (e.g., the countywide EZ Pass and Day Pass). She stated that any information which would allow the Sectors to determine the impacts of these types of programs and their relation to the fare scenario would be helpful. She added that the Universal Fare System (UFS) may allow better tracking of information.

Mr. Snoble stated that the agency is working to better understand the precise areas where revenues are being generated.

Councilmember King remarked that a continuing concern of the San Fernando Valley Sector is the gaping holes in reporting that it receives on a regular basis on these types of issues.

Mr. Snoble stated that it may be difficult to obtain certain types of information.

Councilmember Richards noted that over the past two years, the Sectors have not taken part in two other activities under Article 8 of the Service Sector bylaws. These include meeting with the Deputy Chief Executive Officer at least once per year and conferring with the DCEO for the General Manger evaluation.

Mr. Catoe responded that these activities have occurred over the past few years, but not at the full Council level. One major issue involves deciding how to establish the process of personnel review. Mr. Catoe stated that this may be difficult, and asked the Sectors if they really want this degree of review of the General Manager.

Councilmember Richards said the Councils are best qualified for this type of review, and expressed disappointment that they haven't been approached about this issue.

Mr. Catoe stated that the agency can send out documents to the Councilmembers outlining the performance evaluation criteria.
He asked for clarification on the degree of specificity the Councilmembers would like in evaluating the General Managers (e.g., leadership role, cost effectiveness, public relations role, etc.).

Councilmember Richards requested that MTA staff first provide Councilmembers with the agency's evaluation criteria, and then have Councilmembers offer their input.

Councilmember Shidler asked about the agency's revenues from advertising.

Mr. Raymond responded that the agency generates $14.5 million in revenues from advertising placed in railcars, bus stations, etc. He stated that the agency doesn't receive high offers for these types of ads, and that revenues haven't yet offset the costs involved. He noted that the agency is in the process of installing TV monitors on buses as part of its contract with Transit Television Network. The monitors will display ads, various shows, games, etc. The agency expects to receive $67 million over ten years in advertising revenues from this venture.

Councilmember Leonard expressed concern about the potential noise the monitors will generate.

Mr. Raymond stated that the agency does have latitude over the volume on the monitors.

4) DISCUSSED Metro Connections.

Ms. Michali, Director of Service Performance and Analysis, stated that the restructuring effort is a result of an increase in population and travel needs, stagnant bus ridership, underutilized services, service duplication, and increasing costs. Ms. Michali gave an overview of the project timeline, a four-phase process initiated in fall 2003 consisting of assessing needs, developing alternative strategies, identifying implementation plans, and implementing service. Tasks that have been accomplished through May 2005 include identifying centers and corridors, developing draft service strategies, developing a downtown Los Angeles service concept, and securing funding for and initiating design of customer service demonstration projects. Current activities and key tasks through August 2005 include finalizing service strategies and Tier 1 service network, developing Sector-based local service concepts, finalizing performance measures, and modeling the initial network. Service strategies to guide development and implementation of capital and service plans focus on the following components: service, the customer and community, physical improvements, phased implementation, monitoring of plan's progress, and use of existing and new resources. Ms. Michali reviewed the Tier 1 network concept and regional and subregional centers identified. The four performance measures consist of improving service quality, increasing regional mobility, expanding market share, and using resources effectively. Ms. Michali explained the key plan features of the downtown Los Angeles service concept, which is designed to reduce Metro bus activity downtown and encourage increased use of the DASH and Metro Rail system.
Staff is in the process of working with the Sectors to finalize the draft plan which will be presented to the MTA Board in August.

Councilmember McTaggart, referring to a map depicting the Tier 1 network, pointed out that the South Bay area does not appear to have a great deal of centers.

Ms. Michali stated that staff has identified a number of point-to-point service centers in the South Bay area.

Councilmember Capone-Newton noted the importance of obtaining adequate data regarding the progress of program implementation in order for Sectors to understand the value of their efforts in relation to Metro Connections. An example of such data would be actual bus travel time. Councilmember Capone-Newton mentioned that there hasn't been an evaluation of the Rapid since the initial demonstration project. He added that the Sectors haven't had much of an opportunity to put into practice their opinions and suggestions.

For example, the Sector has a great deal of feedback on the Fairfax Rapid, but nowhere to channel this information. He suggested that executive staff coordinate more closely with the Sectors in the decision-making process.

Councilmember King commented that the Metro Connections project is exciting but also dangerous in that it may disrupt travel patterns. He stated that key trips should represent an improvement over the current system, and that the public needs to be properly educated about the new system.

Mr. Snoble stated that the agency is seeking ways to provide quick transfers and locating areas where routes should be truncated.

5) DISCUSSED improving coordination between Communications Department/Marketing and the Sectors.

Matt Raymond stated that the agency has a baseline communications program which allows the agency to promote specific routes in a cost-effective way. Mr. Raymond announced that Communications Department staff will meet with the Sectors again in July regarding marketing of Sector services. He explained that the agency is pursuing three major strategies to increase ridership:

- **General Branding:** Staff is working with limited marketing funds to increase the public's awareness and perception of the agency.

- **Local Community-Based Marketing Program ("Know Metro"):** The intent of the program is to gauge whether the public is aware of local services in their area. The better the level of local service offered, the more likely commuters are to use the system. Businesses have been targeted as they consist of roughly 80% commuters.

- **Partnership with Employers:** The labor force represents a viable target for marketing of incentive programs to use transit.

Councilmember Price stated that signage should display the hours of service.

Mr. Raymond responded that staff will work with stops and zones to ensure that proper signage is displayed. He stated that because the agency is working with a limited budget, it would need to find cost-effective ways of doing this (e.g., placing decals on poles).

Councilmember Heard asked how quickly staff can implement this suggestion. He reiterated that providing a discretionary marketing fund to Sectors would help with efficiently and effectively performing these types of functions. He added that the ad for Line 686-687 ran for a number of weeks with incorrect information, and should have been pulled.

Councilmember Richards cautioned that decals showing a route's frequency of service may not be effective as some passengers have a habit of peeling them off the poles. In addition, some decals display incorrect information and have not been removed.

Mr. Raymond stated that staff is trying to find ways to increase the durability of the decals and use more permanent media to display information. This is an ongoing challenge that requires funding and staff coordination.

Councilmember Price restated her belief that the Sectors need money to address what is going on in their individual Sectors and the issues are not consistent.

6) DISCUSSED Councils' report to the Board of Directors, June 23, 2005.

Mr. Catoe noted that feedback was received after last year's meeting regarding the fact that one person addressed the Board on behalf of all the Sectors.

Councilmembers Shidler and Price expressed the opinion that every Council Chair should be able to give a brief report to the Board as each Sector has its own unique issues.

Mr. Catoe stated that a key issue involves the number of minutes staff would be able to provide for the presentation.

Councilmember King suggested that all five Chairs coordinate with each other to find common themes that they would like the Board to address in order to make the most effective use of time.

Mr. Catoe stated that staff can come back with more information.

Councilmember Price asked if there is a mechanism for communicating directly with the Board.

Mr. Snoble stated that the Sectors may coordinate with the Board Secretary's office to communicate with the Board. Staff may be able to include Sector correspondence in the Board box, which provides various information to Board members.

7) Chief Executive Officer, Deputy Chief Executive Officer and Council Members' Final Remarks:

Mr. Catoe summarized the main areas of concern as being:

a) Marketing

b) General Manager performance evaluation

c) Budget process, and

d) Communication with the Board

Richard Hunt, Westside/Central Sector General Manager, stated that this year's budget is very constrained; perhaps input will be more meaningful in future years.

Councilmember Doyle commented that anticipated reductions in Service Sector staffing levels should be communicated to Sector General Managers as soon as possible.

Councilmember Shidler added that putting community relations people downtown takes them out of the community where they should be.

Mr. Snoble responded that although housed downtown, those people will still be responsible to the General Managers. The community relations function is vast and the agency is going to need to rely on the General Managers and area teams to perform double duty.

Councilmember Doyle asked how soon the Call for Projects would be reinstated if the governor reinstates Prop 42 funds.

Mr. Snoble mentioned that staff had a discussion today about the 10-year forecast. He stated that if the agency doesn't fix the structural deficit, it may not be able to reinstate the Call for Projects.

Councilmember Price inquired about the possibility of modeling or projecting optimum service hours for Metro Connections.

Ms. Michali stated that staff will work with Planning on this, and it is an iterative process.

8) RECEIVED Public Comment.

ADJOURNED at 6:30 p.m.

Prepared by:

Michele Chau	Christina Lumba-Gamboa	Michele Jackson
Recording Secretary	Recording Secretary	Board Secretary